

VIA CFTC PORTAL

16 May 2018

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 on Treatment of Variation Margin for US ForexClear Clearing Members**

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 clarify that all variation margin payments associated with US-incorporated ForexClear Clearing Members (“US FXCCM Clearing Members”) are treated as settlement payments. Equivalent rules are currently in place for Contracts of ForexClear Clearing Members which are Futures Commission Merchants (“FCM Clearing Members”) and are in line with regulatory guidance published by the CFTC in October 2017<sup>1</sup>.

**Part I: Explanation and Analysis**

LCH proposes to make changes to its rules to clarify that all variation margin payments to and from US FXCCM Clearing Members in respect of ForexClear Contracts constitute settlement payments, rather than transfers of collateral. Such contracts are referred to as “Settled-to-Market Contracts” or “STM Contracts”. The rules will state that upon payment of amounts due in respect of such variation margin, the outstanding exposure of the relevant Contracts will be discharged.

LCH further proposes to clarify in its rules that variation margin payments to and from non-US FXCCM Clearing Members continue to be treated as transfers of collateral. The Contracts subject to this treatment are referred to as Collateralised-to-Market Contracts or “CTM Contracts”.

The rule changes will go live on, or after, June 1, 2018.

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<sup>1</sup> <http://www.cftc.gov/idc/groups/public/@lrllettergeneral/documents/letter/17-51.pdf>

## Part II: Description of Rule Changes

### General Regulations

The majority of the changes are included in Regulation 91, 96 and 101 to clarify that ForexClear Contracts may be registered as STM or CTM Contracts, as applicable, in the following contexts: novation; contract transfers; settlement of ForexClear Option Contracts; and ForexClear Liquidity Event. The details are as follows:

- i) In Regulation 91 ("Registration of ForexClear Contracts") the changes have been made to paragraphs c) and d) which clarify that LCH shall register ForexClear Contracts entered into by US FXCCM Clearing Members as STM Contracts; Contracts entered into by non US FXCCM Clearing Members shall be registered as CTM Contracts. Further, paragraph n) states that the same applies in the context of transfer of open contracts, which may take effect in accordance with the applicable LCH rules. As a result, Contracts being transferred to a US FXCCM Clearing Members shall be registered as STM Contracts, and those being transferred to a non US FXCCM Clearing Members shall be registered as CTM Contracts; regardless of the characterisation of the Original Contract.
- ii) Regulation 96 d) notes that any ForexClear Deliverable Forward Contract or ForexClear Spot Contract arising upon the exercise or deemed exercise of a ForexClear Option Contract shall be registered as STM or CTM Contracts, as applicable.
- iii) Regulation 101 v) H) and I) clarify that the Mandatory ForexClear Swap Contracts arising in a ForexClear Liquidity Event, as defined under paragraph a), shall be registered as STM or CTM Contracts, as applicable.

Regulation 3 has been updated to make reference to the ForexClear STM terms in the context of the performance by LCH of its obligations under the terms of an open Contract. Similarly, Regulation 95 b) and d) make reference to the ForexClear STM terms and the treatment of ForexClear STM or CTM Contract, as applicable, in the context of compression. Regulation 93 is now specific to Variation Margin in respect to ForexClear CTM Contracts and this is reflected in the title of this section.

Generally, certain definitions have been added supporting the treatment of variation margin as settlement payments in respect to ForexClear Contracts of US-incorporated ForexClear Clearing Members ("US FXCCM Clearing Members"). New definitions include "ForexClear STM Contract and "ForexClear STM Terms"; as well as "ForexClear STM Contract" and "ForexClear Deliverable Forward STM Terms"; equivalent definitions have been added for NDF, Option, Spot and Swap Contracts. Lastly, certain paragraph and section references have been updated throughout.

### Procedures Section 2I (ForexClear Clearing Service)

The following new terms have been added to this part of the Rulebook (Section 1, "Introduction and Interpretation") and are used throughout:

- "ForexClear Margin or Settlement Currency", which is intended to be USD for ForexClear NDF Contracts and in the case of all other ForexClear Contracts the eligible currency or currencies elected as such by the FXCCM party.
- "NPV Payment", which refers to the amount/s paid by either the relevant FXCCM or LCH to the other on a given business day in respect of the change in the net present value of a ForexClear STM Contract in accordance with the Contracts Terms
- "Price Alignment Amount" ("PAA"), which is specific to STM Contracts and replicates the economics of interest that is currently paid or received on a daily basis in connection with CTM Contracts (i.e. "Price Alignment Interest" or "PAI"). Such interest, and consequently PAA, is a standard payment made in the

cleared derivatives market to eliminate the basis risk that would otherwise arise among cleared swaps. The term "PAA Calculation Methodology" has also been added in this context.

The titles of certain paragraph 1.5 and subparagraph 1.5.2 have been amended as "Variation Margin and NPV Payments" to distinguish between the payments owed by or due to FXCCM Clearing Members in respect to CTM or STM Contracts, respectively. Further, subparagraph 1.5.4 now clarifies that PAI refers to CTM Contracts and a new section 1.5.5 has been added to state how the PAA and the PAA Calculation Methodology will be applied to STM Contracts. Section 1.6 ("General Margining Process") now includes references to Settlement Run, along with Margin Run, and references to NPV Payments, along with Margin Payment, to cater for STM Contracts.

Section 1.8 ("CLS Payment Procedures") includes a clarification change noting the relevant FX Liabilities payable to CLS in respect to relevant ForexClear Contracts. The change clarifies that the FX Liabilities shall be net of any return of aggregate variation margin or NPV Payments denominated in the same currency and due on the same day.

#### Product Specific Contract Terms and Eligibility Criteria Manual

Part A of Schedule 6 includes a new paragraph 10 "ForexClear NDF STM Terms" under the section *ForexClear NDF Contract Terms; ForexClear Contracts arising from ForexClear NDF Transactions*. Paragraph 10 sets out the details on the determination and Payment of the NPV and the PAA in respect to NDF Contracts. Equivalent changes have been made in the respective sections concerning ForexClear Spot, Deliverable Forward, Option and Swap Contracts.

#### Procedure Section 3 (Financial Transactions) and Default Rules

Procedures Section 3 includes a new reference to the Procedures Section 2I under the subparagraph 1.6.1 "Interest Rates".

The definition of the term "Cash Payment Type" in the Default Rules now includes a reference to any payment under Section 4.1 and Section 10.1 of the ForexClear STM Terms, as outlined in the "Product Specific Contract Terms and Eligibility Criteria Manual".

The texts of the changes are attached hereto as:

- **Appendix I**, General Regulations
- **Appendix II**, Procedures Section 2I (ForexClear Clearing Service)
- **Appendix III**, Product Specific Contract Terms and Eligibility Criteria Manual
- **Appendix IV**, Procedure Section 3
- **Appendix V**, Default Rules

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

LCH has reviewed the changes against the requirements of the Core Principles and finds that they 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.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 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 the attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

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 LIMITED**

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## Scope

Save where expressly stated to the contrary in these Regulations or the Procedures, these Regulations govern clearing services provided by LCH Limited. They do not cover clearing services provided by LCH SA which are governed by a separate set of rules.

For the purposes of these Regulations, LCH Limited is referred to as the "**the Clearing House**". The terms "**Member**" or "**Clearing Member**" are used to refer to an undertaking which is entitled to receive clearing services from LCH Limited (see "Definitions"). They do not mean "shareholder" of LCH Limited or of any other undertaking in the LCH Group Holdings Limited.

Any Regulation or group of Regulations expressly stated not to apply to a category, or categories, of Contract shall not apply to such category, or categories, of Contract.

Regulation 55~~Regulation 54~~ to Regulation 61~~Regulation 60~~ (inclusive) apply only to SwapClear Contracts. Save as provided in Regulation 55~~Regulation 54~~, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to SwapClear Contracts.

Regulation 62~~Regulation 61~~ to Regulation 67~~Regulation 66~~ (inclusive) apply only to RepoClear Contracts. Save as provided in Regulation 62~~Regulation 61~~, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to RepoClear Contracts.

Regulation 68~~Regulation 67~~ to Regulation 73~~Regulation 72~~ (inclusive) apply only to EquityClear Contracts. Save as provided in Regulation 68~~Regulation 67~~, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to EquityClear Contracts.

Regulation 74~~Regulation 73~~ to Regulation 76~~Regulation 75~~ (inclusive) apply only to LCH EnClear Contracts. Save as provided in Regulation 74~~Regulation 73~~, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LCH EnClear Contracts.

Regulation 77~~Regulation 76~~ to Regulation 87 (inclusive) apply only to LSE Derivatives Markets Cleared Exchange Contracts which are eligible for clearing pursuant to these Regulations and the LSE Derivatives Markets Rules. Save as provided in Regulation 77~~Regulation 76~~, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LSE Derivatives Markets Cleared Exchange Contracts.

Regulation 89 applies only to Nodal Contracts. Save as provided in Regulation 89, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to Nodal Contracts.

Regulation 90 to 0~~Regulation 106A~~ (inclusive) apply only to ForexClear Contracts. Save as provided in Regulation 90, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to ForexClear Contracts.

Regulation 107 to Regulation 115 (inclusive) apply only to Listed Interest Rates Contracts. Save as provided in Regulation 108, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to Listed Interest Rates Contracts.

## REGULATION 1 DEFINITIONS

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

<b>"Account Balance"</b>	means, in relation to a Relevant Client Clearing Business of a Clearing Member, an Individual Segregated Account Balance, an Indirect Gross Account Balance, a Custodial Segregated Account Balance or an Omnibus Segregated Account Balance
<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 SwapClear Clearing Members either on their own account or with respect to a SwapClear Clearing Client in accordance with the provisions of <u>Regulation 57</u> <del>Regulation 56</del> and relevant Compression Documentation
<b>"Account Information Documents"</b>	means the documents called "LCH Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request
<b>"Affected ForexClear Option Clearing Member"</b>	has the meaning assigned to it in Regulation 101
<b>"Affiliated Client Omnibus Net Segregated Account"</b>	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account
<b>"Affiliated Client Omnibus Segregated Account"</b>	means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients
<b>"Affiliated Omnibus Net Segregated Clearing Clients"</b>	means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account



**"Applied Collateral Excess Proceeds"**

means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Clearing Member and/or a Custodial Segregated Client with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Clearing Member or the Client Charge entered into with the relevant Clearing Member and such Custodial Segregated Client, the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the relevant obligations to the Clearing House or, in the case of an appropriation, an amount of such non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge, Client Charge or Collateral Management Agreement) over the relevant obligations to the Clearing House which have been discharged by that appropriation

**"Applied FCM Buffer"**

has the meaning assigned to it in the FCM Regulations

**"approved agent"**

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

**"Approved Broker"**

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

**"Approved Compression Services Provider (ACSP)"**

means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with [Regulation 57](#)~~Regulation 56~~ and relevant Compression Documentation.

**"Approved EquityClear Settlement Provider ("ASP")"**

means the operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts

**"Approved EquityClear Trading Platform ("ATP")"**

means any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service

**"Approved LCH SDR"**

means any swap data repository approved by the Clearing House from time to time for the submission of swap data by SwapClear Clearing Members and ForexClear Clearing Members

<b>"Approved Trade Source System"</b>	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system or other similar venue or system, approved by the Clearing House for submitting SwapClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)
<b>"Approved LSE Derivatives Markets Settlement Provider"</b>	means the securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the LSE Derivatives Markets Service
<b>"Associated Clearing House"</b>	means the clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange
<b>"Associated Collateral Balance"</b>	means the Account Balance or Account Balances (as applicable) that may be transferred from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement
<b>"ATP Market Rules"</b>	means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House
<b>"ATS Contract"</b>	means any contract subject to the Regulations entered into by the Clearing House and a RepoClear Clearing Member or a RepoClear Dealer pursuant to Default Rule 6(m), following a course of dealing on any Automated Trading System between the Clearing House and a RepoClear Clearing Member or RepoClear Dealer
<b>"ATS Participant"</b>	has the meaning assigned to such term in <a href="#"><u>Regulation 64(b)</u></a> <del>Regulation 63(b)</del>
<b>"Auction Portfolio"</b>	has the meaning assigned to it in the Default Rules
<b>"AUD ForexClear Liquidity Fund Contribution"</b>	means, in respect of a ForexClear Option Clearing Member, the amount (notified by the Clearing House pursuant to Regulation 102(b)) of cash denominated in Australian Dollars that is required to be paid by that ForexClear Option Clearing Member to the Clearing House

<b>"Business"</b>	means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Services, Commodities Business, Equities Business, ForexClear Business, RepoClear Business and Rates Service Business.
<b>"business day"</b>	means in respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear Contract (except where specified otherwise in the LCH EnClear Contract Terms), an EquityClear Contract, and a Listed Interest Rates Contract (except where specified otherwise in the Listed Interest Rates Contract Terms) a day on which the Clearing House is open for business
<b>"buyer"</b>	means a Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange contract, a Cleared Exchange Contract, a LSE Derivatives Markets Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Contract, a RepoClear GC Transaction, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, a Rates Exchange Match, a Listed Interest Rates Novation Transaction or an Eligible EnClear Trade, as the case may be
<b>"Call Currency Amount"</b>	means, in relation to a ForexClear Option Transaction or ForexClear Option Contract, as applicable, the amount specified as such in the ForexClear Option Contract Terms evidencing such ForexClear Option Transaction or ForexClear Option Contract, as applicable
<b>"Capped Amount"</b>	has the meaning as described in Default Rule 15(c)
<b>"Carrying Clearing Member"</b>	means (a) a SwapClear 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 pursuant to <del>Regulation 61</del> <a href="#">Regulation 60</a> of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement, or (b) in respect of a transfer as described in subparagraph (ii) of the definition of "Receiving Clearing Member", an FCM Clearing Member (and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa)
<b>"CEA"</b>	has the meaning assigned to it in the Default Rules
<b>"CFTC"</b>	has the meaning assigned to it in the Default Rules

**"Clearing House Current Collateral Balance"**

means, in respect of an account of a Clearing Member, all cash Collateral which has been transferred by the Clearing House to that Clearing Member (or which would, but for the application of or another comparable payment netting provision applying in the ordinary course of business, have been transferred by the Clearing House to that Clearing Member) on account of the Clearing House's variation margin obligations relating to the relevant account pursuant to the Rulebook, less any Clearing House Applied Collateral and any Clearing House Returned Collateral in relation to that account; **provided that** any amounts transferred by the Clearing House to the Clearing Member for the purpose of settling an obligation in respect of daily settlement amounts pursuant to Regulation 23(c) or an obligation arising pursuant to a SwapClear STM Contract or a ForexClear STM Contract which is due and payable do not form part of the Clearing House Current Collateral Balance

**"Clearing House Data"**

means the data or data products (or any part of such) made available by or on behalf of the Clearing House or any of its group undertakings, which shall include any or derived data created or developed based on or as a result of such data or data products

**"Clearing House Returned Collateral"**

means, in respect of an account of a Clearing Member, any cash Collateral: (i) which a Clearing Member has returned to the Clearing House; or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of Regulation 23(c) or as a result of the operation of or another comparable payment netting provision applying in the ordinary course of business

**"Clearing House Prescribed Language"**

means, in relation to Client Clearing Business, the wording prescribed by the Clearing House for inclusion in the Clearing Agreements from time to time

<b>"Client Excess"</b>	means (i) in respect of a Client Account other than an Omnibus Gross Segregated Account, that part of the Clearing Member Current Collateral Balance which is in excess of the Total Required Margin Amount for such account; and (ii) in respect of an Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients, that portion of the amount by which the Clearing Member Current Collateral Balance for such account exceeds the Total Required Margin Amount for such account which is referable to such Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients (as applicable) as notified to the Clearing House by the relevant Clearing Member in the relevant Client Excess Spreadsheet
<b>"Client Excess Spreadsheet"</b>	has the meaning given to the term in Section 1.10 ( <i>Client Excess Spreadsheet</i> ) of Procedure 4 ( <i>Margin and Collateral</i> ) of the Clearing House's Procedures
<b>"Client Securities Collateral"</b>	means non-cash Collateral that a Custodial Segregated Client provides to the Clearing House, in respect of the relevant Custodial Segregated Account and in accordance with the relevant Collateral Management Agreement, and that the Clearing House designates as such in its books and records
<b>"Client to Client Porting"</b>	means the transfer of all of the open Related Contracts registered to the relevant Indirect Gross Sub-Account of an Indirect Gross Account to the relevant Indirect Gross Sub-Account of another Indirect Gross Account in accordance with the Procedures
<b>"closing-out contract"</b>	means for the purposes of these Regulations, a contract effected by or on behalf of the Clearing House and registered in a Member's name, being a contract on the same terms (except as to price or premium) as an open contract in the Member's name, save that where the Clearing House is a buyer or a fixed rate payer, as the case may be, under the terms of such open contract the Clearing House shall be a seller or floating rate payer, as the case may be, under the terms of such closing-out contract and vice-versa
<b>"CMS"</b>	means the Clearing House's collateral management system
<b>"Compression Clearing Member"</b>	has the meaning assigned to it in <a href="#">Regulation 57</a> <del>Regulation 56</del>

<b>"Collateral"</b>	means cash, gold and/or securities which are denominated in currencies and of a description acceptable to the Clearing House as prescribed by these Regulations and the Procedures and which have been transferred, or are to be transferred, to or by the Clearing House in or towards discharge of margin obligations or anticipated margin obligations or otherwise as contemplated by the Rulebook, <b>provided that</b> any amounts transferred to or by the Clearing House for the purpose of settling either (i) an obligation arising pursuant to a SwapClear STM Contract <u>or ForexClear STM Contract</u> , or (ii) an obligation in respect of daily settlement amounts pursuant to Regulation 23(c) shall not be "Collateral". Where the context so permits, references to " <b>Collateral</b> " held by, or transferred to, the Clearing House shall include any cash proceeds resulting from the sale or disposal by the Clearing House of any non-cash Collateral pursuant to an exercise of its powers under a Deed of Charge or Client Charge, and such proceeds shall be considered cash Collateral
<b>"Collateral Management Agreement"</b>	means a collateral management agreement entered into between a Custodial Segregated Client, a Clearing Member and the Clearing House, which sets out ( <i>inter alia</i> ) the terms on which the Custodial Segregated Client may provide Collateral to the Clearing House in respect of the relevant Custodial Segregated Account
<b>"Combined Omnibus Gross Segregated Clearing Clients"</b>	means two or more Omnibus Gross Segregated Clearing Clients within the same Omnibus Gross Segregated Account who have elected to have their positions combined for the purposes of calculating applicable margin requirements (on a net basis as between such Omnibus Gross Segregated Clearing Clients as if such Omnibus Gross Segregated Clearing Clients together are a single Omnibus Gross Segregated Clearing Client for the purposes of the relevant calculations)
<b>"Commodities Business"</b>	means any transaction, obligation or liability arising out of any Commodities Contract
<b>"Commodities Contract"</b>	means any commodities contract cleared by the Clearing House
<b>"Commodities Clearing Member"</b>	means a Clearing Member which engages in Commodities Business

<b>"Co-operating Clearing House Contract"</b>	means, in respect of a Co-operating Clearing House, a class of contract, which is cleared by the Co-operating Clearing House from time to time, permitted to be made by members of the Co-operating Clearing House under Co-operating Clearing House Rules and which is the subject of a Link
<b>"Co-operating Clearing House Rules"</b>	means the provisions of a Co-operating Clearing House's Memorandum or Articles of Association or other constitutional documents, by-laws, rules, regulations, procedures, customs, practices, notices and resolutions in whatever form adopted by such Co-operating Clearing House that regulate Co-operating Clearing House Contracts and the members and markets cleared by the Co-operating Clearing House and any amendment, variation or addition thereto
<b>"Co-operating Exchange"</b>	means an exchange (which may also act as a central counterparty) which is party to a co-operation agreement with LSE
<b>"Corrupted Data"</b>	has the meaning assigned to it in Section 2C1.27 of the Procedures
<b>"Coupons"</b>	has the meaning assigned to it in section 1.1.7 of Section 4 of the Procedures
<b>"Cover"</b>	means an amount of cash or (with the approval of the Clearing House) non-cash Collateral, determined by the Clearing House, and in a form and currency acceptable to the Clearing House as prescribed in the Procedures
<b>"Crossing Transaction"</b>	has the meaning assigned to it in Chapter XIV(I)
<b>"Cross-ISA Client Excess Deduction "</b>	means, where a Total Required Margin Amount relates to an Individual Segregated Account held by a Clearing Member on behalf of an Individual Segregated Account Clearing Client, if and to the extent that Client Excess is available in one or more other Individual Segregated Accounts held by such Clearing Member on behalf of the same Individual Segregated Account Clearing Client, a deduction by the Clearing House from the other Individual Segregated Account(s) of that Client Excess
<b>"Cumulative Net Present Value"</b>	has: <ul style="list-style-type: none"> <li><u>(i) in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and</u></li> <li><u>(ii) in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A</u></li> </ul>



<b>"Custodial Segregated Account"</b>	means an account opened within the Clearing House by a Clearing Member which: (i) enables the relevant Clearing Member to distinguish the assets and positions held for the account of a Custodial Segregated Client from the assets and positions held for the account of its other clients; (ii) is designated by the Clearing House as a Custodial Segregated Account; and (iii) allows a Custodial Segregated Client to provide Client Collateral
<b>"Custodial Segregated Account Balance"</b>	means, in respect of a Custodial Segregated Client of a Clearing Member, the Clearing Member Current Collateral Balance of the relevant Custodial Segregated Account held by such Clearing Member on behalf of such Custodial Segregated Client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account)
<b>"Custodial Segregated Client"</b>	means a Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in a Custodial Segregated Account and who has entered into a Collateral Management Agreement and Client Charge
<b>"daily settlement amounts"</b>	means amounts due to the Clearing House from a Member or to a Member from the Clearing House, as the case may be, arising out of settlement of open contracts pursuant to Regulation 23, <del>Regulation 76</del> <del>Regulation 75</del> or Regulation 99 and the Procedures
<b>"Dealer"</b>	means a ForexClear Dealer, RepoClear Dealer and/or SwapClear Dealer, as the context may require
<b>"Dealer Clearing Agreement"</b>	means a ForexClear Dealer Clearing Agreement, RepoClear Dealer Clearing Agreement, and/or SwapClear Dealer Clearing Agreement, as the context may require
<b>"Dealer Register"</b>	means one or more of the Register of ForexClear Dealers, the Register of RepoClear Dealers and/or the Register of SwapClear Dealers, as the context may require
<b>"Deed of Charge"</b>	means a deed of charge entered into between a Clearing Member and the Clearing House in respect of ( <i>inter alia</i> ) non-cash Collateral transferred to the Clearing House by that Clearing Member
<b>"Default"</b>	means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Default Rule 3 or the occurrence, in respect of a Clearing Member, of an Automatic Early Termination Event
<b>"Defaulter"</b>	has the meaning assigned to it in Default Rule 4



<b>"EquityClear (ccCFD) Contract"</b>	means an EquityClear Contract entered into by the Clearing House with an EquityClear Clearing Member on the EquityClear (ccCFD) Contract Terms or such other terms specified by the relevant ATP
<b>"EquityClear(ccCFD) Contract Terms"</b>	means the terms applicable to each EquityClear (ccCFD) Contract, where such terms are not specified by the ATP, as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual
<b>"EquityClear (ccCFD) Open Offer"</b>	means the open offer made by the Clearing House in respect of an EquityClear (ccCFD) ATP Match under Regulation 68(c)
<b>"EquityClear Clearing Client"</b>	means, in respect of EquityClear Client Clearing Business, an Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client or an Omnibus Segregated Clearing Client
<b>"EquityClear Clearing House Business"</b>	means EquityClear Contracts entered into by an EquityClear Clearing Member with the Clearing House on a proprietary basis and for its own account
<b>"EquityClear Clearing Member"</b>	means a Member who is designated by the Clearing House as an EquityClear Clearing Member eligible to clear EquityClear Contracts
<b>"EquityClear Client Clearing Business"</b>	means the provision of EquityClear Client Clearing Services by an EquityClear Clearing Member
<b>"EquityClear Client Clearing Services"</b>	means the entering into of EquityClear Contracts by an EquityClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients and/or its Omnibus Segregated Clearing Clients
<b>"EquityClear Contract"</b>	means an EquityClear (Equities) Contract and/or an EquityClear (ccCFD) Contract (as applicable)
<b>"EquityClear Contract Terms"</b>	means the EquityClear (Equities) Contract Terms and/or the EquityClear (ccCFD) Contract Terms as the case may be
<b>"EquityClear Eligibility Criteria"</b>	means the EquityClear Open Offer Eligibility Criteria or the EquityClear Novation Transaction Eligibility Criteria (as applicable) <del>Regulation 68(e)</del> <u>Regulation 69(c)</u>

**"EquityClear Mixed Member Match"**

means (i) an EquityClear ATP Match reflecting matched Trading Platform Particulars submitted by, or on behalf of, an EquityClear Clearing Member and a member of a relevant Co-operating Clearing House (with one as buyer and one as seller), or (ii) an EquityClear Novation Transaction between an EquityClear Clearing Member and a member of a relevant Co-operating Clearing House (with one as buyer and one as seller)

**"EquityClear Novation Transaction"**

means, in respect of an ATP, the matched Trading Platform Particulars representing a bilateral transaction and either:

concluded other than through an order book of the ATP; or

concluded through an order book of the ATP, and

in each case:

- (a) presented for registration by, or on behalf of, one EquityClear Clearing Member (or, in respect of an EquityClear Mixed Member Match, one member of the relevant Co-operating Clearing House) identified as, or as acting as clearing member for, the buyer and the same or another EquityClear Clearing Member identified as, or as acting as clearing member for, the seller; and

which the Clearing House and the ATP have agreed will be cleared in accordance with, and subject to, the ATP Market Rules and the Rulebook via novation under Regulation 69 (and not via the EquityClear Open Offer clearing mechanism)

**"EquityClear Novation Transaction Eligibility Criteria"**

has the meaning set out in Regulation 69(b)

**"EquityClear Open Offer"**

means an EquityClear (Equities) Open Offer or EquityClear (ccCFD) Open Offer

**"EquityClear Open Offer Eligibility Criteria"**

has the meaning set out in Regulation 68(c)

**"EquityClear Regulations"**

means those Regulations which apply to EquityClear Contracts as specified in [Regulation 68](#)~~Regulation 67~~

**"EquityClear Service"**

the service provided by the Clearing House under the EquityClear Regulations

<b>"ForexClear Contribution"</b>	means the amount of an FXCCM's Contribution determined in accordance with the ForexClear Default Fund Supplement and shall include any (i) ForexClear Unfunded Contributions, (ii) any relevant Supplementary Contribution deposited and made by the FXCCM with the Clearing House, and (iii) if the Clearing Member is a ForexClear Option Clearing Member, the ForexClear Option Service Default Fund Contribution of that ForexClear Option Clearing Member. For the avoidance of doubt, the ForexClear Contribution shall not include any of the ForexClear Liquidity Fund Contributions made by a ForexClear Option Clearing Member
<b><u>"ForexClear CTM Contract"</u></b>	<b><u>means a ForexClear Contract that is not a ForexClear STM Contract</u></b>
<b>"ForexClear Currency"</b>	means: <ul style="list-style-type: none"> <li>USD;</li> <li>(a) JPY;</li> <li>(b) EUR;</li> <li>(c) GBP;</li> <li>(e) CHF; or</li> <li>(f) AUD</li> </ul>
<b>"ForexClear Dealer (FXD)"</b>	means a person admitted by the Clearing House to the Register of ForexClear Dealers and who has not been removed from the Register of ForexClear Dealers
<b>"ForexClear Dealer Clearing Agreement (FDC Agreement)"</b>	means a written agreement, in the form and on the terms prescribed by the Clearing House between an FXD, an FXCCM and the Clearing House
<b>"ForexClear Default Fund Supplement"</b>	means the Supplement relating to ForexClear Business
<b>"ForexClear Default Management Process"</b>	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules
<b>"ForexClear Default Management Process Completion Date"</b>	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules
<b>"ForexClear Default Period"</b>	has the meaning ascribed to it in Rule F2 of the ForexClear Default Fund Supplement

**"ForexClear Deliverable Forward Contract"**

means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Deliverable Forward Contract Terms which includes, in the case of the Default Rules (including the ForexClear 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

**"ForexClear Deliverable Forward Contract Terms"**

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

**"ForexClear Deliverable Forward STM Contract"**

means a ForexClear Deliverable Forward Contract that is either (i) registered at the Clearing House as a ForexClear Deliverable Forward STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Deliverable Forward STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Deliverable Forward STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Deliverable Forward STM Terms

**"ForexClear Deliverable Forward STM Terms"**

means the part of the ForexClear Deliverable Forward Contract Terms designated as the ForexClear Deliverable Forward STM Terms by the Clearing House from time to time

**"ForexClear Deliverable Forward Transaction"**

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Deliverable Forward Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations

**"ForexClear Determination Date"**

has the meaning assigned to it in Rule F2 of the ForexClear Default Fund Supplement

**"ForexClear DMG"**

has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules

**"ForexClear DMP"**

has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules

**"ForexClear NDF Contract Terms"**

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

**"ForexClear NDF STM Contract"**

means a ForexClear NDF Contract that is either (i) registered at the Clearing House as a ForexClear NDF STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear NDF STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear NDF STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear NDF STM Terms

**"ForexClear NDF STM Terms"**

means the part of the ForexClear NDF Contract Terms designated as the ForexClear NDF STM Terms by the Clearing House from time to time

**"ForexClear NDF Transaction"**

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear NDF Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations. In addition, a ForexClear Transaction shall include an FCM ForexClear Transaction where the relevant ForexClear Clearing Member is an executing party

**"ForexClear Option Buyer"**

means, in relation to a ForexClear Option Contract, the party specified as the 'Buyer' in the Economic Terms of that ForexClear Option Contract

**"ForexClear Option Clearing Member"**

means, a Member who is designated by the Clearing House as a ForexClear Option Clearing Member eligible to have registered in its name ForexClear Option Contracts, ForexClear Deliverable Forward Contracts, ForexClear Spot Contracts and ForexClear Swap Contracts

**"ForexClear Option Contract"**

means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Option Contract Terms which includes, in the case of the Default Rules (including the ForexClear 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

**"ForexClear Option Contract Terms"**

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

**"ForexClear Option Party A"**

means, in respect of ForexClear Deliverable Forward Contract, ForexClear Spot Contract or ForexClear Swap Contract (as applicable), the ForexClear Option Clearing Member identified as "Party A" in the applicable ForexClear Deliverable Forward Contract Terms, ForexClear Spot Contract Terms or ForexClear Swap Contract Terms (as applicable)

**"ForexClear Option Party B"**

means, in respect of ForexClear Deliverable Forward Contract, ForexClear Spot Contract or ForexClear Swap Contract (as applicable), the ForexClear Option Clearing Member identified as "Party B" in the applicable ForexClear Deliverable Forward Contract Terms, ForexClear Spot Contract Terms or ForexClear Swap Contract Terms (as applicable)

**"ForexClear Option Service Default Fund Contribution"**

means, for any FXCCM which is a ForexClear Option Clearing Member, the amount of that FXCCM's Contribution attributable to the ForexClear Option Service determined in accordance with the ForexClear Default Fund Supplement and the Procedures

**"ForexClear Option Seller"**

means, in relation to a ForexClear Option Contract, the party specified as the 'Seller' in the Economic Terms of that ForexClear Option Contract

**"ForexClear Option Service"**

means the service provided by the Clearing House under the ForexClear Regulations, whereby the Clearing House makes available services in respect of ForexClear Option Contracts, ForexClear Deliverable Forward Contracts, ForexClear Spot Contracts and ForexClear Swap Contracts

**"ForexClear Option Service Membership Requirements"**

has the meaning assigned to it in the Procedures

**"ForexClear Option STM Contract"**

means a ForexClear Option Contract that is either (i) registered at the Clearing House as a ForexClear Option STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Option STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Option STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Option STM Terms

**"ForexClear Option STM Terms"**

means the part of the ForexClear Option Contract Terms designated as the ForexClear Option STM Terms by the Clearing House from time to time

**"ForexClear Option Transaction"**

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Option Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations.

**"ForexClear Participants (FXPs)"**

means ForexClear Clearing Members, ForexClear Dealers and ForexClear Clearing Clients and **"ForexClear Participant"** means any of them

**"ForexClear Regulations"**

means those Regulations which apply to ForexClear Contract as specified in Regulation 90

**"ForexClear Service"**

means the service provided by the Clearing House under the ForexClear Regulations

**"ForexClear Settlement Event"**

means the event or circumstance specified as such in Regulation 100(g)

**"ForexClear Spot Contract"**

means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Spot Contract Terms which includes, in the case of the Default Rules (including the ForexClear 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

**"ForexClear Spot Contract Terms"**

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

**"ForexClear Spot STM Contract"**

means a ForexClear Spot Contract that is either (i) registered at the Clearing House as a ForexClear Spot STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Spot STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Spot STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Spot STM Terms



**“ForexClear Spot STM Terms”**

**"ForexClear Spot Transaction"**

means the part of the ForexClear Spot Contract Terms designated as the ForexClear Spot STM Terms by the Clearing House from time to time

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Spot Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations.

**"ForexClear STM Contract"**

means:

a ForexClear Deliverable Forward STM Contract;

a ForexClear NDF STM Contract;

(a) \_\_\_\_\_ a ForexClear Option STM Contract;

(b) \_\_\_\_\_

(c) \_\_\_\_\_ a ForexClear Spot STM Contract; or

(d) \_\_\_\_\_ a ForexClear Swap STM Contract

**"ForexClear STM Terms"**

means:

(a) \_\_\_\_\_ the ForexClear Deliverable Forward STM Terms;

(b) \_\_\_\_\_ the ForexClear NDF STM Terms;

(c) \_\_\_\_\_ the ForexClear Option STM Terms;

(d) \_\_\_\_\_

(e) \_\_\_\_\_ the ForexClear Spot STM Terms; or

the ForexClear Swap STM Terms

**"ForexClear Swap Contract"**

means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Swap Contract Terms which includes, in the case of the Default Rules (including the ForexClear 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

**"ForexClear Swap Contract Terms"**

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



**"ForexClear Swap STM Contract"**

means a ForexClear Swap Contract that is either (i) registered at the Clearing House as a ForexClear Swap STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Swap STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Swap STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Swap STM Terms

**"ForexClear Swap STM Terms"**

means the part of the ForexClear Swap Contract Terms designated as the ForexClear Swap STM Terms by the Clearing House from time to time

**"ForexClear Swap Transaction"**

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Swap Contract, entered into for and on behalf of two ForexClear Option Clearing Members, of which particulars are deemed to be presented to the Clearing House for registration in the name of those ForexClear Clearing Members in accordance with the Regulations.

**"ForexClear Transaction"**

means a ForexClear NDF Transaction, a ForexClear Spot Transaction, a ForexClear Deliverable Forward Transaction a ForexClear Option Transaction or a ForexClear Swap Transaction (as applicable)

**"ForexClear Unfunded Contribution"**

has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement

**"ForexClear Unfunded Contribution Notice"**

has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement

**"ForexClear Voluntary Payment"**

has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement

**"ForexClear Voluntary Payment Notice"**

has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement

**"Fund Amount"**

in relation to the Commodities Business and the Equities Business and the Listed Interest Rates Business, has the meaning given to the term "Fund Amount" in the Supplement relating to each such Business and includes such amounts and the ForexClear Fund Amount, the General Fund Amount, the RepoClear Segregated Fund Amount and/or the Rates Service Fund Amount as applicable

<b>"Non-Member Market Participant ("NCP")"</b>	means, in respect of a particular Service, a person, other than a Clearing Member in such Service, who meets the criteria set out in Procedure 1 ( <i>Clearing Member, Non-Member Market Participant and Dealer Status</i> ) and has been notified to the Clearing House in accordance with Regulation 7 (Non-Member Market Participant Status)
<b>"Non-Performance Notice"</b>	has the meaning assigned to it in Chapter XIV(m)
<b>"Non-Performer"</b>	has the meaning assigned to it in Section 2C1.27.4 of the Procedures
<b>"NPV Reset"</b>	has: <ul style="list-style-type: none"> <li><u>(i) in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and</u></li> <li><u>(ii) in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A</u></li> </ul>
<b>"Off-Market Provider"</b>	has the meaning assigned to it in Section 2C1.27.4 of the Procedures
<b>"official quotation"</b>	means a price determined by the Clearing House under Regulation 22
<b>"Omnibus Gross Segregated Account"</b>	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Omnibus Gross Segregated Clearing Clients which is designated by the Clearing House as an Omnibus Gross Segregated Account
<b>"Omnibus Gross Segregated Clearing Clients"</b>	means Affiliated Omnibus Segregated Clearing Clients or Identified Omnibus Segregated Clearing Clients (as applicable) in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Omnibus Gross Segregated Account
<b>"Omnibus Segregated Account"</b>	means an account opened within the Clearing House by a Clearing Member or an FCM which enables the relevant Clearing Member or FCM (as applicable) to distinguish its assets and positions from the assets and positions held for the account of its clients (or a group of clients). For the avoidance of doubt, the term includes Identified Client Omnibus Segregated Accounts, Affiliated Client Omnibus Segregated Accounts, Non-Identified Client Omnibus Net Segregated Accounts and Indirect Net Accounts

<b>"Own Resources Provision"</b>	means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision
<b>"Permitted Transfers"</b>	has the meaning ascribed to it in Section 2C of the Procedures
<b>"Portfolio Margined Contracts"</b>	means any Listed Interest Rates Contracts recorded in an account of a Portfolio Margining Clearing Member related to SwapClear Business following the operation by the Clearing House of the Portfolio Margining Arrangements
<b>"Portfolio Margining Arrangements"</b>	means the operational provisions in respect of the Portfolio Margining Service as set out in Section 2.1 of the Rates Service DMP Annex
<b>"Portfolio Margining Clearing Member"</b>	means a Joint Rates Service Clearing Member who has opted in to the Portfolio Margining Service in accordance with Section 2C of the Procedures
<b>"Portfolio Margining Client"</b>	means, in respect of a Portfolio Margining Clearing Member, an Individual Segregated Account Clearing Client, a Custodial Segregated Client or an Omnibus Segregated Clearing Client which has been opted in to the Portfolio Margining Service in accordance with Section 2C of the Procedures
<b>"Portfolio Margining Service"</b>	means the portfolio margining service offered by the Clearing House pursuant to <del>Regulation 60</del> <a href="#">Regulation 59</a> and as more fully described at Section 2C of the Procedures
<b>"Portfolios"</b>	has the meaning assigned to it in the Default Rules
<b>"Porting Window"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
<b>"Porting Window Reduction"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
<b>"Post-Compression Contracts"</b>	means the Post-Multilateral Compression Contracts and/or any replacement SwapClear Contracts referred to in <del>Regulation 57</del> <a href="#">Regulation 56</a>

<b>"Post-Multilateral Compression Contracts"</b>	means, in relation to a Compression Proposal, the SwapClear Contracts registered as a result of Multilateral Compression in accordance with such Compression Proposal
<b>"Pre-Allocation FCM Clearing Member"</b>	shall have the meaning assigned to it in the FCM Regulations
<b>"premium"</b>	means the consideration for the selling of an option payable by the buyer in accordance with these Regulations and the Procedures
<b>"Price"</b>	means in the case of: <ul style="list-style-type: none"> <li>(a) a contract on the terms of an exchange contract or Listed Interest Rates Contract which is to be performed by delivery of a reference asset or commodity, the consideration to be paid by the buyer in cash in the currency prescribed by the terms of the exchange contract or Listed Interest Rates Contract, and in the case of an exchange contract or Listed Interest Rates Contract which is a contract for differences, the valuation quoted as a price under its terms; or</li> <li>(b) an OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and the Procedures; or</li> <li>(c) an EquityClear Contract, the consideration to be paid by the buyer in cash in the currency as set out in the EquityClear ATP Match or EquityClear Novation Transaction information received by the Clearing House or its relevant approved agent; or</li> <li>(d) an LCH EnClear Contract, the price calculated by the Clearing House in accordance with the Regulations and Procedures</li> </ul>
<b>"Price Alignment Amount"</b>	has: <ul style="list-style-type: none"> <li>(i) <u>in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and</u></li> <li>(ii) <u>in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A</u></li> </ul>

**"Price Alignment Amount Rate"**

has:

(i) in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and

(ii) in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A

**"Procedures"**

means Section 1 (*Clearing Member, Non-Member Market Participant and Dealer Status*), Section 2B (*RepoClear Service*) to Section 2J (*Listed Interest Rates Service*) and Sections 3 (*Financial Transactions*) to 8 (*Complaints*) of the Rulebook and the procedures for application for and regulation of membership of the Clearing House and in respect of SwapClear Dealers, RepoClear Dealers, and ForexClear Dealers respectively, for:

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

and shall also include FCM Procedures where the term "Procedures" is used in the Default Rules. For the avoidance of doubt, a reference to "Procedures" is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any Governmental Authority

**"Product"**

has the meaning assigned to it in the FCM Regulations

**"Product Specific Contract Terms and Eligibility Criteria Manual"**

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

**"prompt date"**

has, in respect of (i) an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract or (ii) a Listed Interest Rates Contract, the meaning ascribed to it in the Product Specific Contract Terms and Eligibility Criteria Manual

**"Permitted Transfer"**

has the meaning ascribed to it in Section 2C of the Procedures

**"Register of SwapClear Dealers"**

means the register which lists SwapClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as SwapClear Contracts by the Clearing House

**"Registration Time"**

- (i) in respect of SwapClear Contracts shall have the meaning given in ~~Regulation 56(g)~~~~Regulation 55(f)~~;
- (ii) in respect of Nodal Contracts and Listed Interest Rates Contracts shall have the meaning given in the Procedures; and
- (iii) in respect of RepoClear Contracts, RepoClear Term £GC Contracts, RepoClear €GC Contracts, EquityClear Contracts, LCH EnClear Contracts, LSE Derivatives Markets Cleared Exchange Contracts and ForexClear Contracts, shall have the meaning given in the Procedures,

in each case subject to Regulation 16(e)

**"Regulations"**

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

**"Regulatory Body"**

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

**"Rejecting Compression Clearing Member"**

has the meaning assigned to it in ~~Regulation 57~~~~Regulation 56~~

<b>"Service"</b>	means any one of the services made available by the Clearing House: (i) to an Exchange; (ii) under the SwapClear Regulations and under the FCM Regulations in respect of FCM SwapClear Contracts; (iii) under the RepoClear Regulations; (iv) under the EquityClear Regulations; (v) under the LCH EnClear Regulations and under the FCM Regulations in respect of FCM EnClear Contracts; (vi) under the LSE Derivatives Markets Regulations; (vii) under the Nodal Regulations; (viii) under the ForexClear Regulations and under the FCM Regulations in respect of FCM ForexClear Contracts; or (ix) under the Listed Interest Rates Regulations
<b>"settlement contract"</b>	means a contract between the Clearing House and a Member arising pursuant to Regulation 23(b), <a href="#">Regulation 76(b)</a> <del>Regulation 75(b)</del> or Regulation 99(a)
<b>"Settlement Exposure Amount"</b>	has the meaning assigned to it in Regulation 100
<b>"Settlement Exposure Limit"</b>	means, with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the "Settlement Exposure Limit" determined in accordance with the Procedures and made available from time to time by the Clearing House to that ForexClear Option Clearing Member, being the maximum permitted net deliverable or payable value in such currency on any given day arising from all ForexClear Contracts (other than ForexClear NDF Contracts) that have a Settlement Date falling more than two days after such day
<b>"Settlement Exposure Limit Cap"</b>	means, with respect to all ForexClear Option Clearing Members and all ForexClear Currencies, USD5,000,000,000 (as amended from time to time in accordance with the Regulations)
<b>"Settlement Position Amount"</b>	has the meaning assigned to it in Regulation 100
<b>"Settlement Position Limit"</b>	means, with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the "Settlement Position Limit" determined in accordance with the Procedures and made available from time to time by the Clearing House to that ForexClear Option Clearing Member, being the maximum permitted net deliverable or payable value in such currency on any given day arising from all ForexClear Contracts (other than ForexClear NDF Contracts) that have a Settlement Date falling two days after such day



<b>"SwapClear Excess Loss"</b>	means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of SwapClear Business less (a) the proportion of the Capped Amount applicable to SwapClear Business under Rule 15(c) of the Default Rules and (b) any sums then immediately payable in respect of SwapClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House
<b>"SwapClear Regulations"</b>	means those Regulations which apply to SwapClear Contracts as specified in <a href="#">Regulation 55</a> <del>Regulation 54</del>
<b>"SwapClear Segregated Fund Amount"</b>	means the amount as determined in accordance with Rule S2(b) of the SwapClear Default Fund Supplement
<b>"SwapClear Service"</b>	the service provided by the Clearing House under the SwapClear Regulations
<b>"SwapClear STM Contract"</b>	means a SwapClear Contract that is (i) registered at the Clearing House as a SwapClear STM Contract pursuant to Regulation 55(b), (ii) designated a SwapClear STM Contract by the Clearing House pursuant to Regulation 57A, (iii) converted into a SwapClear STM Contract by the Clearing House pursuant to Regulation 57A, or (iv) a SwapClear STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the SwapClear STM Terms.
<b>"SwapClear STM Terms"</b>	means the part of the SwapClear Contract Terms designated as the SwapClear STM Terms by the Clearing House from time to time
<b>"SwapClear Tolerance"</b>	has the meaning assigned to it in Section 1.3.3 ( <i>Trade Registration Facilitation: SwapClear Tolerance, Client Buffer and MER (Minimum Excess Requirement)</i> ) of Procedure 2C ( <i>SwapClear Clearing Service</i> ) of the Clearing House's Procedures
<b>"SwapClear Tolerance Utilisation"</b>	means, in respect of each SCM, the value of the SwapClear Tolerance utilised by that SCM at any particular time, as determined by the Clearing House in its sole discretion
<b>"SwapClear Transaction"</b>	means any transaction the details of which are presented to the Clearing House via an Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be), regardless of whether such transaction (a) is an existing swap transaction, (b) was entered into in anticipation of clearing, or (c) is contingent on clearing



**"Terminating SwapClear Contracts"**

means, in relation to any Compression Proposal, the SwapClear Contracts which will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with ~~Regulation 57~~[Regulation 56](#)

**"Total Required Margin Amount"**

means the aggregate of the Required Margin Amount for all types of margin relating to (i) in respect of an Individual Segregated Account, the relevant account after deducting any amounts pursuant to a Cross-ISA Client Excess Deduction (if applicable), (ii) in respect of an Indirect Gross Account, a Custodial Segregated Account, an Omnibus Segregated Account (that is not an Omnibus Gross Segregated Account) or a Proprietary Account, the relevant account, or (iii) in respect of an Omnibus Gross Segregated Account, the relevant Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients together (as applicable)

**"trade correction procedures"**

means the procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures

**"Trading Platform Particulars"**

means the order or trade particulars, in respect of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), submitted to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member or a member of a relevant Co-operating Clearing House

**"Trading System"**

means the Nodal Trading Facility

**"Trading Venue"**

means: (i) a swap execution facility or designated contract market registered as such with the CFTC; (ii) a regulated market, multilateral trading facility or organised trading facility operated in accordance with MiFID II; or (iii) any other electronic trading facility, in each case which the Clearing House has approved for the purposes of having transactions executed thereon presented to the Clearing House for registration. For the avoidance of doubt, a Trading Venue need not be an Approved Trade Source System

**"Trading Venue Transaction"**

means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue

**"US ForexClear STM  
Conversion Date"**

has the meaning assigned to it in Regulation 106A

**"US FXCCM"**

means a ForexClear Clearing Member incorporated under the laws of any state of the United States or under the federal laws of the United States

**"variation margin"**

means an amount determined by the Clearing House in accordance with these Regulations and/or the Procedures in respect of original contracts or open contracts (as the case may be)

For the purpose of a ballot under clause 9.4(c) of the Clearing Membership Agreement, "**Quarter Day**" shall be construed as referring to a Determination Date.

Any reference in these Regulations or the Procedures to statutes or statutory instruments or provisions thereof shall be to such statutes or statutory instruments or provisions thereof as amended, modified or replaced from time to time.

Reference to writing contained in these Regulations or the Procedures shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.

Words importing the singular shall, where the context permits, include the plural and vice-versa.

Any reference to time contained in these Regulations or the Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.

Any reference in these Regulations to a person or a party (howsoever described) shall include its successors.

Headings are used herein for ease of reference only.

### REGULATION 3 PERFORMANCE BY THE CLEARING HOUSE OF ITS OBLIGATIONS UNDER THE TERMS OF AN OPEN CONTRACT

The Clearing House's obligations under the terms of an open contract shall be performed (a) in the manner and form and by such day and time as may be prescribed in Exchange Rules (where applicable), these Regulations or the Procedures, and (b) in the case of an open contract to which the Clearing House is party with a Member which is a Co-operating Clearing House, in accordance with the terms of any agreement made with such Member, save that (i) where Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an exchange contract, the Clearing House shall be deemed to have complied with Exchange Rules if it performs its obligations under the terms of an open contract, as seller or buyer, as the case may be, promptly after such time, unless Exchange Rules expressly provide that performance must be made by the Clearing House by such time; and (ii) where any of (A) the Economic Terms of an OTC Contract, ~~(B) the SwapClear STM Terms, (C) the ForexClear STM Terms (D) the EquityClear Contract Terms, (E) the LCH EnClear Contract Terms, or (F) the Listed Interest Rates Contract Terms,~~ specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with the ~~Economic Terms, or the SwapClear STM Terms, or the EquityClear Contract Terms or the LCH EnClear Contract Terms, as applicable,~~applicable terms if it performs its obligations promptly after such time.

## CHAPTER IV – CONTRACT FORMATION, REGISTRATION AND TRANSFER

### REGULATION 12 NOVATION

(a) Upon registration of an original contract by the Clearing House, such contract shall be replaced by novation (without prejudice to the Clearing House's rights to effect further novation under paragraph (b) below) by two open contracts, one between the seller and the Clearing House as buyer, as principals to such contract, and one between the buyer and the Clearing House as seller, as principals to such contract. Following such novation the original contract shall be extinguished. Each open contract shall be subject to the Regulations including the restrictions on the Clearing House's obligations and liabilities set out in the Regulations (including, without limit, Regulation 32 and Regulation 52) and otherwise on the same terms as the original contract replaced by such open contracts.

(b) Upon the transfer of an open contract (including, for the avoidance of doubt, Relevant Contracts transferred to a Backup Clearing Member pursuant to the Client Clearing Annex) pursuant to these Regulations such open contract shall be discharged and replaced by novation by an open contract between the Member into whose name the contract was transferred and the Clearing House, as principals to such open contract. Such open contract shall be subject to the Regulations and otherwise on the same terms as the open contract which it replaced, subject to (i) in the case of SwapClear Contracts ~~to~~ any variations contemplated under the SwapClear Regulations and (ii) in the case of ForexClear Contracts, any variations contemplated under the ForexClear Regulations.

(c) Upon the exercise of an option (excluding a ForexClear Option Transaction) by or on behalf of a Member or, as the case may be, by the Clearing House or upon the deemed exercise of such option pursuant to these Regulations, the option contract shall be replaced by novation by an open contract on the terms specified in the option contract at the strike price or at some other price in accordance with the terms of such option contract.

## **REGULATION 25 OTHER MODES OF SETTLEMENT AND REVALUATION**

Settlement, revaluation and collateralisation procedures (other than those contained in Regulation 23, Regulation 24, Regulation 57 [Regulation 57A](#), and Regulation [57A106A](#)) may be prescribed, in respect of open contracts on the terms of certain exchange contracts and in respect of open contracts which are OTC Contracts, EquityClear Contracts or LCH EnClear Contracts in the Procedures or where agreed with, an Exchange, in Exchange Rules. The relevant settlement, revaluation and collateralisation procedures (as applicable) may be effected by the Clearing House in accordance with such provisions.

### ***Reference prices and Revaluation***

Regulation 22 and Regulation 93 apply to open ForexClear Contracts.

### ***Other Applicable Regulations***

Regulations 37 to 46A inclusive apply to ForexClear Clearing Members and ForexClear Contracts.

(m)

### ***Default Rules***

(n) The Default Rules (including the ForexClear DMP Annex) apply to ForexClear Clearing Members and ForexClear Contracts.

### ***Clearing House Settlement Finality Regulations***

(o)

The Clearing House Settlement Finality Regulations apply in relation to ForexClear Clearing Members and ForexClear Contracts.

(p)

### ***Summary table of Regulations which apply to the ForexClear Service***

The Regulations listed in this Regulation 90(q) apply to the ForexClear Service as described under Regulation 90(a) to (p).

(q)

<b>Regulation</b>	<b>Title</b>
Regulation 2	Obligation to the Clearing House to each Member
Regulation 3	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
Regulation 4	Clearing Member Status of the Clearing House
Regulation 5	Resigning and Retiring Members
Regulation 8	Dealer Status
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(a) & (b)	Novation
Regulation 15	Designation
Regulation 16 (except Regulation 16(a), (d), (i) and (m))	Registration

<b>Regulation</b>	<b>Title</b>
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 22	Official Quotations and Reference Price
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 46A	Solvency Threatening Treasury Default Loss
Regulation 47	Procedures
Regulation 48	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50(a)	Validity of Regulations and Action
Regulation 51(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 90 to <del>Regulation 106A</del>	ForexClear Regulations
Default Rules	Default Rules (including ForexClear DMP Annex)
Settlement Finality Regulations	Settlement Finality Regulations

## REGULATION 91 REGISTRATION OF FOREXCLEAR CONTRACTS

- (f) A ForexClear Transaction may be presented for registration as two ForexClear Contracts, or one ForexClear Contract and one FCM ForexClear Contract, in accordance with the provisions of the Rulebook.

Once a ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (ee) below and Procedure 2I (*ForexClear Clearing Service*)) request the consent of the relevant ForexClear Clearing Member with whom a ForexClear Contract shall be registered as a result thereof to such registration. Upon the ForexClear Clearing Member providing its consent, such ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such ForexClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.

(a)  
(e)(b)

Each ForexClear Contract shall be registered by the Clearing House either as a ForexClear CTM Contract or a ForexClear STM Contract, and a ForexClear Transaction may be registered as two ForexClear STM Contracts, two ForexClear CTM Contracts, one ForexClear CTM Contract and one ForexClear STM Contract, a ForexClear STM Contract and an FCM ForexClear Contract or a ForexClear CTM Contract and an FCM ForexClear Contract (in accordance with the other provisions of the Rulebook). The registration of a ForexClear Contract as a ForexClear CTM Contract or a ForexClear STM Contract shall be determined by the Clearing House as follows:

(c)

(i) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is a US FXCCM, the Clearing House shall, subject to the Rulebook, from and including a Business Day nominated by it (such day, the US ForexClear STM Conversion Date) register such ForexClear Contract as a ForexClear STM Contract; and

(d)

(ii) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is not a US FXCCM, the Clearing House shall, subject to the Rulebook, register such ForexClear Contract as a ForexClear CTM Contract.

At the point the Clearing House registers a ForexClear Contract as a ForexClear STM Contract in accordance with the Procedures, the ForexClear Contract Terms applicable to that ForexClear Contract will automatically, and without any further action by either party, include the ForexClear STM Terms applicable to that type of ForexClear Contract.

(e)

- (g) A ForexClear Clearing Member which has been nominated to clear the ForexClear Contract arising from the registration of a ForexClear Transaction on behalf of a third party Executing Party other than a ForexClear Dealer will (only where such ForexClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such ForexClear Transaction and the ForexClear Contract resulting from such ForexClear Transaction. Where:



- (i) a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and is to clear a ForexClear Contract resulting from such ForexClear Transaction;
- (ii) a ForexClear Dealer approved to clear ForexClear Transactions through a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and such ForexClear Clearing Member is to clear a ForexClear Contract resulting from such ForexClear Transaction; or
- (iii) a ForexClear Transaction is an Eligible Trading Venue Transaction in respect of a ForexClear Clearing Member, and a third party Executing Party (other than a ForexClear Dealer) to such ForexClear Transaction has nominated such ForexClear Clearing Member to clear a ForexClear Contract resulting from such ForexClear Transaction,

the consent of that ForexClear Clearing Member to the registration of the relevant ForexClear Contract will occur automatically and without the need for any further action by such ForexClear Clearing Member.

~~(h)~~ The Clearing House shall register or reject the registration of a ForexClear Contract in respect of a ForexClear Transaction presented for registration subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law.

~~(f)~~  
~~(g)~~ ~~(+)~~ Subject to ~~Regulation 91(i)~~~~Regulation 91(k)~~, if at any time falling after the registration of any ForexClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration:

- (i) did not, at the Registration Time, meet the ForexClear Eligibility Criteria applicable to that ForexClear Transaction in existence at the Registration Time;
- (ii) in the case of a ForexClear Deliverable Forward Transaction or ForexClear Spot Transaction, was not, at the Registration Time, entered into in accordance with Regulation 98(a); or
- (iii) in the case of a ForexClear Swap Transaction, was not, at the Registration Time, entered into in accordance with Regulation 100 or Regulation 101, each an "**Ineligible Transaction**",

~~(h)~~ the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with ~~Regulation 91(h)~~~~Regulation 91(e)~~ below.

~~(+)~~ Upon a ForexClear Contract being set aside under Regulation 91(i) (an "**Ineligible ForexClear Contract**"), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via the ForexClear Approved Trade Source System that such Ineligible ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all collateral in respect of variation margin obligations (if any) provided by the Clearing House or by an FXCCM in respect of such Ineligible ForexClear Contract shall be retained by the receiving party upon termination; (iii)

where there is a difference between the value of the Ineligible ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible ForexClear Contract at the time of the next official settlement rate for that currency pair, then a payment shall be made between the FXCCMs to the original Ineligible Transaction equal to such difference; and (iv) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible ForexClear Contract and shall be retained by the receiving party upon termination as a termination payment.

~~(k)~~ The Clearing House may not determine a ForexClear NDF Transaction to be an Ineligible Transaction after the Valuation Date (as defined in the Procedures) in respect of the ForexClear NDF Contracts arising from the registration of such a ForexClear NDF Transaction has occurred.

~~(i)~~  
~~(h)~~ The Clearing House shall provide no less than 10 business days' prior notice (including by email) to ForexClear Clearing Members of an amendment to the ForexClear Eligibility Criteria.

~~(j)~~  
~~(m)~~ Where a ForexClear Contract relates to an FCM ForexClear Transaction, it is a condition for registration as a ForexClear Contract that the FCM ForexClear Transaction to which the ForexClear Contract relates be presented for clearing: (i) by an executing party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) as a ForexClear Contract or FCM ForexClear Contract (as the case may be); and (ii) by an FCM Clearing Member on behalf of its FCM Client as an FCM ForexClear Contract. In the event that the Clearing House registers a ForexClear Contract and, for whatever reason, the corresponding FCM ForexClear Contract has not also been registered, the ForexClear Contract shall be deemed not to be registered as a ForexClear Contract until such time as such corresponding FCM ForexClear Contract has been registered.

~~(n)(l)~~

In relation to an FCM ForexClear Transaction, if either the executing party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member (as the case may be) does not present an FCM ForexClear Transaction for clearing, the Clearing House shall set aside any FCM ForexClear Contract or ForexClear Contract that has been registered (if any) and the particulars of the corresponding FCM ForexClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the Clearing House; or (ii) rejected until such time as the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member have presented the relevant contract to the Clearing House. In addition, any payment made under, or in respect of, any FCM ForexClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this Regulation 91 and under FCM Regulation 49, the Clearing House (and each other member of the LCH Group Holdings Limited 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 an FCM ForexClear Contract.

- (⊕) Upon the exercise of a ForexClear Option Contract by or on behalf of a ForexClear Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such option pursuant to these Regulations or the Procedures, the ForexClear Option Contract shall immediately terminate and in its place a ForexClear Spot Transaction or a ForexClear Deliverable Forward Transaction shall automatically and immediately come into existence, and the related ForexClear Spot Contracts and
- (m) ForexClear Deliverable Forward Contracts shall immediately be deemed to be registered by the Clearing House, on the terms specified in the applicable ForexClear Option Contract Terms, these Regulations and/or the Procedures. Notwithstanding the foregoing and in accordance with the Procedures, the Clearing House may, in its sole discretion, postpone or delay the registration of a ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction resulting from the exercise of a ForexClear Option Contract in the event of an administrative, system or processing delay that affects the Clearing House's ability to register such ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction. For the avoidance of doubt, a postponement or delay pursuant to this ~~Regulation 91(h)~~Regulation 91(m) shall not impact a ForexClear Clearing Member's ability to exercise a ForexClear Option Contract (or the deemed exercise of such ForexClear Option Contract pursuant to these Regulations or the Procedures), which exercise shall be irrevocable.

- (n) Where a transfer of an open contract (the "Original Contract") which is a ForexClear Contract takes place pursuant to Regulation 12(b), the Clearing House may, subject to any conditions stipulated by it, register the new open contract (i) if the ForexClear Clearing Member in whose name the new open contract is to be registered is a US FXCCM, as a ForexClear STM Contract or (ii) if the ForexClear Clearing Member in whose name the new open contract is to be registered is not a US FXCCM, as a ForexClear CTM Contract, in each case notwithstanding that the Original Contract was registered as a ForexClear STM Contract or a ForexClear CTM Contract (as applicable). For the avoidance of doubt, the transfer of an Original Contract (including a transfer that is made pursuant to the Default Rules) shall be effected by that Original Contract being closed-out and a new ForexClear Contract being established, and the applicable provisions of this Regulation 91 shall apply to the registration of such new ForexClear Contract.

**REGULATION 93 VARIATION MARGIN IN RESPECT OF A FOREXCLEAR CTM CONTRACT**

(a) ~~The~~In respect of the ForexClear CTM Contracts registered in the name of a ForexClear Clearing Member, the Clearing House shall, at least daily and in accordance with and at the times stated in the Procedures, transfer to, or require transfer from a ForexClear Clearing Member of, cash collateral in respect of variation margin. The amount transferred represents the change from the preceding business day in the net present value of all ForexClear CTM Contracts registered in that ForexClear Clearing Member's name.

(b) The net present value of each ForexClear CTM Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.

(c) The Clearing House pays to (or receives from) each ForexClear Clearing Member interest on cash collateral received (or provided) by the Clearing House in respect of variation margin, calculated in accordance with the Procedures.

(d) This Regulation is without prejudice to the Clearing House's right to require Collateral to be transferred to it under Regulation 20.

## **Regulation 95 COMPRESSION**

### **REGULATION 95 COMPRESSION**

Nothing in this Regulation shall apply to ForexClear Contracts which are not ForexClear NDF Contracts.

Notwithstanding any other provision of these Regulations, but subject to paragraph (a) above, if:

- (a) (i) one or more ForexClear Contracts registered by a ForexClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms
- (b) as one or more other ForexClear Contracts registered for the account of such ForexClear Clearing Member, and
- (ii) all such ForexClear Contracts are either (a) registered on the ForexClear Clearing Member's own behalf, or (b) registered on behalf of the same ForexClear Clearing Client and in the same Client Account,

then, to the extent permitted in the Procedures and this Regulation 95, the ForexClear Clearing Member may request that the Clearing House compress and combine all such ForexClear Contracts by terminating the relevant existing ForexClear Contracts and compressing them so that there results in either (1) no replacement ForexClear Contract, or (2) one or more replacement ForexClear Contracts having a net future cash flow equal to the net future cash flow of such original ForexClear Contracts- (including, for the purposes of determining the net future cash flow of a ForexClear STM Contract, the payment obligations of the ForexClear Clearing Member and the Clearing House under the ForexClear STM Terms applicable to such ForexClear STM Contract). For the avoidance of doubt, in no circumstances can a ForexClear Contract registered in the Proprietary Account of a ForexClear Clearing Member be compressed pursuant to this Regulation 95 with a ForexClear Contract registered in the Client Account of that

- (c) ForexClear Clearing Member.

For the purposes of paragraph (b) above, two or more ForexClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual). For the avoidance of doubt, the Clearing House may determine that two or more ForexClear Contracts have "substantially the same Economic Terms" even if they have differing Forward Rates (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual). The Clearing House shall determine (in its sole discretion) whether ForexClear Contracts that are the subject of a request for compression from the ForexClear Clearing Member may be compressed and, if such ForexClear Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed ForexClear Contracts and, if so, the resulting terms of such ForexClear Contract(s), and such determinations shall be binding on the ForexClear Clearing Member, absent manifest error. It is a condition for compression of ForexClear Contracts that the amount of Collateral that the Clearing House requires in respect of

the original ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement ForexClear Contract(s).

**Regulation 96 SETTLEMENT OF FOREXCLEAR OPTION CONTRACTS**

If:

- (d) \_\_\_\_\_
- (i) the ForexClear Contracts that are the subject of a ForexClear Clearing Member's compression request pursuant to (b) above comprise only ForexClear CTM Contracts, then the one or more ForexClear Contracts that come into existence immediately following, and as a result of, the compression shall all be ForexClear CTM Contracts; and
  - (ii) the ForexClear Contracts that are the subject of a ForexClear Clearing Member's compression request pursuant to (b) above comprise only ForexClear STM Contracts, then the one or more ForexClear Contracts that come into existence immediately following, and as a result of, the compression shall all be ForexClear STM Contracts.

## **REGULATION 96 SETTLEMENT OF FOREXCLEAR OPTION CONTRACTS**

A ForexClear Option Contract that has been exercised, or deemed to be exercised, pursuant to Regulation 94 shall only be settled in accordance with this Regulation 96 and the Procedures.

Immediately upon the exercise or deemed exercise of a ForexClear Option Contract pursuant to Regulation 94:

- (a)
  - (i) if the ForexClear Option Contract is a Spot Settled ForexClear Option Contract, a ForexClear Spot Contract (between the same parties as the relevant ForexClear Option Contract) shall immediately arise pursuant to Regulation 91(h); and
  - (ii) if the ForexClear Option Contract is a Deliverable Forward Settled ForexClear Option Contract, a ForexClear Deliverable Forward Contract (between the same parties as the relevant ForexClear Option Contract) shall immediately arise pursuant to Regulation 91(h).
- (c) -The ForexClear Spot Contract or ForexClear Deliverable Forward Contract (as applicable) that arises pursuant to this Regulation 96 shall be on the ForexClear Spot Contract Terms or ForexClear Deliverable Forward Contract Terms (as applicable), such that on the Settlement Date specified in the ForexClear Option Contract Terms relating to the relevant ForexClear Option Contract:
  - (i) -the party that was the ForexClear Option Buyer under the relevant ForexClear Option Contract shall be obliged to pay an amount equal to (and in the same currency as) the Put Currency Amount to the Clearing House; and
  - (ii) the party that was the ForexClear Option Seller under the relevant ForexClear Option Contract shall be obliged to pay an amount equal to (and in the same currency as) the Call Currency Amount to the Clearing House.



**Regulation 97 ~~PREMIUM UNDER FOREXCLEAR OPTION CONTRACTS~~**

(d) ~~Any ForexClear Deliverable Forward Contract or ForexClear Spot Contract that arises pursuant to this Regulation 96 shall be registered as a ForexClear Deliverable Forward STM Contract or a ForexClear Spot STM Contract (as applicable) if the ForexClear Option Contract to which it relates was registered as ForexClear Option STM Contract at the point immediately prior to exercise (or deemed exercise). Any ForexClear Deliverable Forward Contract or ForexClear Spot Contract that arises pursuant to this Regulation 96 shall be registered as a ForexClear CTM Contract if the ForexClear Option Contract to which it relates was registered as ForexClear CTM Contract at the point immediately prior to exercise (or deemed exercise).~~

~~Regulation 101 — FOREXCLEAR OPTION SERVICE — LIQUIDITY EVENT~~

REGULATION 101 FOREXCLEAR OPTION SERVICE – LIQUIDITY EVENT

A “**ForexClear Liquidity Event**” shall occur immediately with respect to a ForexClear Option Clearing Member if that ForexClear Option Clearing Member does not pay, in the manner specified by the Procedures, all Relevant FX Liabilities by 8:00 AM Central European Time on the day on which such amounts are due.

- (a) Upon the occurrence of a ForexClear Liquidity Event with respect to a ForexClear Option Clearing Member (such ForexClear Option Clearing Member, the “**Affected ForexClear Option Clearing Member**”), there shall arise an instruction by the Clearing House for itself and on behalf of the Affected ForexClear Option Clearing Member authorising the Clearing House to take such of the steps listed in (d) below it deems appropriate in the circumstances:

(i) to satisfy and/or discharge all the Affected ForexClear Option Clearing Member’s liabilities in any ForexClear Currency:

(A) that are due and payable by it on that day to the Clearing House under a ForexClear Option Contract, ForexClear Swap Contract, ForexClear Deliverable Forward Contract and/or ForexClear Spot Contract; and

(B) which the Procedures provide are to be paid by it for the Clearing House’s account at the Settlement Service Provider (the “**Relevant FX Liabilities**”) and

(ii) with a view to completing the settlement cycle for all payments arising under the ForexClear Option Service in all currencies on that day.

(c)

The Clearing House shall, immediately upon the occurrence of a ForexClear Liquidity Event, give notice in writing (which may be given by electronic messaging system or email) to:

(i) the Affected ForexClear Option Clearing Member; and

(ii) the Non-Affected ForexClear Option Clearing Members,

(d)

specifying that a ForexClear Liquidity Event that has occurred. A failure by the Clearing House to deliver, or any delay in the delivery of, any of the notices required by this paragraph (c) shall not affect the Clearing House’s ability to exercise any of its rights under this Regulation 101.

The steps which may be taken by the Clearing House under (a) above are:

**Liquidity Fund Contributions**

(i) to utilise any of the ForexClear Liquidity Fund Contributions in respect of any ForexClear Option Clearing Member in support of the Clearing House’s obligations to make payments to other ForexClear Option Clearing Members under ForexClear Option Contracts, ForexClear Swap Contracts, ForexClear Deliverable Forward Contracts and/or ForexClear Spot Contracts to which it is

a party and which correspond to Relevant FX Liabilities of an Affected ForexClear Option Clearing Member;

- (ii) to satisfy and deem performed the payment obligation of the Affected ForexClear Option Clearing Member to the Clearing House under some or all of the Relevant FX Liabilities, subject always to a corresponding reimbursement obligation arising between the Affected ForexClear Option Clearing Member and the Clearing House pursuant to Regulation 102(i);
- (iii) to charge to the Affected ForexClear Option Clearing Member's account the amount (or, if the amount is not finally known, the estimated amount) of any expenses, liabilities, costs, or reimbursement obligations incurred by the Clearing House with regard to or in consequence of the circumstances in (a) or the steps which are or may be taken under this Regulation 101;
- (iv) to immediately suspend the performance of any payment obligation (denominated in any ForexClear Currency) that it owes to the Affected ForexClear Option Clearing Member on the day of the ForexClear Liquidity Event under any ForexClear Option Contract, ForexClear Swap Contract, ForexClear Deliverable Forward Contract and/or ForexClear Spot Contract, where such payment obligation is owed on the day of the ForexClear Liquidity Event, to the extent that, and for so long as, such Affected ForexClear Option Clearing Member has not paid the amount owed to the Clearing House under Regulation 102(i). If the Affected ForexClear Option Clearing Member does not pay the amount owed to the Clearing House under Regulation 102(i) when due, the Clearing House shall have the right to apply any amounts (denominated in any ForexClear Currency) that it would have owed to the Affected ForexClear Option Clearing Member but for the suspension referred to above, to the extent necessary to fully discharge that Affected ForexClear Option Clearing Member's obligation to the Clearing House under Regulation 102(i) and the Clearing House shall be entitled, pursuant to Regulation 101(d)(iii) above, to charge the Affected Clearing Member for any costs it incurs in converting any amounts pursuant to this paragraph (iv); and/or

### **Mandatory ForexClear Swap Contracts**

- (v) ~~to~~ conclude, and bind the Affected ForexClear Option Clearing Member or another ForexClear Option Clearing Member on the one hand, and the Clearing House on the other hand to, one or more Mandatory ForexClear Swap Contracts on such terms as the Clearing House may determine in its sole and absolute discretion, provided always that:
  - (A) any Mandatory ForexClear Swap Contract shall be concluded only with a view to either, once registered with the Clearing House, (A) reducing or extinguishing some or all of the Relevant FX Liabilities of the Affected ForexClear Option Clearing Member in any ForexClear Currency on that day, or (B) creating corresponding positions for the Clearing House vis a vis the other ForexClear Option Clearing Member(s);

- (B) no Mandatory ForexClear Swap Contract shall be concluded with a Non-Affected ForexClear Option Clearing Member which would (i) have the effect, immediately upon registration, that the relevant Settlement Position Limit applicable to the relevant ForexClear Currency and that Non-Affected ForexClear Option Clearing Member would be exceeded by the Settlement Position Amount applicable to the relevant ForexClear Currency and that Non-Affected ForexClear Option Clearing Member, or (ii) exceed the Mandatory ForexClear Swap Limit applicable to that Non-Affected ForexClear Option Clearing Member and the relevant ForexClear Currency;
- (C) the Initial Exchange Date (as defined in the ForexClear Swap Contract Terms) for the Mandatory ForexClear Swap Contract shall be the date on which the ForexClear Liquidity Event has occurred;
- (D) the Final Exchange Date (as defined in the ForexClear Swap Contract Terms) for the Mandatory ForexClear Swap Contract may be any date from (but excluding) the date on which the ForexClear Liquidity Event has occurred to (and including) the date that is fourteen days after the date on which the ForexClear Liquidity Event has occurred;
- (E) the Mandatory ForexClear Swap Contract must otherwise meet the conditions that the Clearing House, in its sole and absolute discretion, deems necessary from time to time;
- (F) the Mandatory ForexClear Swap Contract shall be concluded on terms that it is subject to immediate registration with the Clearing House in the name of the relevant ForexClear Option Clearing Member; ~~and~~
- (G) the Mandatory ForexClear Swap Contracts arising between the Clearing House and the ForexClear Option Clearing Members other than the Affected ForexClear Option Clearing Member shall be allocated by the Clearing House in accordance with the applicable allocation provisions in Regulation 103-~~i~~;
- (H) from, and including, the US ForexClear STM Conversion Date, each Mandatory ForexClear Swap Contract arising between the Clearing House and a ForexClear Option Clearing Member shall be a ForexClear Swap STM Contract if that ForexClear Option Clearing Member is a US FXCCM; and
- (I) each Mandatory ForexClear Swap Contract arising between the Clearing House and a ForexClear Option Clearing Member that is not a US FXCCM shall be registered as a ForexClear Swap CTM Contract.

(c)

At the time and in the manner specified in the Procedures, the Clearing House shall notify each Non-Affected ForexClear Option Clearing Member and the Affected ForexClear Option Clearing Member of the Mandatory ForexClear Swap Contracts (if any) that it has entered into for and on its behalf.

**Appendix II**

Procedures Section 21 (ForexClear Clearing Service)



**LCH LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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## 1. INTRODUCTION AND INTERPRETATION

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

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

References to "**Sections**" shall mean sections in these Procedures.

References to "**Business Day**", "**Calculation Agent**", "**Disruption Fallback**", "**Notional Amount**", "**Reference Currency**", "**Settlement Currency**", "**Settlement Currency Amount**", "**Settlement Date**", "**Settlement Rate**", "**Settlement Rate Option**", "**Trade Date**", "**Valuation Date**", "**Valuation Postponement**" shall carry the meanings given to them in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time with respect to the relevant Currency Pair.

References to "**business day**" shall carry the meaning given to it in the Rulebook.

References to "Currency Pair" are to the relevant currency pairs specified in the Schedule to the ForexClear Regulations.

"**EMTA**" means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

"**EMTA Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

"ForexClear Margin or Settlement Currency" means

(a) in the case of a ForexClear NDF Contract, USD; or

(b) in the case of all other ForexClear Contracts, the ForexClear Currency or ForexClear Currencies elected as such by the FXCCM party to such ForexClear STM Contract at registration of such ForexClear STM Contract, provided that the Clearing House has permitted such currency or currencies to be chosen for such purpose.

"**LCH G10 NDF Contract Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are set forth in the ForexClear Contract Terms.

"NPV Payment" means, in respect of a business day and a ForexClear STM Contract that is settled-to-market daily in accordance with Regulation 106A, the amount or amounts paid by either the relevant FXCCM or the Clearing House to the other on such business day in respect of the change in the net present value of that ForexClear STM Contract (or the obligations thereunder) in accordance with the ForexClear STM Terms applicable to that ForexClear STM Contract.

## 1.2 Service Scope

1.2.1 Eligibility: ForexClear Transactions may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the applicable ForexClear Eligibility Criteria (as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time).

### 1.2.2 Service Operating Hours

- (a) *Opening Days*: The ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.
- (b) *Opening Hours*: The ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning ("**Opening Hours**"). The ForexClear Service will not accept ForexClear Transactions outside of these hours.

### 1.2.3 Accounts

#### (a) *Proprietary Accounts and Client Accounts*

##### (i) Proprietary Accounts

~~A~~An FXCCM may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts

- (A) a position account; and
- (B) a collateral account

##### (ii) Client Accounts

##### (A) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.12 (~~ForexClear Client Clearing~~~~ForexClear Client Clearing~~) below, ~~an~~ FXCCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (1) Individual Segregated Accounts;
- (2) Indirect Gross Accounts;
- (3) Non-Identified Client Omnibus Net Segregated Accounts;



- (4) Identified Client Omnibus Net Segregated Accounts;
    - (5) Affiliated Client Omnibus Net Segregated Accounts;
    - (6) Omnibus Gross Segregated Accounts; and/or
    - (7) Indirect Net Accounts.
  - (iii) Each Client Account will map to two or more sub-accounts:
    - (A) one or more position accounts; and
    - (B) one or more collateral accounts.
- (b) The ForexClear Service provides for:
  - (i) a single house position-keeping account with the account code "H" in respect of ForexClear Clearing House Business and a collateral account associated with the "H" house position-keeping account;
    - (A) Sub-accounts within the FXCCM's "H" house position-keeping account may be set up (e.g. for branches or FXDs). Each such sub-account will carry the unique Bank Identifier Code ("BIC") of the relevant branch/FXD (please see Section 1.2.4).
    - (B) Sub-accounts within the FXCCM's "H" house position-keeping account will be associated with the single collateral account of the FXCCM and information contained across the house position-keeping sub-accounts is consolidated into the single "H" account of each FXCCM.
  - (ii) a single client position-keeping account with the account code "C" in respect of ForexClear Client Clearing Business and a collateral account associated with the "C" client position-keeping account . Each client "C" position-keeping account and the client "C" collateral account of [aan](#) FXCCM may hold any number of segregated sub-accounts. Each Individual Segregated Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, each Indirect Gross Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account and each Omnibus Segregated Account will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account. In the case of Indirect Gross

Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

- (c) The ForexClear Service also provides for a separate account for each FXCCM's ForexClear Default Fund Contribution with the account code "F".
- (d) Only the "H" and "F" accounts are obligatory. The "C" account will be used in respect of any FXCCM which engages in ForexClear Client Clearing Business.

#### 1.2.4 Branches

- (a) Submission of a static data form to LCH's Onboarding department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that FXCCM's "H" position-keeping account.
- (b) Because the single account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs and/or per branch will be provided as an estimate (if applicable).
- (c) Where a ForexClear Transaction is presented for clearing by a branch of an FXCCM, it is deemed to have been presented by, and in the name of, the relevant FXCCM.

#### 1.2.5 Novation and Registration

- (a) A ForexClear Transaction must satisfy the applicable ForexClear Eligibility Criteria (set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time) at the Registration Time. Upon a ForexClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the ForexClear Transaction, registration shall occur immediately and the ForexClear Transaction shall be automatically replaced with two separate ForexClear Contracts.
- (b) If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check (as defined herein), then any submitted and unregistered ForexClear Transaction that the FXCCM has been nominated to clear and that is subject to such Incremental Risk Check will be rejected.

- (c) Once the ForexClear Transaction has passed the Validation Checks (as defined in paragraph ~~(a)(a)~~ of Section ~~1.3.3+3.3~~ (*Trade Validation and Registration*)) and the Clearing House has determined to accept the ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the ForexClear Transaction as two ForexClear Contracts and including a timestamp of the relevant registration time to the entities specified in paragraph (a)(iii) of Section 1.3.3 (*Trade Validation and Registration*). For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "**Registration Time**" of such ForexClear Contracts.
- (d) The definitive report of a registered ForexClear Contract will be shown on the "**All Open Contracts**" report issued by ForexClear Reporting.
- (e) If an FXCCM is declared a Defaulter, the Clearing House will not register any ForexClear Contract in the name of such Defaulter (except pursuant to the Default Rules). ForexClear Transactions in respect of non-defaulting FXCCMs will continue to be registered in accordance with, and subject to, the Rulebook.

### 1.3 Trade Management

- 1.3.1 *Trade Capture*: After the execution of a ForexClear Transaction (a "**trade**"), each FXP who is a party to the trade will submit individual instructions to the ForexClear Approved Trade Source System for matching and clearing of the trade. FXPs are not required to submit a confirmation of any trade presented to the Clearing House for registration. Presentation of the matched trade terms through the ForexClear Approved Trade Source System will ensure that the agreed terms of the trade are recorded.

Once the ForexClear Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the ForexClear Approved Trade Source System matches both instructions. The ForexClear Approved Trade Source System validates the trade using the applicable ForexClear Eligibility Criteria and will, if appropriate, present a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as a "**ForexClear Transaction**".1.3.3

The Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under all Applicable Law. In respect of a ForexClear Transaction which is:

- (a) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue -and (if the originating ForexClear Approved Trade Source System is different to the Trading Venue) the originating ForexClear Approved Trade Source System of registration or rejection of the ForexClear Transaction (as applicable); and

a Sub-Block Trading Venue Transaction and with respect to which the Clearing House has not received sufficient Collateral (taking into account any MER Buffer and MCE provided by the Clearing House, if any) will, in each case, be rejected.

If a trade is presented to the Clearing House for registration and rejected, it may be re-presented for registration in the form of a new trade but with the same economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such trade will, for the purposes of the Rulebook and upon such re-presentation, constitute a new trade.

### 1.3.5 *Package Transactions*

Subject to Clearing House availability, a ForexClear Clearing Member may, via an Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more ForexClear Transactions for simultaneous registration (such group of ForexClear Transactions being a “**Package Transaction**”). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent ForexClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each ForexClear Transaction that forms part of the Package Transaction as a new ForexClear Transaction in accordance with the Rulebook and, where each constituent ForexClear Transaction within the Package Transaction meets the registration requirements as set out in the Rulebook (including the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the ForexClear Transactions within that Package Transaction. Where one or more of the constituent ForexClear Transactions does not meet the Clearing House’s registration requirements then all of the constituent ForexClear Transactions of the Package Transaction shall be rejected.

Where a constituent ForexClear Transaction of a Package Transaction is a US Trading Venue Transaction, it is a condition of registration that all of the constituent ForexClear Transactions be US Trading Venue Transactions; where such condition is not met, all constituent ForexClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising ForexClear Transactions that are not executed on any US Trading Venue, the Clearing House will send a Notification to the relevant ForexClear Clearing Member(s) for the acceptance of each such constituent ForexClear Transaction.

In respect of a Package Transaction submitted in a ForexClear Clearing Member’s name, such ForexClear Clearing member’s [Marginmargin](#)

requirement will be assessed based on the net [Margin](#) call for all of the constituent ForexClear Transactions of such Package Transaction.

The Clearing House may limit the number of ForexClear Transactions that may be included in a Package Transaction by way of member circular.

#### 1.3.6 *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

- (a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade presented for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a cancellation request for a ForexClear Contract or a ForexClear Transaction, in each case, manually prior to a [Margin and Settlement](#) Run (e.g. in the case of a Default, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from an FXCCM which is a Defaulter).
- (b) The Clearing House acknowledges the action:
  - (i) in respect of trades being manually rejected or manually registered, by notifying the entities specified in Section 1.3.3(a)(iii) of such rejection or registration (as applicable); and
  - (c) in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, by sending a message to the ForexClear Approved Trade Source System that it is "CANCELLED".

#### 1.3.7 *Trade Cancellation*

- (a) The Clearing House accepts cancellation messages from FXPs against both non-novated trades (ForexClear Transactions) and novated trades (ForexClear Contracts).
- (b) Cancellation messages may be submitted via the ForexClear Approved Trade Source System (i), with respect to any ForexClear NDF Contract, until such ForexClear Contract is "**fixed**" – i.e. when its Settlement Rate has been determined on the relevant Valuation Date, (ii) with respect to any ForexClear Option Contract, until the end of day on the Business Day preceding the relevant Expiration Date and (iii) with respect to any ForexClear Spot Contract, ForexClear Swap Contract or ForexClear Deliverable Forward Contract, until the end of day two Business Days immediately preceding the Settlement Date.
- (c) A successful cancellation message results in a "CANCELLED" status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FXCCM via the ForexClear Approved Trade Source System.
- (d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.

The Clearing House applies the Settlement Rate to all relevant ForexClear NDF Contracts at a predefined time following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear NDF Contract. FXCCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting (as defined in Section 1.7 (*ForexClear Reporting*)) on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FXCCMs.

(c) *Process Flow Description*

- (i) After the Registration Time for a ForexClear NDF Contract, the ForexClear Service links a Settlement Rate Option to it in accordance with the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable.
- (ii) On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the ForexClear NDF Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each ForexClear NDF Contract in the Settlement Currency by applying the relevant Settlement Rate Option as referenced in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable.

1.3.9 If the Settlement Rate Option set out in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable, is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable. Notwithstanding the foregoing, in the event the Clearing House determines (in its sole discretion) that a Settlement Rate Option is unavailable, the Clearing House will determine an alternative Settlement Rate Option.

1.3.10 *Settlement:* With respect to each ForexClear NDF Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the ForexClear NDF Contract Terms.

1.3.11 From (and including) the Registration Time to (and including) the [Business Daybusiness day](#) immediately preceding the Settlement Date, changes in the daily value of open ForexClear NDF Contracts will have resulted in variation margin credits and debits [or NPV Payments](#) between the parties (as set out at Section 1.5.2 (*Variation Margin and NPV Payments*)). With respect to each ForexClear NDF Contract, on the [Business Daybusiness day](#) immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net variation margin ~~which has~~ [or aggregate NPV Payments \(as applicable\) which have](#) been paid/received through the term of the ForexClear NDF Contract, the result of which is a Net Settlement Amount ("NSA"), which will be reflected in the FXCCMs' cash accounts with the Clearing House on the Settlement Date. As such, with respect to each ForexClear NDF Contract, the transfer to the Clearing House of [either \(i\)](#) all the



Collateral in respect of the variation margin in respect that ForexClear NDF Contract, or (ii) all the NPV Payments required ~~during the term~~ pursuant to the ForexClear NDF STM Terms of ~~such that~~ ForexClear NDF Contract shall satisfy the relevant party's obligation to pay the Settlement Currency Amount on the Settlement Date of such ForexClear NDF Contract. For the purpose of providing Nostro reconciliations, to the relevant parties, the Clearing House will provide Reporting (as defined in Section 1.7 (*ForexClear Reporting*)) which will reflect an entry for the "**Settlement Currency Amount**" and a separate entry for the reversal of the aggregate net variation margin or NPV Payments which ~~has~~ have been paid/received through the term of the ForexClear NDF Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the ForexClear NDF Contract Terms.

- 1.3.12 *Portfolio Management*: The Clearing House allows portfolios of ForexClear Contracts to be transferred between FXCCMs (e.g., in the event of merger, or where agreed between the relevant FXPs).

The portfolio transfer capability allows the transfer of:

- (a) A single ForexClear Contract.
- (b) Part of an FXCCM's portfolio (which includes the ability to transfer ForexClear Contracts to various other FXCCMs, e.g. Bank A to Bank B for USD/RUB, Bank A to Bank C for USD/KRW and Bank A to Bank D for USD/BRL).
- (c) Portfolio transfer (i.e. the transfer of all or just one of the portfolios belonging to an FXCCM).
- (d) Multiple portfolio transfers (i.e. the transfer of several portfolios of an FXCCM).

The Clearing House will carry out the portfolio transfer. For transfers under (b), (c) and (d), this can be on either (i) a ForexClear Contract by ForexClear Contract basis, or (ii) in respect of ForexClear NDF Contracts, on a Currency Pair basis.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FXCCM regarding any additional Collateral that may be required in order to complete the portfolio transfer.

- (e) *Legal Documentation*: The transfer of ForexClear Contracts will be documented in accordance with the standard legal documentation for the transfer of ForexClear Contracts provided by the Clearing House to FXPs. Any such transfer must be authorised by all relevant parties and executed by individuals with appropriate signing authority.

- 1.3.13 *Reference Data*

- (a) *Holiday Event Calendar*:

The ForexClear Service uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, INC.) (“**SwapsMonitor Financial Calendar**”) in order to determine holidays. This requires all ForexClear Participants to be licensees of the SwapsMonitor Financial Calendar.

If a change is declared that affects the SwapsMonitor Financial Calendar that is referenced on ForexClear, then a corresponding calendar adjustment will be made to the ForexClear system, unless the Clearing House informs FXCCMs by notice on its website (at [www.lchclearnet.com/asset-classes/foreign-exchange/products](http://www.lchclearnet.com/asset-classes/foreign-exchange/products), or such other web page as the Clearing House determines) that the relevant change will not apply to ForexClear Contracts. a corresponding calendar adjustment will be made to the ForexClear system. The Clearing House may temporarily close the ForexClear Service to process a calendar adjustment in its clearing system. FXCCMs will be notified in advance of the date, time and expected duration of such closure.

(b) *Date Adjustment:*

As a result of the calendar adjustment process, (i) the Valuation Date and/or the Settlement Date of any affected ForexClear NDF Contracts will automatically be date adjusted in accordance with the provisions of the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable and (ii) the Settlement Date of any affected ForexClear Spot Contract, ForexClear Swap Contract, ForexClear Deliverable Forward Contract, or ForexClear Option Contract and the Premium Payment Date of any affected ForexClear Option Contract will automatically be date adjusted in accordance with the Following Business Day Convention, as detailed in the ISDA definitions.

The Clearing House will notify the FXCCMs via file download from the Clearing Member Reporting as to any ForexClear NDF Contract, ForexClear Spot Contract, ForexClear Swap Contract, ForexClear Deliverable Forward Contract, or ForexClear Option Contract affected and the date adjustments made.

## 1.4 Market Data

1.4.1 *Sources used by ForexClear Service:* With respect to each ForexClear Contract, the ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 1.4.2 (*Market Data Sources and Frequencies*)) in relation to each Currency Pair or ForexClear Currency Pair:

- (a) FX spot rates (“**FX Spot Rates**”);
- (b) FX swap points (“**FX Swap Points**”);
- (c) FX implied volatility points (“**FX Volatility Points**”);



- (d) FX NDF Settlement Rate Option;
  - (e) Interest rate swap curves and Overnight index swap curves ("**Interest Rate Curves**");
  - (f) PAI rates ("**PAI Rates**") or PAA rates ("**PAA Rates**") as applicable;
  - (g) Country credit spreads ("**Country Credit Spreads**"); and
  - (h) FX spot reference prices ("**FX Spot Reference Prices**"),
- together, "**Market Data**".

FX Spot Rates, FX Swap Points and FX Volatility are received by the Clearing House via a live link from all eligible FXCCMs during the Opening Hours (as defined in paragraph (b) of Section 1.2.2 (*Service Operating Hours*)).

1.4.2 *Market Data Sources and Frequencies:* The Clearing House receives the following updated raw prices:

- (a) FX Spot Rates:
  - (i) Source – contributing FXCCMs.
  - (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
- (b) FX Swap Points:
  - (i) Source - all contributing FXCCMs.
  - (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
  - (iii) FX NDF tenors – as shown in the table below.

Tenor
S/N
1 week
1 month
2 months
3 months
6 months
12 months
24 months

- (iv) FX Deliverable tenors – as shown in the table below:

Tenor
O/N
T/N
S/N

<b>Tenor</b>
1 week
2 weeks
1 month
2 months
3 months
6 months
9 months
12 months
18 months
24 months

## (c) FX Volatility Points:

- (i) Source – all contributing FXCCMs.
- (ii) Frequency – every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
- (iii) Deltas and Tenors – as shown in the tables below. All delta points should be contributed for each tenor.

<b>Tenor</b>
O/N
1 week
2 weeks
1 month
2 months
3 months
6 months
9 months
12 months
18 months
24 months

<b>Deltas</b>
ATM
25-RR
25-Fly
10-RR
10-Fly

## (d) FX NDF Settlement Rates:

- (i) Source - Reuters.

- (ii) Frequency - when published (as referenced in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable).
  - (e) Interest Rate Curves:
    - (i) Source - internal Clearing House.
    - (ii) Frequency - at each SwapClear ~~margin run~~ [Margin or Settlement Run](#).
  - (f) PAI rates [and PAA rates](#):
    - (i) Source - LCH Treasury.
    - (ii) Frequency - daily.
  - (g) Country Credit Spreads:
    - (i) Source – Bloomberg.
    - (ii) Frequency – when published.
  - (h) FX Spot Reference Prices:
    - (i) Source – the source published on the ForexClear website from time to time.
    - (ii) Frequency – at each expiration time.
- 1.4.3 *Market Data Provision to FXCCMs:* Market Data used in a [Margin or Settlement](#) Run is made available to FXCCMs via ForexClear Reporting (as defined in Section 1.7 (*ForexClear Reporting*)).
- 1.4.4 *Curve Building in ForexClear*
- (a) *FX Curve (Zero Coupon/Market Rate Curve):* The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve. The currency zero coupon curves are implied from the FX curve and the USD LIBOR Curve; the FX curve is used for capitalisation of forward cash flows. Cross rates spot and forward curves will be triangulated from the non cross currency pairs (i.e., the currency pairs where USD is one of the currencies). Linear interpolation is applied on zero coupon curves.
  - (b) *Implied Volatility Surface:* The Clearing House builds for each Currency Pair or ForexClear Currency Pair an FX Implied Volatility Surface using the FX Volatility Points. Implied volatility interpolation is performed along both the delta and tenor axes. Interpolation is firstly applied on the delta axis of the two neighbouring implied volatility smiles, and then tenor axis interpolation is applied. To prevent arbitrages on the input

volatility surfaces impacting on margining calculations, a de-arbitraging methodology is applied where an arbitrage exists on any reference volatility surfaces.

- (c) *Interest Rate Curve*: The Clearing House applies standard bootstrap method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.
- (d) *Curve Use*: End of day is defined as 22.00 local London time ("**EOD**"). The following EOD data is used in the calculation of risk analytics for an EOD Margin and Settlement Run (as defined in paragraph (b) of Section 1.6.1 (*Types of Margin or Settlement Runs*)):
  - (i) FX Spot Rates;
  - (ii) FX Swap Points; and
  - (iii) FX Volatility Points.

1.4.5 *Country Credit Spreads*: The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile, South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

## 1.5 Valuation and Variation Margin and NPV Payments

### 1.5.1 *Product Valuation*

- (a) *ForexClear NDF Contract*: From (and including) the Registration Time to the EOD Margin and Settlement Run on the business day preceding the Valuation Date, each ForexClear NDF Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Section 1.4.2 (*Market Data Sources and Frequencies*)).

At EOD on the Valuation Date, the Settlement Rate is used to value the ForexClear NDF Contract.

If Valuation Postponement applies, the ForexClear NDF Contract is valued using the current forward price (based on the data submitted by FXCCMs, in accordance with Section 1.4.2 (*Market Data Sources and Frequencies*)) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear NDF Contract Terms.

In the event a Settlement Rate or market rate is unavailable, as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative Settlement Rate or market rate.

- (b) *ForexClear Spot Contracts, ForexClear Deliverable Forward Contracts and ForexClear Swap Contracts*: From (and including) the

Registration Time to the EOD Margin [and Settlement](#) Run on the business day preceding the Settlement Date, each ForexClear Spot Contract, ForexClear Deliverable Forward Contract and ForexClear Swap Contract is valued in either USD or EUR using the current market rates and discounted from the future Settlement Date to its present value (using the data submitted by FXCCMs, in accordance with Section 1.5.2 (*Market Data Sources and Frequencies*)).

- (c) *ForexClear Option Contracts*: From (and including) the Registration Time to the Expiration Date, each ForexClear Option Contract is valued in USD or EUR using the Garman-Kohlhagen option pricing model (using the data submitted by FXCCMs, in accordance with Section 1.5.2 (*Market Data Sources and Frequencies*)).

#### 1.5.2 Variation Margin: ~~Separate and NPV Payments~~:

~~1.5.2~~ A single separate calculation in respect of the variation margin calculations are or NPV Payment owed by or to the relevant FXCCM is performed for ~~that~~ FXCCM's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and Client Accounts accounts is allowed (~~except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule~~) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

The (i) variation margin requirement in respect of each ForexClear CTM Contract and (ii) the NPV Payments in respect of each ForexClear STM Contract are calculated at EOD as the change from the preceding business day in its ~~NPV~~ net present value. The net sum of the variation margin requirements or NPV Payments (as applicable) with respect to all of the open ForexClear Contracts is credited or debited (separately for the Proprietary Account and each Client Account of the relevant FXCCM) once a day, following the EOD Margin [and Settlement](#) Run.

Collateral in respect of variation margin (adjusted by PAI, as set out below) will be transferred each business day by or to each FXCCM in respect of all of its open ForexClear [CTM](#) Contracts. The variation margin will be calculated in, and must be paid in, ~~USD or such other currency as specified by the Clearing House from time~~ [ForexClear Margin or Settlement Currency applicable to time](#).

that ForexClear CTM Contract. For the avoidance of doubt, in the case of a ForexClear CTM Contract, any transfers of cash Collateral by an FXCCM to the Clearing House in respect of the FXCCM's variation margin obligations or by the Clearing House to an FXCCM in respect of the Clearing House's variation margin obligations shall be for the purposes of collateralisation and not settlement of obligations under the relevant contracts.

The NPV Payment (adjusted by PAA, as set out below), will be transferred each business day by or to each FXCCM in respect of all of its open ForexClear STM

Contracts denominated in a given currency. Each NPV Payment in respect of a given ForexClear STM Contract will be calculated in, and must be paid in the ForexClear Margin or Settlement Currency applicable to that ForexClear STM Contract.

With respect to each ForexClear Contract, the variation margin requirement or NPV Payment (as applicable) is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

For the avoidance of doubt, “variation margin” and “NPV Payment” as used herein shall include ~~trade~~ variation margin and NPV Payments in respect of both the and premium owed under a ForexClear Option Premium variation margin Contract and all other obligations under the terms of that ForexClear Option Contract.

Any NPV Payment made by an FXCCM to the Clearing House under a ForexClear STM Contract, or by the Clearing House to an FXCCM under a ForexClear STM Contract, shall be for the purpose of settlement of the applicable party’s obligation to pay the required NPV Payment pursuant to the terms of that ForexClear STM Contract and not for the purpose of collateralising any obligations of either party under that ForexClear STM Contract.

- 1.5.3 *Reporting Breakdown:* ForexClear margin reports show the portfolio of open ForexClear NDF Contracts of each FXCCM and of each FXD by Currency Pairs and in the Settlement Currency (i.e. USD). ForexClear margin reports also show the portfolio of open ForexClear Option Contracts, ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts of each FXCCM and of each FXD by ForexClear Currency Pair.
- 1.5.4 *Price Alignment Interest ("PAI"):* The effect of daily transfers of cash Collateral in respect of variation margin on ForexClear CTM Contracts results in the need for PAI. Without this adjustment, the pricing of ForexClear CTM Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.
- (a) *PAI Calculation Methodology:* PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date, and the currency in which the PAI payment is denominated for a given ForexClear CTM Contract ~~(other than a shall be the ForexClear NDF Margin or Settlement Currency of that ForexClear CTM Contract)~~ shall be determined in accordance with the table set out in 1.6.2 above.

In this Section 1.5.4 (*Price Alignment Interest*), "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "MTM" means the total value (expressed in the relevant currency) of an

FXCCM's portfolio open of ForexClear [CTM](#) Contracts after valuation in accordance with Section 1.5.2 ([Valuation Variation Margin and NPV Payments](#)) at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

- (i) Principles:
  - (A) MTM is calculated at EOD on T-1.
  - (B) Change in MTM (net variation margin obligations in respect of an FXCCM's portfolio of open ForexClear [CTM](#) Contracts) is paid/ received on the morning of T.
  - (C) PAI Rate for T to be applied is known at EOD T.
  - (D) PAI is calculated on the night of T, for MTM of T-1 for ForexClear [CTM](#) Contracts up to the business day before their Settlement Date.
  - (E) PAI is paid / received on morning of T+1 via PPS.
- (ii) Components:
  - (A) PAI Rate (annualised interest applied to an FXCCM's MTM).
  - (B) MTM.
  - (C) Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).
- (iii) So:
  - (A)  $PAI T = PAI T \text{ Rate} \times MTM_{T-1} \times \text{Accrual Factor}$ .

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

- (b) *Variation Margin/PAI Adjustment:* With respect to each FXCCM, the Clearing House makes the following adjustment to the EOD variation margin:
  - (i) if, with respect to its portfolio of open ForexClear [CTM](#) Contracts, such FXCCM has (to but excluding the relevant EOD) paid an amount of Collateral in respect of variation margin greater than the amount of Collateral in respect of variation margin it has received, such FXCCM will receive PAI; and
  - (ii) if, with respect to its portfolio of open ForexClear [CTM](#) Contracts, such FXCCM has (to but excluding the relevant EOD) received an amount of Collateral in respect of variation margin



greater than the amount of Collateral in respect of variation margin it has provided, such FXCCM will pay PAI.

1.5.5 Price Alignment Amount ("PAA"): The payment of NPV Payments by the applicable party on a daily basis would, without adjustment, distort the pricing for certain ForexClear STM Contracts cleared through the Clearing House. In order to minimise the impact of such NPV Payments, the Clearing House will, for an FXCCM, either (i) charge a Price Alignment Amount if that FXCCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) pay a Price Alignment Amount if that FXCCM has, on a cumulative net basis, paid NPV Payments to the Clearing House. In a negative interest rate environment where the applicable Price Alignment Amount is negative, the Clearing House will, for an FXCCM either (i) pay a Price Alignment Amount if that FXCCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) charge a Price Alignment Amount if that FXCCM has, on a cumulative net basis, paid NPV Payments to the Clearing House.

(a) PAA Calculation Methodology: PAA is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date, and the currency in which the PAA payment is denominated for a given ForexClear STM Contract shall be the ForexClear Margin or Settlement Currency of that ForexClear STM Contract.

In this Section 1.5.5 (Price Alignment Amount), "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "MTM" means the total value (expressed in the relevant currency) of an FXCCM's portfolio open of ForexClear STM Contracts after valuation in accordance with Section 1.5.2 (Variation Margin and NPV Payments) at close of business on any business day. The Clearing House calculates PAA once a day at EOD.

(i) Principles:

(A) MTM is calculated at EOD on T-1.

(B) Change in MTM (net NPV Payment obligations in respect of an FXCCM's portfolio of open ForexClear STM Contracts) is paid/ received on the morning of T.

(C) PAA Rate for T to be applied is known at EOD T.

(D) PAA is calculated on the night of T, for MTM of T-1 for ForexClear Contracts up to the business day before their Settlement Date.

(E) PAA is paid / received on morning of T+1 via PPS.

(ii) Components:



(A) PAA Rate (annualised interest applied to an FXCCM's MTM).

(B) MTM.

(C) Accrual Factor (factor used to convert the PAA Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

(iii) So:

(A)  $PAA\ T = PAAT\ Rate \times MTMT-1 \times Accrual\ Factor.$

The Clearing House uses the PAA Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

1.5.5.1.5.6 *Initial Margin:* The Clearing House will require FXCCMs to transfer Collateral to the Clearing House in respect of initial margin. Each FXCCM's initial margin obligation will comprise the aggregate of the initial margin obligations separately calculated in relation to (i) the ForexClear NDF Service and (ii) the ForexClear Option Service.

- (a) *Calculation of Initial Margin:* Separate initial margin calculations are performed for an FXCCM's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and the Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

The initial margin obligation is calculated on a real-time (or near real-time) basis throughout each day. With respect to each FXCCM, it is calculated for the portfolio of open ForexClear Contracts and ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified historical simulation expected shortfall methodology. All open ForexClear Contracts and ForexClear Transactions in each Currency Pair are re-valued under a series of FX rate and yield curve scenarios to estimate the potential portfolio profit and loss and therefore the initial margin requirement.

The adequacy of the initial margin calculation is reviewed daily. ForexClear Clearing Members will usually be notified by the Clearing House of alterations to margin model parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the market data submitted by FXCCMs pursuant to paragraph 1.5.1(a) (*Product Valuation*).

*Initial Margin Add-ons*: Credit risk, liquidity risk and sovereign risk margin add-ons are measured and applied to FXCCMs as part of the initial margin requirement calculation.

- (b) *Credit Risk Margin ("CRiM")*: CRiM reflects the additional risk related to the FXCCM's credit quality. The CRiM calculation considers the FXCCM's credit worthiness, initial margin obligation level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.
- (c) *Liquidity Risk Margin ("LRM")*: LRM reflects the additional risk due to the FXCCM having concentrated risk exposures above set thresholds in a particular Currency Pair or ForexClear Currency Pair or tenor of ForexClear Contracts. The LRM is calculated in accordance with parameters set by the ForexClear Default Management Group (the "FXDMG").
- (d) *Sovereign Risk Margin ("SRM")*: SRM reflects the additional risk related to a potential country default or a change in a country's currency regime which would impact ForexClear Contracts transacted in certain Reference Currencies. The SRM calculation considers the probability of sovereign default occurring and the depreciation or appreciation risk of the Reference Currencies. The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread.
- (e) *Settlement Management Margin ("SMM")*: SMM reflects the additional risk associated with a potential settlement failure. The SMM calculation considers the FXCCM's future settlement obligations in each of the relevant currencies and the potential cost of utilising and replenishing liquidity provisions, where required, to fulfil those settlement obligations.
- (f) *Additional Margin*: The Clearing House may require an FXCCM to transfer additional Collateral to the Clearing House (in addition to amounts of Collateral already transferred to the Clearing House in respect of any initial margin and variation margin obligations) as security for the performance by an FXCCM of its obligations to the Clearing House in respect of ForexClear Contracts to which such FXCCM is a party in accordance with Regulation 20 (*Margin and Collateral*). This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in ForexClear Contracts to which such FXCCM is a party not adequately covered by the Collateral transferred in respect of the initial margin or any variation margin obligations. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Rules have increased.

- (g) *Minimum Excess Requirement Buffer ("MER Buffer")*: To facilitate the intraday registration of ForexClear Contracts, at each EOD Margin [and Settlement](#) Run, the Clearing House will call from each FXCCM an amount of Collateral in respect of the initial margin obligation referred to as "**Minimum Excess Requirement Buffer**" ("**MER Buffer**") in respect of that FXCCM's potential intraday Liabilities (as defined below at Section 1.6.2 (*Margin [or Settlement](#) Run Process*)) for the following day.

The required amount of MER Buffer for an FXCCM is expressed as a percentage of the FXCCM's start-of-day portfolio initial margin, and is calibrated daily based on recent member activity such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative initial margin changes over a given number of historical business days.

The parameters of the MER model are: MER percentile, MER lookback period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FXCCMs' initial margin history across the ForexClear Service.

As ForexClear Contracts are registered in an FXCCM's name, the Clearing House will, in accordance with the Margin [or Settlement](#) Run process, calculate an FXCCM's intraday Liabilities (or, in the case of an Incremental Risk Check, the FXCCM's estimated Liabilities), taking into account any MER Buffer.

At each EOD Margin [and Settlement](#) Run, the Clearing House will recalculate and call the FXCCM's MER Buffer for the following day.

~~1.5.6~~1.5.7 *Mutualised Credit Extension ("MCE")*: If an FXCCM has insufficient Collateral to enable the registration of further ForexClear Contracts in its name, then the Clearing House may make available to an FXCCM intraday credit by way of a Mutualised Credit Extension ("**MCE**") to enable the FXCCM to register further ForexClear Contracts. An FXCCM may utilise MCE intraday on a one-to-one basis to the value of the Collateral in respect of initial margin that would have been required to cover that FXCCM's Liabilities (or, in the case of Incremental Risk Checks, the FXCCM's estimated Liabilities). The amount of the MCE made available to an FXCCM in aggregate during any one day must not exceed an amount that is the lesser of: (a) 50% of the ForexClear MCE Default Fund Buffer; or (b) the sum of the FXCCM's Collateral in respect of initial margin and ForexClear Contribution. The amount of the "**ForexClear MCE Default Fund Buffer**" is currently zero and therefore the Clearing House will not provide MCE to any FXCCM until further notice.

For the avoidance of doubt, MCE is provided in the form of intraday initial margin forbearance and an FXCCM's utilisation of MCE does not give rise to any payment or transfer of collateral by the Clearing House nor does it result in any use of the ForexClear Fund Amount (except in events of default).

All MCE credit extended on any given day shall be revoked at the close of business on such day (unless revoked earlier in accordance with the following paragraph). As part of each EOD Margin and Settlement Run, the Clearing House will call Collateral in respect of initial margin obligations from each FXCCM to replace any utilised MCE and that FXCCM's MCE will be reset for the following day (assuming such FXCCM has satisfied any margin calls). Any failure of an FXCCM to satisfy an initial margin call relating to the replacement of MCE constitutes a default by such FXCCM – just as any failure by an FXCCM to satisfy any other type of initial margin call constitutes a default.

The MCE is made available at the Clearing House's sole discretion. In particular (but without limitation), the Clearing House may refuse to extend MCE to any or all FXCCMs on risk management grounds, and may at any time require an FXCCM to provide Collateral in respect of initial margin in place of any utilised MCE.

~~1.5.7~~1.5.8 Initial Margin Management Events Service ("IMMES"): IMMES aims to find risk and initial margin reducing ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest Collateral requirement.

FXCCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Risk on 0207 426 7527. To be eligible to participate in IMMES, an FXCCM must enter into an IMMES agreement with the Clearing House (the "**IMMES Agreement**").

## 1.6 General Margining Process

A "**Margin and Settlement Run**" is the process by which the Clearing House calculates an FXCCM's initial margin requirement (if any) and, during an EOD Margin and Settlement Run (i) in respect of each ForexClear CTM Contract, its variation margin requirement and PAI adjustment (if required) or (ii) in respect of each ForexClear STM Contract, its NPV Payment and PAA adjustment (if required) (together ~~is~~the "**Margin or Settlement Requirements**"), and in the case of (i) only, applies that FXCCM's Collateral to satisfy the Margin Requirements for that FXCCM in respect of the ForexClear Contracts within that FXCCM's portfolio.

1.6.1 Types of Margin and Settlement Runs: There are three types of Margin and Settlement Run:

- (a) ITD/Ad Hoc - Day Margin and Settlement Run
  - (i) ITD/Ad-hoc London daytime Margin and Settlement Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FXCCMs from time to time (the "**Schedule**") or as necessary, and are performed in the time period during which a PPS call can be made (the "**ITD/Ad-hoc Day Margin and Settlement Run**"). PPS times are published on the Clearing House's website at: <http://www.lch.com/en/risk->

[collateral-management/collateral-management/protected-payments-system/pps-concentration-activities](#).

- (ii) ITD/Ad-hoc Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation, [NPV Payment obligation, PAI](#) and [PAIPAA](#) are not included in ITD/Ad-hoc Margin Runs.
- (b) *EOD Margin [and Settlement](#) Run*
  - (i) The EOD Margin [and Settlement](#) Run is the final ITD/Ad-hoc Day Margin [and Settlement](#) Run that completes by 24:00 local London time on that business day (the "**EOD Margin [and Settlement](#) Run**").
  - (ii) EOD Margin [and Settlement](#) Runs are calls in respect of initial margin as well as [\(i\) in the case of ForexClear CTM Contracts, variation margin obligations and PAI; and \(ii\) in the case of ForexClear STM Contracts, NPV Payment obligations and PAA.](#)
- (c) *ITD / Ad Hoc - Night Margin Run*
  - (i) ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the "**ITD/Ad-hoc Night Margin Run**").
  - (ii) ITD/Ad-hoc Night Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation, [NPV Payment obligation, PAI](#) and [PAIPAA](#) are not included in ITD/Ad-hoc Night Margin Runs.

#### 1.6.2 *Margin [and Settlement](#) Run Process*

- (a) Margin [and Settlement](#) Runs cover all registered ForexClear Contracts with the status "**NOVATED**".
- (b) Margin ~~Runs~~ [and Settlement Runs](#) will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:
  - (i) EOD Margin [and Settlement](#) Run on the Settlement Date; or
  - (ii) EOD Margin [and Settlement](#) Run after the Settlement Rate is published.
- (c) During every Margin [and Settlement](#) Run the Clearing House calculates the Collateral required in respect of the initial margin obligations and ~~(where applicable)~~ [\(i\) in the case of an FXCCM who is party to ForexClear CTM Contracts,](#) the Collateral required in respect of the variation margin obligations and PAI required to cover ~~each that~~ [FXCCM's relevant open ForexClear ~~Contracts~~CTM Contracts; or \(ii\) in](#)

the case of an FXCCM who is party to ForexClear STM Contracts, the NPV Payments and ForexClear Transactions—the PAA required in respect of that FXCCM's relevant open ForexClear STM Contracts (each a "**Liability**" and together the "**Liabilities**"). For these purposes, liabilities in respect of the open ForexClear Contracts and ForexClear Transactions registered in an FXCCM's Proprietary Account, each of the FXCCM's Client Accounts (other than Indirect Gross Accounts) and each Indirect Gross Sub-Account within an Indirect Gross Account of such FXCCM will be calculated separately.

- (d) Each FXCCM's Liability:
  - (i) in respect of the open ForexClear Contracts registered in an FXCCM's Proprietary Account, is offset against that FXCCM's non-cash collateral account (being a sub-account of the FXCCM's "**H**" collateral account) (for Collateral in respect of initial margin only) or funds in that FXCCM's "**H**" house cash account (being a sub-account of the FXCCM's "**H**" collateral account) (for variation margin/PAI/initial margin); and
  - (ii) in respect of the open ForexClear Contracts registered in a particular FXCCM's Client Account, is offset against the relevant non-cash collateral account (being a sub-account of the FXCCM's Client Account) (for Collateral in respect of initial margin only) or funds in the relevant "**C**" client cash account (being a sub-account of the FXCCM's Client Account) (for variation margin/PAI/initial margin).
- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 1.7.1 (*Margin and NPV Payment Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for the ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).
- (f) If following a Margin and Settlement Run an FXCCM is required to provide additional Collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin and Settlement Runs, where an FXCCM's Liabilities exceed its available Collateral and any MCE, then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FXCCM's MER Buffer.



## 1.7 ForexClear Reporting

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of ForexClear Contracts, including terminations and modifications to a ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of ForexClear Contracts to a swap data repository that is not an Approved LCH SDR, the FXCCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FXCCMs must inform their respective Clearing Clients of the list of Approved LCH SDRs, and inform such Clearing Clients that the Clearing House is only able to report details of a ForexClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the FXCCM has a reporting obligation), FXCCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., "OriginalSwapRepository" or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service, thus an FXCCM will receive reports in respect of ForexClear and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](http://www.lchclearnet.com/members-clients/training-education) <http://www.lchclearnet.com/members-clients/training-education>

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

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

- 1.7.1 *Margin [and NPV Payment](#) Liability Reports:* Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin [and Settlement](#) Run in accordance with Section 1.6.2 (*Margin [and Settlement](#) Run Process*) and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22:00 local London time. If the EOD Margin [and Settlement](#) Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that certain Liabilities of FXCCMs are not discharged at the relevant time. A report will also be provided detailing an FXCCM's Collateral

utilisation level. If an FXCCM's Liabilities exceed its total available Collateral, ForexClear will alert the FXCCM.

- 1.7.2 *Market Data Reports:* Reports detailing Market Data are provided to FXCCMs following every scheduled Margin [and Settlement](#) Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in the initial margin requirement calculations.
- 1.7.3 *Trade Reports:* Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.
- 1.7.4 *Trade Fixing and Settlement Reports:* Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "**FX Transaction Fixings**" report), ForexClear Contracts that have been settled during that current business day (the "**Settlements Today**" report) and ForexClear Contracts that will settle the next business day (the "**FX Transactions' Fixed with Settlement Tomorrow**" report).
- 1.7.5 *Fees Reports:* Reports on trading volumes on a daily and monthly basis are provided to FXCCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FXCCMs choosing to have tariffs levied per transaction.
- 1.7.6 *Banking Reports:* [Follow this link for a full list of banking reports.](#)<sup>2</sup>
- 1.7.7 *Real-time Reporting:* A near real-time view of member liabilities, collateral pledged, collateral and credit utilisation will be available from the ForexClear Service Portal (referred to in paragraph (e) of Section 1.6.2 (*Margin [and Settlement](#) Run Process*)).
- 1.7.8 *Settlement Limit Reports:* As further described in 1.19 (*Settlement Limits for ForexClear Option Contracts, ForexClear Deliverable Forward Contract and ForexClear Spot Contracts*).

## 1.8 Treasury Operations & Collateral Management

- 1.8.1 *Cover Distribution:* The Clearing House nets each FXCCM's Liabilities (i.e. margins and multipliers) and then the total of cash Collateral and non-cash

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[http://www.lch.com/documents/731485/762647/Banking\\_Reports\\_Reference\\_Guide\\_Ltd.pdf/662aec8d-2c06-48cb-b946-fe3b03e2dfa9](http://www.lch.com/documents/731485/762647/Banking_Reports_Reference_Guide_Ltd.pdf/662aec8d-2c06-48cb-b946-fe3b03e2dfa9)[http://www.lchclearnet.com/membership/training\\_and\\_education/](http://www.lchclearnet.com/membership/training_and_education/)



Collateral are applied to offset those net Liabilities. This process is known as collateral distribution ("**Collateral Distribution**"). FXCCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FXCCM has a shortfall, a PPS (as defined in Section 1.8.2 (*Protected Payment System*) below) call for additional Collateral is made. Conversely, any excess cash remaining after the final overnight Margin and Settlement Run can, if requested before 09:30 local London time, be repaid to the FXCCM.

(a) *Cover Distribution Notification*

(i) FXCCMs are informed via email of their: Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 1.7.1 (*Margin and Settlement Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).

(ii) The reports accessed via the ForexClear Service Portal will enable FXCCMs to log in and examine the underlying data.

1.8.2 *Protected Payment System:* The Clearing House operates the Protected Payments System ("**PPS**") for transferring funds to and from its FXCCMs to cover their Margin—Requirements, obligations to transfer Margin, NPV Payments, PAA and PAI. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FXCCMs are obliged to hold an account with a London PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US: <http://www.lchclearnet.com/risk-collateral-management/collateral-management/protected-payments-system>

1.8.3 *Acceptable Forms of Collateral Cover:* Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time: <http://www.lchclearnet.com/risk-collateral-management/collateral-management/acceptable-collateral>

1.8.4 *Interest and Accommodation:* Interest is paid to FXCCMs on cash Collateral held by the Clearing House. The London Deposit Rate ("**LDR**") is applied.

A utilisation fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and

(*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below where the preceding representations are not satisfied.

- (c) In any other circumstance not covered by Section 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*), Section 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*) or Section 1.14 (*Indirect Clearing*), [aan](#) FXCCM may only instruct the Clearing House to transfer a ForexClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the FXCCM:
- (i) evidence of the relevant ForexClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
  - (ii) an indemnity in a form suitable to the Clearing House.

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

#### 1.12.3 *Transfers between Client Accounts and Proprietary Accounts*

- (a) If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between [aan](#) FXCCM and a ForexClear Clearing Client in respect of which such FXCCM is a party to Related ForexClear Contracts and, at the time of such early termination date, the relevant FXCCM is not a Defaulter, the FXCCM may, in connection with a defaulted ForexClear Clearing Client, transfer a ForexClear Contract from the applicable Client Account to its Proprietary Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the Rulebook):
- (i) the representations described above in paragraph (b) of Section 1.12.2 (*Transactions in Respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
  - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
  - (iii) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the

FXCCM's intention to transfer the relevant ForexClear Contract to the Clearing House;

- (iv) at all times the FXCCM maintains sufficient Collateral in its Proprietary Account and the applicable Client Account; and
- (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.

For the purposes of this Section 1.12.3 a "**Related ForexClear Contract**" means, in respect of a transaction between [an](#) FXCCM and a ForexClear Clearing Client which has been terminated on an early termination date, the open position represented by the ForexClear Contract entered into with the Clearing House by such FXCCM on behalf of the relevant ForexClear Clearing Client on equal and opposite terms to such transaction.

- (b) The Clearing House will typically (but shall not be required to) transfer the relevant ForexClear Contract within 24 hours of receipt of the above.

#### 1.12.4 *ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*

- (a) An FXCCM may register, in the name of a defaulted ForexClear Clearing Client but without the direction of such ForexClear Clearing Client, ForexClear Contracts (including hedging and/or compression transactions) to such Client Account, or cancel ForexClear Contracts without the direction of such ForexClear Clearing Client under the following conditions (in addition to any other generally applicable provisions of the Rulebook):
  - (i) the representations described above in paragraph 1.12.2(b) (*Transactions in respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
  - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
  - (iii) at all times the FXCCM maintains sufficient Collateral in the applicable Client Account;
  - (iv) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to register the relevant ForexClear Contract(s) is provided to the Clearing House; and

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

## 1.14 Indirect Clearing

1.14.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a ForexClear Clearing Member and a ForexClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Gross Account in respect of which such ForexClear Clearing Member (i) is a party to Related ForexClear Contracts and (ii) at the time of such early termination date, is not a Defaulter, that ForexClear Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

- (a) in circumstances where the ForexClear Clearing Member notifies the Clearing House of a Backup Client in respect of the relevant Indirect Clearing Client, transfer all of the open Related ForexClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client of the new or existing Indirect Gross Account which the ForexClear Clearing Member(a) has opened in respect of such Backup Client (a "**Client to Client Porting**");
- (b) transfer all of the open Related ForexClear Contracts registered to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client to:
- (c) a new Individual Segregated Account opened within the Clearing House by the ForexClear Clearing Member directly on behalf of such Indirect Clearing **Client** who shall, after such transfer, become a ForexClear Clearing **Client** in respect of such Client Account; or
  - (i) a new or existing Omnibus Segregated Account opened within the Clearing House by the ForexClear Clearing Member where such Indirect Clearing Client shall, after such transfer, become a ForexClear Clearing Client in respect of such Omnibus Segregated Account,
- (d) (each, a "**Direct Account Opening**"); or
- (e) transfer all of the open Related ForexClear Contracts registered to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client to its Proprietary Account (an "**Initial Transfer**").

The Clearing House will determine, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, whether a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances. In the event of a determination by the Clearing House that the relevant step is impossible within such time period (an "**Impossibility Determination**"), the Clearing House will notify the

ForexClear Clearing Member and will not undertake a Client to Client Porting, a Direct Account Opening or an Initial Transfer in respect of the relevant Indirect Clearing Client.

1.14.2 Each of the steps referred to in paragraphs 1.14.1 (a), ~~(c)(i)(be)(i)~~ and ~~(e)(ee)~~ above will be subject to the following:

- (a) the Clearing House receiving a copy of the notice from the ForexClear Clearing Member to the relevant ForexClear Clearing Client or from the relevant ForexClear Clearing Client to the ForexClear Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) the Clearing House receiving a copy of the notice from the ForexClear Clearing Member to the relevant ForexClear Clearing Client and the relevant Indirect Clearing Client confirming that the ForexClear Clearing Member will, in accordance with the instructions of the Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related ForexClear Contracts referable to such Indirect Clearing Client;
- (c) the ForexClear Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related ForexClear Contracts are being transferred;
- (d) the Clearing House receiving an indemnity from the ForexClear Clearing Member in a form suitable to the Clearing House; and
- (e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the ForexClear Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

The Clearing House will usually arrange a transfer of the Related ForexClear Contracts referable to an Indirect Clearing Client within 24 hours of receipt of the documents listed in (a)~~(c)(i)(be)(i)(d)(ed)~~ Section 1.14.21.14.2 (a) to (e).

For the purposes of this Section 1.14, a "Related ForexClear Contract" has the same meaning as ascribed to such term in Section 1.12.3 save that, in this Section 1.14 the ForexClear Clearing Client is acting on behalf of one or more Indirect Clearing Clients in respect of whom the ForexClear Clearing Member clears Contracts with the Clearing House in an Indirect Gross Account.

## 1.15 Compression

1.15.1 A ForexClear Clearing Member may compress existing ForexClear Contracts (other than ForexClear Contracts that are ForexClear Option Contracts, ForexClear Swap Contracts, ForexClear Spot Contracts and ForexClear

- 1.17.3 If the Clearing House receives an instruction from a ForexClear Clearing Member, including via any third party intent agent or middleware provider, before the applicable Expiration Time on the Expiration Date such instruction will in all circumstances be acted upon notwithstanding any administrative, systems or processing delays that may affect the Clearing House immediately taking the action required upon receipt of such instruction. If the Clearing House receives an instruction from a ForexClear Option Clearing Member at or after the applicable Expiration Time on the Expiration Date then Section 1.17.1 shall in all circumstances apply and the Clearing House shall have no regard to such instruction.
- 1.17.4 The "**In-the Money Amount**" in relation to a ForexClear Option Contract shall, in respect of the Exercise Date, be equal to:
- (a) in the case of a Call, the excess of the FX Spot Reference over the Strike Price, multiplied by the Call Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Put Currency to be paid per one unit of Call Currency; and
  - (b) in the case of a Put, the excess of the Strike Price over the FX Spot Reference, multiplied by the Put Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Call Currency to be paid per one unit of Put Currency.
- 1.17.5 Capitalised terms used in this Section 1.17 and not otherwise defined shall have the meanings specified for such terms in (i) the ForexClear Option Contract Terms applicable to that ForexClear Option Contract, and, if not defined therein, (ii) the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Trade Association and The Foreign Exchange Committee.

## 1.18 CLS Payment Procedures

- 1.18.1 In connection with ForexClear Spot Contracts, ForexClear Deliverable Forward Contracts, ForexClear Option Contracts and ForexClear Swap Contracts, where applicable, FXCCMs are required to meet the following requirements with respect to CLS:

Time	Action or Requirement
00:00 CET	Clearing House to provide FXCCMs expected CLS funding requirements.
01:30 – 02:00 CET	Clearing House to provide FXCCMs final CLS funding requirements. FXCCMs required to make such payments by 08:00 CET.
06:00 – 08:00 CET	FXCCMs required to make payments to cover all short positions in all currencies.



08:00 CET	CLS to issue payments to FXCCMs per settlement instructions for each relevant FXCCM.
09:00 CET	Clearing House to initiate and complete liquidity provisions.

1.18.2 In connection with ForexClear Spot Contracts, ForexClear Deliverable Forward Contracts, ForexClear Option Contracts and ForexClear Swap Contracts, where applicable, the following Relevant FX Liabilities are payable to CLS by FXCCMs in accordance with the Procedures and/or instructions from the Clearing House:

~~(a) — Notionals;~~

~~(a) Option—Initial Exchange Amounts, Final Exchange Amounts and amounts owed under the Economic Terms of ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts; and~~

~~(b) Premiums; and under ForexClear Option Contracts,~~

~~(c) — Reversal of Cumulative Variation Margin.~~

~~in each case net of any return of aggregate variation margin or NPV Payments denominated in the same currency and due on the same day.~~

1.18.3 Each ForexClear Option Clearing Member warrants that the Relevant FX Liabilities that are paid to CLS pursuant to Section 1.4918.2 are transferred free from any proprietary, equitable or other similar interest of any person.

1.18.4 Each ForexClear Option Clearing Member shall at all times maintain complete and accurate written records of all Payment Transfer Orders given by it (or on its behalf) to its Member Settlement Bank(s) in respect of all amounts under all of the ForexClear Contracts (other than ForexClear NDF Contracts) registered in its name from time to time. Upon demand by the Clearing House, a ForexClear Option Clearing Member shall immediately provide all such records to the Clearing House.

#### 1.19 **Settlement Limits for ForexClear Option Contracts, ForexClear Deliverable Forward Contracts, ForexClear Spot Contracts and ForexClear Swap Contracts**

1.19.1 Subject to the Regulations, the Clearing House shall, in its sole and absolute discretion, determine from time to time the Settlement Position Limit and Settlement Exposure Limit in respect of each ForexClear Clearing Member and each ForexClear Currency. The Clearing House shall notify each ForexClear Clearing Member of the Settlement Position Limit and Settlement Exposure Limit applicable to it via the ForexClear Service Portal.

1.19.2 If, on a given day, at 10:00AM Eastern Standard Time, the Settlement Position Limit of a ForexClear Clearing Member and a given ForexClear Currency Pair is exceeded by the Settlement Position Amount on that day with respect to that

**Appendix III**

Product Specific Contract Terms and Eligibility Criteria Manual





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

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## SCHEDULE 6 THE FOREXCLEAR REGULATIONS

### PART A FOREXCLEAR NDF CONTRACT TERMS; FOREXCLEAR CONTRACTS ARISING FROM FOREXCLEAR NDF TRANSACTIONS

Where a ForexClear NDF Contract arises between the Clearing House and a ForexClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such registered ForexClear NDF Contract shall include these ForexClear NDF Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms; ~~and~~
- (3) Standard Terms, being both the:
  - A. Specific Standard Terms; and
  - B. General Standard Terms; and
- (4) if the ForexClear NDF Contract is a ForexClear NDF STM Contract, the ForexClear NDF STM Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail. In the event of any inconsistency between the ForexClear NDF STM Terms (where applicable) and either or both of the Economic Terms and the Standard Terms, the ForexClear NDF STM Terms will prevail.

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

#### 1. Interpretation ("Interpretation")

- 1.1 "ISDA Definitions" means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by ISDA, EMTA and FXC and the same are incorporated by reference herein.
- 1.2 "FXC" means the Foreign Exchange Committee or any successor entity.
- 1.3 "ISDA" means International Swaps and Derivatives Association, Inc. Or any successor entity.
- 1.4 Words and expressions used in these ForexClear NDF Contract Terms which are not defined herein shall have the meanings given to them in the Regulations and the Procedures, unless expressly provided otherwise. Words and expressions used in these ForexClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall have the meanings given to them in the ISDA Definitions, unless expressly provided otherwise.

## 7. **Regulations**

A ForexClear NDF Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear NDF Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

## 8. **Governing Law**

Each ForexClear NDF Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of 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 Clearing House from taking action in any other jurisdiction, whether concurrently or not.

## 9. **Third Party Rights**

A person who is not a party to this ForexClear NDF Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear NDF Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## 10. **ForexClear NDF STM Terms**

The following terms are designated as the ForexClear NDF STM Terms of a registered ForexClear NDF STM Contract:

### 10.1 **Net Present Value**

- (a) The Clearing House shall, at least once per Business Day, determine the net present value of this ForexClear NDF STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the net present value of this ForexClear NDF STM Contract:
  - (i) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear NDF STM Terms; and
  - (ii) the net present value of this ForexClear NDF STM Contract shall for all purposes be reset to zero.
- (c) The amount (if any) referred to in (b)(i) above shall immediately become due and payable by the relevant party under the ForexClear NDF STM Terms applicable to

this ForexClear NDF STM Contract and shall be paid in such manner and at such times as may be provided in the Procedures.

## 10.2 Price Alignment Amount

- (a) The Clearing House shall, at least once per Business Day, determine the Price Alignment Amount in respect of this ForexClear NDF STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the Price Alignment Amount in respect of this ForexClear NDF STM Contract an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear NDF STM Terms.
- (c) The amount (if any) referred to in (b) above shall immediately become due and payable by the relevant party under the ForexClear NDF STM Terms applicable to this ForexClear NDF STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

## **FOREXCLEAR SPOT CONTRACT TERMS; FOREXCLEAR CONTRACTS ARISING FROM FOREXCLEAR SPOT TRANSACTIONS**

Where a ForexClear Spot Contract arises between the Clearing House and a ForexClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such registered ForexClear Spot Contract shall include these ForexClear Spot Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms; ~~and~~
- (3) Standard Terms; and
- (4) if the ForexClear Spot Contract is a ForexClear Spot STM Contract, the ForexClear Spot STM Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail. In the event of any inconsistency between the ForexClear Spot STM Terms (where applicable) and either or both of the Economic Terms and the Standard Terms, the ForexClear Spot STM Terms will prevail.

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

### **1. Interpretation ("Interpretation")**

- 1.1 **"ISDA Definitions"** means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), the Emerging Markets Trade Association ("**EMTA**") and The Foreign Exchange Committee ("**FXC**") and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these ForexClear Spot Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to an "FX Transaction" shall be deemed to be references to a "ForexClear Spot Transaction" for the purposes of these ForexClear Spot Contract Terms.
- 1.5 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.

Payments under, and in respect of, a ForexClear Spot Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

### 3.8 ***Regulations***

A ForexClear Spot Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Spot Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### 3.9 ***Governing Law***

Each ForexClear Spot Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of 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 Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### 3.10 ***Third Party Rights***

A person who is not a party to this ForexClear Spot Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Spot Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## **4. ForexClear Spot STM Terms**

The following terms are designated as the ForexClear Spot STM Terms of a registered ForexClear Spot STM Contract:

### **4.1 Net Present Value**

- (a) The Clearing House shall, at least once per Business Day, determine the net present value of this ForexClear Spot STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the net present value of this ForexClear Spot STM Contract:
  - (i) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Spot STM Terms; and
  - (ii) the net present value of this ForexClear Spot STM Contract shall for all purposes be reset to zero.

(c) The amount (if any) referred to in (b)(i) above shall immediately become due and payable by the relevant party under the ForexClear Spot STM Terms applicable to this ForexClear Spot STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

#### 4.2 Price Alignment Amount

(a) The Clearing House shall, at least once per Business Day, determine the Price Alignment Amount in respect of this ForexClear Spot STM Contract in such manner and at such times as may be provided in the Procedures.

(b) Immediately upon the Clearing House making such a determination of the Price Alignment Amount in respect of this ForexClear Spot STM Contract an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Spot STM Terms.

(c) The amount (if any) referred to in (b) above shall immediately become due and payable by the relevant party under the ForexClear Spot STM Terms applicable to this ForexClear Spot STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

## **FOREXCLEAR DELIVERABLE FORWARD CONTRACT TERMS; FOREXCLEAR CONTRACTS ARISING FROM FOREXCLEAR DELIVERABLE FORWARD TRANSACTIONS**

Where a ForexClear Deliverable Forward Contract arises between the Clearing House and a ForexClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such registered ForexClear Deliverable Forward Contract shall include these ForexClear Deliverable Forward Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms; ~~and~~
- (3) Standard Terms; ~~and~~
- (4) if the ForexClear Deliverable Forward Contract is a ForexClear Deliverable Forward STM Contract, the ForexClear Deliverable Forward STM Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail. In the event of any inconsistency between the ForexClear Deliverable Forward STM Terms (where applicable) and either or both of the Economic Terms and the Standard Terms, the ForexClear Deliverable Forward STM Terms will prevail.

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

### **1. Interpretation ("Interpretation")**

- 1.1 "ISDA Definitions" means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), the Emerging Markets Trade Association ("EMTA") and The Foreign Exchange Committee ("FXC") and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these ForexClear Deliverable Forward Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to an "FX Transaction" shall be deemed to be references to a "ForexClear Deliverable Forward Transaction" for the purposes of these ForexClear Deliverable Forward Contract Terms.
- 1.5 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.



Jurisdiction or by any other jurisdiction in respect of any ForexClear Deliverable Forward Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.

### 3.7 ***Payments under a ForexClear Deliverable Forward Contract***

Payments under, and in respect of, a ForexClear Deliverable Forward Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

### 3.8 ***Regulations***

A ForexClear Deliverable Forward Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Deliverable Forward Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### 3.9 ***Governing Law***

Each ForexClear Deliverable Forward Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of 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 Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### 3.10 ***Third Party Rights***

A person who is not a party to this ForexClear Deliverable Forward Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Deliverable Forward Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## **4. ForexClear Deliverable Forward STM Terms**

The following terms are designated as the ForexClear Deliverable Forward STM Terms of a registered ForexClear Deliverable Forward STM Contract:

### **4.1 Net Present Value**

- (a) The Clearing House shall, at least once per Business Day, determine the net present value of this ForexClear Deliverable Forward STM Contract in such manner and at such times as may be provided in the Procedures.

- (b) Immediately upon the Clearing House making such a determination of the net present value of this ForexClear Deliverable Forward STM Contract:

  - (i) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Deliverable Forward STM Terms; and
  - (ii) the net present value of this ForexClear Deliverable Forward STM Contract shall for all purposes be reset to zero.
- (c) The amount (if any) referred to in (b)(i) above shall immediately become due and payable by the relevant party under the ForexClear Deliverable Forward STM Terms applicable to this ForexClear Deliverable Forward STM Contract and shall be paid in such manner and at such times as may be provided in the Procedures.

#### 4.2 Price Alignment Amount

- (a) The Clearing House shall, at least once per Business Day, determine the Price Alignment Amount in respect of this ForexClear Deliverable Forward STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the Price Alignment Amount in respect of this ForexClear Deliverable Forward STM Contract an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Deliverable Forward STM Terms.
- (c) The amount (if any) referred to in (b) above shall immediately become due and payable by the relevant party under the ForexClear Deliverable Forward STM Terms applicable to this ForexClear Deliverable Forward STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

## FOREXCLEAR OPTION CONTRACT TERMS; FOREXCLEAR CONTRACTS ARISING FROM FOREXCLEAR OPTION TRANSACTIONS

Where a ForexClear Option Contract arises between the Clearing House and a ForexClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such registered ForexClear Option Contract shall include these ForexClear Option Contract Terms, which shall comprise:

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

~~In~~(4) if the event of any inconsistency between ForexClear Option Contract is a ForexClear Option STM Contract, the Economic ForexClear Option STM Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail. ~~and the Standard Terms, the Standard~~ In the event of any inconsistency between the ForexClear Option STM Terms (where applicable) and either or both of the Economic Terms and the Standard Terms, the ForexClear Option STM Terms will prevail.

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

### 1. Interpretation ("Interpretation")

- 1.1 "ISDA Definitions" means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), the Emerging Markets Trade Association ("EMTA") and The Foreign Exchange Committee ("FXC") and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these ForexClear Option Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to a "Currency Option Transaction" shall be deemed to be references to a "ForexClear Option Transaction" for the purposes of these ForexClear Option Contract Terms.
- 1.5 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.
- 1.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered

located ("**Stamp Tax Jurisdiction**") or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any ForexClear Option Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.

### 3.11 *Payments under a ForexClear Option Contract*

Payments under, and in respect of, a ForexClear Option Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

### 3.12 *Regulations*

A ForexClear Option Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Option Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### 3.13 *Governing Law*

Each ForexClear Option Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of 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 Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### 3.14 *Third Party Rights*

A person who is not a party to this ForexClear Option Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Option Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## 4. [ForexClear Option STM Terms](#)

The following terms are designated as the ForexClear Option STM Terms of a registered ForexClear Option STM Contract:

### 4.1 [Net Present Value](#)

(a) The Clearing House shall, at least once per Business Day, separately determine the net present value of (i) the obligation of the "Buyer" to pay the "Premium" under this ForexClear Option STM Contract (the "**Premium NPV**"), and (ii) all obligations other than those specified in (i) above which arise under this

ForexClear Option STM Contract (the "Option NPV") in such manner and at such times as may be provided in the Procedures.

- (b) Immediately upon the Clearing House making such determinations:
- (i) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Option STM Terms in relation to the change in the Premium NPV;
  - (ii) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) in relation to the change in the Option NPV; and
  - (iii) the net present value of this ForexClear Option STM Contract shall for all purposes be reset to zero.
- (c) The amounts (if any) referred to in ~~(i)(b)(i)~~ and (b)(ii) above shall immediately become due and payable by the relevant party under the ForexClear Option STM Terms applicable to this ForexClear Option STM Contract and shall be paid in such manner and at such times as may be provided in the Procedures.

#### 4.2 Price Alignment Amount

- (a) The Clearing House shall, at least once per Business Day, determine the Price Alignment Amount separately in respect of the Premium NPV and the Option NPV in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such determinations an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Option STM Terms in relation to the Price Alignment Amount in respect of the Premium NPV and an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) in relation to Price Alignment Amount in respect of the Option NPV.
- (c) The amounts (if any) referred to in (b) above shall immediately become due and payable by the relevant party under the ForexClear Option STM Terms applicable to this ForexClear Option STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

## **FOREXCLEAR SWAP CONTRACT TERMS; FOREXCLEAR CONTRACTS ARISING FROM FOREXCLEAR SWAP TRANSACTIONS**

Where a ForexClear Swap Contract arises between the Clearing House and a ForexClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such registered ForexClear Swap Contract shall include these ForexClear Swap Contract Terms, which shall comprise:

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

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

- (4) if the ForexClear Swap Contract is a ForexClear Swap STM Contract, the ForexClear Swap STM Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail. In the event of any inconsistency between the ForexClear Swap STM Terms (where applicable) and either or both of the Economic Terms and the Standard Terms, the ForexClear Swap STM Terms will prevail.

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

### **1. Interpretation ("Interpretation")**

- 1.1 "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA") and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these ForexClear Swap Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA 2006 Definitions shall bear the same meaning herein as in the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA 2006 Definitions.
- 1.4 References in the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to a "ForexClear Swap Transaction" for the purposes of these ForexClear Swap Contract Terms.
- 1.5 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA 2006 Definitions.

Payments under, and in respect of, a ForexClear Swap Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

### 3.6 **Regulations**

A ForexClear Swap Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Swap Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### 3.7 **Governing Law**

Each ForexClear Swap Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of 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 Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### 3.8 **Third Party Rights**

A person who is not a party to this ForexClear Swap Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Swap Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## 4. **ForexClear Swap STM Terms**

The following terms are designated as the ForexClear Swap STM Terms of a registered ForexClear Swap STM Contract:

### 4.1 **Net Present Value**

(a) The Clearing House shall, at least once per Business Day, determine the net present value of this ForexClear Swap STM Contract in such manner and at such times as may be provided in the Procedures.

(b) Immediately upon the Clearing House making such a determination of the net present value of this ForexClear Swap STM Contract:

(i) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or



the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Swap STM Terms; and

- (ii) the net present value of this ForexClear Swap STM Contract shall for all purposes be reset to zero.
- (c) The amount (if any) referred to in (b)(i) above shall immediately become due and payable by the relevant party under the ForexClear Swap STM Terms applicable to this ForexClear Swap STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

#### 4.2 Price Alignment Amount

- (a) The Clearing House shall, at least once per Business Day, determine the Price Alignment Amount in respect of this ForexClear Swap STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the Price Alignment Amount in respect of this ForexClear Swap STM Contract an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear Swap STM Terms.
- (c) The amount (if any) referred to in (b) above shall immediately become due and payable by the relevant party under the ForexClear Swap STM Terms applicable to this ForexClear Swap STM Contract and shall be paid in such manner and at such times as may be provided in the Procedures.



**Appendix IV**  
Procedure Section 3



**LCH LIMITED**

**PROCEDURES SECTION 3**

**FINANCIAL TRANSACTIONS**

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- (iii) whether to apply cash Collateral to liabilities in a different currency.

### 1.5.2 ***Cash Currency Preference***

Clearing Members may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, a Clearing Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

Clearing Members may define their own sequence of cash Collateral utilisation for each mnemonic and each account type (i.e. House or Client). The sequence does not have to be on a like for like basis and a Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

Any changes to a Clearing Member's nominated currency sequence, or a request relating to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

### 1.5.3 ***Record of Collateral Provided***

Charges and interest shall be calculated in accordance with the information published on the website of the Clearing House.

### 1.5.4 ***Use of Collateral in the Event of a Default***

The order of priority (in which cash and non-cash Collateral are applied to cover Clearing Members' liabilities), set out elsewhere in this Section 1.5, does not necessarily reflect the order of priority of realisation or application of Collateral which the Clearing House may follow in the case of Default by a Clearing Member. Post-Default the Clearing House is entitled to realise and/or apply Collateral in whatever order it deems appropriate.

## 1.6 **Interest on Cash Balances and Accommodation Charges**

### 1.6.1 ***Interest Rates***

The Clearing House applies interest to Clearing Member's cleared cash balances as published on the Clearing House's website. This provision 1.6.1 does not deal with Price Alignment Interest, which is covered by the applicable provisions of Section 2C of the Procedures ([SwapClear Clearing Service](#)) or [Section 2I of the Procedures \(ForexClear Clearing Service\)](#) (as applicable).

### 1.6.2 ***Payment of Interest and Charges***

Interest and accommodation charges are charged monthly, from the last day of the previous month to the penultimate day of the current month. Interest and accommodation charges are calculated on a daily basis and the resultant monthly

**Appendix V**  
Default Rules

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**LCH** The Markets'  
Partner

**LCH LIMITED  
DEFAULT RULES**

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- (a) For the purposes of this Rule F9 and Rule F11, the following definitions will apply:

**"Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

**"Auction Portfolio"** has the meaning assigned to it in the ForexClear DMP Annex.

**"Available Resources"** means, in respect of any Loss Distribution Period, the amounts available to the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with Rules 15(a) to 15(g) of the Default Rules as at the relevant Last Call Prior to Default.

**"Cash Gain"** means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of positive Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day.

**"Cash Gainer"** means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is greater than zero.

**"Cash Gainer Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph (b)(i) of this Rule F9.

**"Cash Loser"** means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is equal to or less than zero.

**"Cash Loser Base Currency Adjustment to Cash Payment"** has the meaning set out in paragraph (b)(ii) of this Rule F9.

**"Cash Loser Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph (b)(ii) of this Rule F9.

**"Cash Payment"** means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) in respect of a Cash Payment Type in a Cash Payment Currency on such business day.

**"Cash Payment Currency"** means each of the currencies in which payments made between the Clearing House and an FXCCM may be denominated.

**"Cash Payment Type"** means each of the Price Alignment Interest (as defined in the ForexClear Procedures), Price Alignment Amount, consideration (fee)

payments, Variation Settlement and cash Collateral in respect of the variation margin obligations payable in respect of a Margin Account of a Non-Defaulting FXCCM, [and any payment under Section 4.1 \(or, in the case of ForexClear NDF STM Contracts, Section 10.1\) of the ForexClear STM Terms.](#)

**"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows"** means in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

**"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the aggregate amount, if any, paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) in respect of Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Cumulative LCH Transfer Cost"** means, on any business day during any Loss Distribution Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows"** means, in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

**"Cumulative 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 sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment for such Cash Payment for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Distribution Haircut"** or **"DH"** means, on each Loss Distribution Day, the fraction determined by the Clearing House in accordance with the following formula:

$$DH(t) = LUL(t) / TCG(t)$$

where:

**"LUL"** means the LCH Uncovered Loss; and

**"TCG"** means the Total Cash Gains.