

VIA CFTC PORTAL

28 April 2017

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

LCH Limited Self-Certification: Removal of market standard definitions, conforming changes to tenors and amendments to use of excess margin

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rules to effect the following changes:

- i. remove certain market standard definitions related to inflation swaps
- ii. correct the maximum tenors for certain contracts eligible in SwapClear
- iii. allow Clearing Members to use excess collateral to register Backloaded Trade(s)

Part I: Explanation and Analysis

Removal of market standard definitions

LCH proposes to remove the market standard definitions in respect of the indices used for calculating the floating rate for inflation swaps. The proposed changes complement similar changes made to the rules at the beginning of this year, whereby cross-references to detailed market standard definitions in respect of certain SwapClear eligible products were removed as considered dispensable. To note, LCH is not changing the definitions or parameters used in its services; but the rules will now reference the market standard definitions instead of incorporating them verbatim.

Changes to certain maximum tenors

The proposed changes are to align the product manuals for SCMs and FCMs with the currently eligible maximum tenors for certain SwapClear contracts. Where tenors have been removed is because these have been decommissioned.

Use of excess collateral to register Backloaded Trade(s)

LCH proposes to change its rules to enable Clearing Members to meet a margin call arising from the registration of Backloaded Trade(s) using excess collateral. This change adds efficiency to the process for registering backloaded trades.

The changes will go live on, or after, May 16, 2017.

Part II: Description of Rule Changes

Removal of market standard definitions

The relevant market standard definitions have been removed in the Procedures Section 2C and the FCM Procedures in the subparagraphs regarding the Calculation of Inflation Indices, under the section on Coupon Payments (subparagraphs 1.8.13 and 2.1.8 (o) respectively).

The texts of the above changes are attached hereto as:

- **Appendix I** – Procedures Section 2C
- **Appendix II** – FCM Procedures

Changes to certain maximum tenors

Part B of the SCM Product Specific Contract Terms and Eligibility Criteria Manual has been updated with the currently eligible tenors in the following sections:

- 1.2 (b) in respect to VNS in CAD and JPY (31Y and 41Y respectively); the equivalent changes have been made to the corresponding FCM Manual in Part B section 1.1 (b)
- 1.2 (c) in respect to FRAs in DKK, EUR, HUF, JPY, NOK and SEK; the equivalent changes have been made to the corresponding FCM Manual in Part B section 1.1 (c)
- 2.1.3 in respect to the maximum residual terms of various currencies of eligible swap contracts

The texts of the above changes are attached hereto as:

- **Appendix III** – Product Specific Contract Terms and Eligibility Criteria Manual
- **Appendix IV** – FCM Product Specific Contract Terms and Eligibility Criteria Manual

Use of excess collateral to register Backloaded Trade(s)

Section 1.3.6 (*Backloading of Existing Trades*) of the Procedures Section 2C has been amended to remove the restriction on a Clearing Member's ability to satisfy a backload margin call with excess collateral. An equivalent change has been made to Section 2.1.3 (e) (*Registration of New Trades and Backloaded Trade*) of the FCM Procedures.

The texts of the above changes are attached hereto as:

- **Appendix V** – Procedures Section 2C
- **Appendix VI** – FCM Procedures

Part III: Core Principles Compliance

LCH has reviewed the changes to its rules against the Core Principles and finds that these will continue to comply with all the requirements and standards therein.

Part IV: Public Information

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

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

Part V: Opposing Views

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

Certification

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

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

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Procedures Section 2C



LCH.CLEARNET LIMITED
PROCEDURES SECTION 2C
SWAPCLEAR CLEARING SERVICE

principles specified in the SwapClear Transaction submitted to the Clearing House and as set forth in the ISDA 2006 Definitions.

1.8.12 *Floating Rate*

The Floating Rate Options shall have the meanings given to them in the ISDA 2000 Definitions or the ISDA 2006 Definitions, as applicable, provided that where the rate for a Reset Date is not available following the application of such definitions, the Clearing House will determine an applicable rate at its sole discretion. Each such rate will be provided in regular reports by the Clearing House to members.

(a) *Applying Floating Rate Options*

The Clearing House will determine the rate applicable on a Reset Date in respect of a SwapClear Contract as set out in the paragraph above. Such rate will be applied to the appropriate floating legs and the coupon payments calculated.

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

(b) *Negative Interest Rate Method*

SCMs should note the provisions of section 3.3 of Part A of the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website regarding the applicability of the Negative Interest Rate Method to a SwapClear Contract. SwapClear Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

1.8.13 Calculation of Inflation Indices

(a) The Index level used for calculating the Floating Rate is determined according to the 2008 ISDA Inflation Definitions in respect of the following indices (or successor indices from time to time): ~~The descriptions of the relevant Indices for the purposes of these calculations are as follows:~~

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

(ii) ~~“FRC — Excluding Tobacco Non Revised Consumer Price Index” means the “Non-revised Index of Consumer Prices~~

~~excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.;~~

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

1.8.14 Index Final

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

1.9 Initial Margin

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

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

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the principles specified in the FCM SwapClear Transaction submitted to the Clearing House and as set forth in the ISDA 2006 Definitions.

(l) *Floating Rate*

The Floating Rate Options shall have the meanings given to them in the ISDA 2000 Definitions or the ISDA 2006 Definitions, as applicable, provided that where the rate for a Reset Date is not available following the application of such definitions, the Clearing House will determine an applicable rate at its sole discretion. Each such rate will be provided in regular reports by the Clearing House to members.

(m) *Applying Floating Rate Options*

The Clearing House will determine the rate applicable on a Reset Date in respect of a SwapClear Contract as set out in paragraph (l) above. Such Rate will be applied to the appropriate floating legs and the coupon payments calculated.

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

(n) *Negative Interest Rate Method*

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

(o) *Calculation of Inflation Indices*

The Index level used for calculating the Floating Rate is determined according to the 2006 ISDA Definitions. ~~The descriptions of the relevant Indices for the purposes of these calculations are as follows in respect of the following indices (or successor indices from time to time):~~

- (i) ~~“EUR Excluding Tobacco Non-revised Consumer Price Index” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level~~

~~of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.~~

- (ii) ~~“**FRC Excluding Tobacco Non Revised Consumer Price Index**” means the “Nonnon-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.~~
- (iii) ~~“**GBP Non revised Retail Price Index (UKRPI)**” means the “Nonnon-revised Retail Price Index All Items in the United Kingdom”, or relevant Successor Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.~~ and
- (iv) ~~“**USD Non revised Consumer Price Index Urban (CPI-U)**” means the “Nonnon-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment”, or relevant Successor Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.~~

(p) *Index Final*

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

2.1.9 *Initial Margin*

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

Separate Initial Margin calculations are performed for an FCM Clearing Member's house “H” and client “C” accounts and, within a “C” account,

Appendix III
Product Specific Contract Terms and Eligibility Criteria Manual



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

- (b) Variable notional interest rate swaps having the characteristics set out in the table below:

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,675 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,675 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	CAD	CAD-CDOR-BA	Interest Rate Swap	Single currency	18,675 11,375 Days	
Variable Notional Swap	CAD	CAD-CDOR-BA	Basis Swap	Single currency	18,675 11,375 Days	
Variable Notional Swap	JPY	JPY-LIBOR-BBA	Interest Rate Swap	Single currency	18,675 15,025 Days	
Variable Notional Swap	JPY	JPY-LIBOR-BBA	Basis Swap	Single currency	18,675 15,025 Days	
Variable Notional Swap	AUD	AUD-BBR-BBSW	Interest Rate Swap	Single currency	11,375 Days	
Variable Notional Swap	AUD	AUD-BBR-BBSW	Basis Swap	Single currency	11,375 Days	
Variable Notional Swap	NOK	NOK-NIBOR-OIBOR	Interest Rate Swap	Single currency	5,700 Days	
Variable Notional Swap	NOK	NOK-NIBOR-OIBOR	Basis Swap	Single currency	5,700 Days	
Variable Notional Swap	PLN	PLN-WIBOR-WIBO	Interest Rate Swap	Single currency	5,700 Days	

(c) Forward interest rate agreements having the characteristics set out in the table below:

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 6m, 1y	Min 3 Max 375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	1,225 days		1w, 2w 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 4m , 5m , 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 6m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed v floating	Single currency	1,225 days		1w, 2w, 1m, 2m, 3m, 6m, 7m , 8m , 9m, 1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 6m, 1y	Min 3 Max 375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed v floating	Single currency	1,225 days		1w, 2w 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m, 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 2w , 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-OIBOR	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
ent								375
Forward Rate Agreement	PLN	PLN – WIBOR_WIBO	Fixed v floating	Single currency	1,225 days		1w, 2w 1m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 6m, 1y	Min 3 Max 375

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

Instrument	Acceptable Currencies	Acceptable Indices ⁹	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Vanilla inflation rate swaps with constant notional principal	GBP	GBP – Non-revised Retail Price Index (UKRPI) See Annex A (oo)(i) for definition	Fixed vs. Floating	Single currency	18,325 Days 0.01-99,999,999,999.99
Vanilla inflation rate swaps with constant notional principal	USD	USD Non-revised Consumer Price Index – Urban (CPI-U) See Annex A (pp)(i) for definition	Fixed vs. Floating	Single currency	11,000 Days 0.01-99,999,999,999.99
Vanilla inflation rate swaps with	EUR	FRC – Excluding Tobacco-Non-	Fixed vs. Floating	Single currency	11,000 Days 0.01-99,999,999,999.99

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

Fraction	SWIFT Code
Actual/365, Actual/Actual..... (See Article 4.16(b) for definition)	ACT/365
Actual/365 (Fixed)..... (See Article 4.16(c) for definition)	AFI/365
Actual/360 (See Article 4.16(d) for definition)	ACT/360
30/360,360/360, Bond Basis (See Article 4.16(e) for definition)	360/360
30E/360 (See Article 4.16(f) for definition)	30E/360

2.1.2 *Business Day Conventions*

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

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

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

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

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

fixed period end dates and the termination date

float period end dates and the termination date

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

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

Minimum Residual Term of trade:

Termination date - Today \geq 1 + currency settlement lag

where currency settlement lag is:

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

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

Maximum Residual Term of trade:

~~Termination date – Today <= 3,670 days for HKD, ZAR, SGD, HUF & CZK (10 years)~~

Termination date – Today <= 3,850 days for CZK, HKD, HUF, MXN, SGD & ZAR~~MXN~~ (10.5 years)

~~Termination date – Today <= 5,495 days for NZD~~

Termination date – Today <= 5,700 days for NOK, NZD & PLN (15.5 years)

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

Termination date – Today <= 11,375 days for AUD, CAD, DKK, SEK & CHF (31 years)~~DKK~~

Termination date – Today <= ~~14,620~~15,025 days for JPY (~~40~~41 years)

Termination date – Today <= ~~18,275~~18,675 days for GBP, EUR & USD (~~50~~51 years)

Maximum Residual Term to Maturity for Forward Rate Agreements

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

<u>Currency</u>	<u>Maximum Residual Term to Maturity</u>
EUR, JPY, USD, GBP, <u>CHF, DKK, NOK, PLN, SEK, CZK & HUF</u>	1,105 <u>1,225</u> days (3.3 years)
CHF, DKK, NOK, PLN, SEK, CZK, HUF	740 days (2 years)

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

2.1.4 *Designated Maturity*

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

2.1.5 *Calculation Periods*

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

For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non standard Calculation Periods ("**stub periods**") at either the start or end of the contract. Transactions with stub periods at

Appendix IV

FCM Product Specific Contract Terms and Eligibility Criteria Manual

FCM PRODUCT SPECIFIC CONTRACT TERMS AND
ELIGIBILITY CRITERIA MANUAL

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

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,675Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Zero Coupon Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,675Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Zero Coupon Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Zero Coupon Swap	Single currency	18,675 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,675 Days	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,675 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,675 Days	
Variable Notional Swap	CAD	CAD-CDOR-BA	Interest Rate Swap	Single currency	18,675 <u>11,375</u> Days	
Variable Notional Swap	CAD	CAD-CDOR-BA	Basis Swap	Single currency	18,675 <u>11,375</u> Days	
Variable Notional Swap	JPY	JPY-LIBOR-BBA	Interest Rate Swap	Single currency	18,675 <u>15,025</u> Days	
Variable Notional Swap	JPY	JPY-LIBOR-BBA	Basis Swap	Single currency	18,675 <u>15,025</u> Days	
Variable Notional Swap	AUD	AUD-BBR-BBSW	Interest Rate Swap	Single currency	11,375 Days	
Variable Notional Swap	AUD	AUD-BBR-BBSW	Basis Swap	Single currency	11,375 Days	
Variable Notional Swap	NOK	NOK-NIBOR-OIBOR	Interest Rate Swap	Single currency	5,700 Days	
Variable Notional Swap	NOK	NOK-NIBOR-OIBOR	Basis Swap	Single currency	5,700 Days	
Variable Notional	PLN	PLN-WIBOR-WIBO	Interest Rate	Single currency	5,700 Days	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Swap			Swap			
Variable Notional Swap	PLN	PLN-WIBOR-WIBO	Basis Swap	Single currency	5,700 Days	
Variable Notional Swap	SEK	SEK-STIBOR-SIDE	Interest Rate Swap	Single currency	11,375 Days	
Variable Notional Swap	SEK	SEK-STIBOR-SIDE	Basis Swap	Single currency	11,375 Days	

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

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 2w , 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	1,225 days		1w, 2w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 4m , 5m , 6m, 9m,	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							1y	
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 2w , 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed v floating	Single currency	1,225 days		1w, 2w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 2w , 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10 , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed v floating	Single currency	1,225 days		1w, 2w, 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m, 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 2w , 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-OIBOR	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max 375
Forward Rate Agreement	PLN	PLN WIBOR_WIBO	Fixed v floating	Single currency	1,225 days		1w, 2w, 1m, 3m, 6m, 9m, 1y	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	1,225 days		1w, 1m, 2m, 3m, 6m, 9m , 1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1,225 days		1w, 2w , 1m, 2m, 3m, 4m , 5m , 6m, 7m , 8m , 9m , 10m , 11m , 1y	Min 3 Max 375

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

Instrument	Acceptable Currencies	Acceptable Indices ⁸	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Vanilla inflation rate swaps with constant notional principal	GBP	GBP – Non-revised Retail Price Index (UKRPI) See Annex A (oo)(i) for definition	Fixed vs. Floating	Single currency 18,675 18,325 Days	0.01-99,999,999,999.99
Vanilla inflation rate swaps with constant notional principal	USD	USD Non-revised Consumer Price Index – Urban (CPI-U) See Annex A (pp)(i) for definition	Fixed vs. Floating	Single currency 11,000 Days	0.01-99,999,999,999.99
Vanilla inflation rate swaps with constant notional principal	EUR	FRC – Excluding Tobacco-Non-Revised Consumer Price Index See Annex A (l)(i) for	Fixed vs. Floating	Single currency 11,000 Days	0.01-99,999,999,999.99

⁸ References in this column are to the 2008 ISDA Inflation Derivatives Definitions.

(ii) float period end dates and the termination date

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

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

(i) Minimum Residual Term of trade:

Termination date - Today ≥ 1 + currency settlement lag

where currency settlement lag is:

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

(ii) Maximum Residual Term of trade:

~~Termination date – Today $\leq 3,670$ days for HKD, NZD, ZAR, SAD, HUF & CZK (10 years)~~

Termination date – Today $\leq 3,850$ days for CZK, HKD, HUF, SGD, ZAR & MXN (10.5 years)

Termination date – Today $\leq 5,700$ days for NOK, NZD & PLN (15.5 years)

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

Termination date – Today $\leq 11,375$ days for AUD, CAD, DKK, CHF & SEK (31 years)~~DKK~~

Termination date – Today \leq ~~14,620~~15,025 days for JPY (~~40~~41 years)

Termination date – Today \leq ~~18,275~~18,675 days for GBP, EUR & USD (~~50~~51 years)

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

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

Currency	Maximum Residual Term to Maturity
EUR, JPY, USD, GBP, <u>CHF, DKK, NOK, PLN, SEK, CZK & HUF</u>	1405 <u>1,225</u> days (3. <u>3</u> years)

AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)
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The Clearing House will accept FCM SwapClear Transactions that are inflation swaps for registration: (a) in the case of uninterpolated indices, up to the end of the month prior to the final Reference Month; and (b) in the case of interpolated indices, up to the end of the final Reference Month.

(d) ***Designated Maturity***

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

(e) ***Calculation Periods***

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

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

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

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

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

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

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

Any up-front fees due under an FCM SwapClear Transaction will form part of the first Variation Margin payment made in connection with such FCM SwapClear Transaction.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.

Appendix V
Procedures Section 2C



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

SwapClear Clearing Member and FCM Clearing Member (as the case may be) and such SwapClear Clearing Member(s) or such SwapClear Clearing Member and such FCM Clearing Member shall transfer such Collateral to the Clearing House prior to registration upon request of the Clearing House. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is a Sub-Block US Trading Venue Transaction, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall transfer to the Clearing House sufficient Collateral in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing, (i) if the Clearing House registers a SwapClear Contract resulting from a SwapClear Transaction that is not a Sub-Block US Trading Venue Transaction where one or both of the relevant SwapClear Clearing Members has not provided sufficient Collateral prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 47 (and in particular by paragraphs (c), (h) and (i) thereof) and any other applicable provision of the Rulebook; and (ii) if the Clearing House rejects a SwapClear Transaction that is a Sub-Block US Trading Venue Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation 55 (*Registration of SwapClear Contracts*) having been satisfied in respect of the related SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 1.1.3) on the SwapClear Clearing Member reporting account.

1.3.6 *Backloading of Existing Trades*

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a "**Backloaded Trade**"). Due to the nature of Backloaded Trades, SwapClear Clearing Members should note that a relatively large amount of Collateral is required to register such trades. The Clearing House provides the facility for SwapClear Clearing Members to load such eligible existing SwapClear Transactions, through an Approved Trade Source System (currently, MarkitWire, Bloomberg and Tradeweb). Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify SwapClear Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) of the full

particulars required by the Clearing House for each such SwapClear Transaction.

At least once every Business Day, the Clearing House will carry out a process (each a "**Backload Registration Cycle**") for the registration of Backloaded Trades which have been presented for clearing or with respect to which the Clearing House has received the one or more Necessary Consents, if any. Following each Backload Registration Cycle, the Clearing House will calculate the increase in Collateral required to register the Backloaded Trade(s) and will notify each relevant SwapClear Clearing Member (the "**Backload Margin Call**").

The Backload Margin Call will be for the entire amount of additional Collateral required in connection with the Backloaded Trade(s), and the Backload Margin Call cannot be satisfied by and will not take into account SwapClear Tolerance (i.e. SwapClear Tolerance is not available for this purpose), or any available MER Cover ~~or~~, Client Buffer ~~or any form of excess Collateral~~ (other than that which has been expressly allocated for that purpose, as described in the paragraph below). In connection with a Backload Margin Call, following the time that a SwapClear Clearing Member is required to deliver to the Clearing House the Collateral associated with such Backload Margin Call (the "**Backload Margin Call Deadline**"), the Clearing House will issue such SwapClear Clearing Member a subsequent margin call to deliver Collateral in respect of any increase in SwapClear Tolerance utilisation as of the time of the Backload Margin Call Deadline (if any).

Where an individual SwapClear Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change (be it either an increase or decrease) in the net present value of its portfolio of SwapClear Contracts in excess of a threshold amount (the "**Individual Backload Value Threshold**") as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the relevant Backload Registration Cycle. In the event that the Clearing House does not receive such notification and the change in net present value of the SwapClear Clearing Member's portfolio of SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that SwapClear Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

Where a SwapClear Clearing Member notifies the Clearing House of a change in net present value in excess of the Individual Backload Value Threshold, the Clearing House shall inform the SwapClear Clearing Member whether it will be required to pre-fund the Backload Margin Call and, if so, how Collateral should be delivered such that it will be made available for a Backload Registration Cycle.

In the event that the aggregate Backload Margin Call required from all SwapClear Clearing Members participating in a Backload Registration Cycle is in excess of a pre-determined threshold amount (the "**Aggregate Backload Margin Threshold**") as published by the Clearing House from time to time,

Appendix VI
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

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such FCM SwapClear Contract results from an FCM US Trading Venue Transaction, no later than the Clearing House's receipt of the relevant FCM SwapClear Transaction details (and thereafter maintain) sufficient Margin in respect of such FCM Contract. In determining whether sufficient Margin for registration is available, the Clearing House will take into account any Available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance. In respect of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is a Sub-Block US Trading Venue Transaction, the FCM Clearing Member in whose name such FCM SwapClear Contract is registered shall furnish the Clearing House with sufficient Margin in respect of such FCM SwapClear Contract at such time after the registration of such FCM SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing: (A) if the Clearing House registers an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not a Sub-Block US Trading Venue Transaction where one or both of the relevant FCM Clearing Members has not furnished sufficient Margin prior to registration, the FCM Clearing Members shall be bound by the terms of the FCM SwapClear Contract relating thereto arising under FCM Regulation 45 (and in particular by paragraphs (c), (i) and (j) thereof) and any other applicable provision of the FCM Rulebook; and (B) if the Clearing House rejects an FCM SwapClear Transaction that is a Sub-Block US Trading Venue Transaction for insufficient Margin, the Clearing House shall not be liable to any FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Transaction.

Upon an FCM SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in FCM Regulation 45 (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*) having been satisfied in respect of the related FCM SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 2.1.1(c)) on the SwapClear Clearing Member reporting account.

(ii) Backloaded Trades:

An FCM SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a "**Backloaded Trade**"). Due to the nature of Backloaded Trades, FCM Clearing Members

should note that a relatively large amount of cover is required in order to register such trades. The Clearing House provides the facility for FCM Clearing Members to load such eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System (currently only MarkitWire). Where the Clearing House approves additional FCM Approved Trade Source Systems for these purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transaction.

At least once every Business Day, the Clearing House will carry out a process for the registration of Backloaded Trades (each, a “**Backload Registration Cycle**”) which have been submitted for clearing or with respect to which the Clearing House has received the one or more FCM Acceptances, if any. Following each Backload Registration Cycle, the Clearing House will calculate the increase in Required Margin required to register the Backloaded Trade(s) and will notify each relevant FCM Clearing Member (the “**Backload Margin Call**”). The Backload Margin Call will be for the entire amount of Margin calculated by the increase in Required Margin, and the Backload Margin Call cannot be satisfied by and will not take into account SwapClear Tolerance (i.e., SwapClear Tolerance is not available for this purpose), or any available MER Cover, ~~or~~ FCM Buffer ~~or Excess Margin~~ (other than that which has been expressly allocated for that purpose, as described in the paragraph below). In connection with a Backload Margin Call, following the time that an FCM Clearing Member is required to furnish the Clearing House with the Margin associated with such Backload Margin Call (the “**Backload Margin Call Deadline**”), the Clearing House will issue such FCM Clearing Member a subsequent margin call to furnish Margin in respect of any SwapClear Tolerance utilisation as of the time of the Backload Margin Call Deadline (if any).

Where an individual FCM Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change in the net present value of its portfolio of FCM SwapClear Contracts in excess of a threshold amount (the “**Individual Backload Value Threshold**”) as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the Backload Registration Cycle. In the event that the Clearing House does not receive such notification and the change in net present value of the FCM Clearing Member’s portfolio of FCM SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that FCM Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

