

Mr David A Stawick  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Washington DC 20581

16 April 2012

Dear Mr Stawick

Please find enclosed a submission to the Commodity Futures Trading Commission by LCH.Clearnet Limited under the procedure set out in 17 CFR Section 40.6 for the self-certification of rules.

Should you have any questions regarding this submission please contact me on +44-207-426-7541 or at [lisa.rosen@lchclearnet.com](mailto:lisa.rosen@lchclearnet.com).

Yours sincerely

A handwritten signature in green ink, appearing to read 'L. Rosen', with a long, sweeping underline.

**Lisa Rosen**  
Group Head of Compliance and Public Affairs

**SUBMISSION OF AMENDMENTS TO THE CLEARINGHOUSE RULES**

TO THE

**COMMODITY FUTURES TRADING COMMISSION**

SUBMITTED BY

**LCH.Clearnet Limited**

an English limited company

FILING AS A REGISTERED DERIVATIVES CLEARING ORGANIZATION

Pursuant to Commission Regulation § 40.6

**Submission Regarding Amendments to LCH.Clearnet Limited's  
Rules and Regulations to Reflect Changes to the SwapClear  
service**

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Submitted: April 16, 2012

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**LCH.CLEARNET LIMITED SELF-CERTIFICATION OF AMENDMENTS TO LCH.CLEARNET  
LIMITED'S RULES AND REGULATIONS TO REFLECT CHANGES TO THE SWAPCLEAR  
SERVICE**

LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC Regulation §40.6, amendments to LCH.Clearnet's Rules and Regulations to reflect changes to the LCH.Clearnet SwapClear service and in order to ensure compliance with CFTC regulation coming into effect on May 7, 2012.

## **Part I: Explanation and Analysis**

### **1.1 Introduction**

The following changes to the SwapClear service will take effect on May 1, 2012:

- Creation of a Separate SwapClear Default Fund;
- Changes to the SwapClear Default Management Process ("SwapClear DMP"); and
- Changes to the SwapClear Membership criteria.

### **Rationale for the Rule Amendments**

#### **1.1.1 Creation of a Separate SwapClear Default Fund and changes to the SwapClear Default Management Process**

On May 7, 2012, regulations prescribed by the CFTC, which require central counterparties to provide fair and open access to a much broader range of market participants will come into force.

At present, LCH.Clearnet has a single cross-service mutualised default fund (the "General Fund") which is available to mitigate losses incurred in respect of all services. LCH.Clearnet has concluded that, given the reduction in the capital threshold it will require a larger minimum funded contribution from each SwapClear Clearing Member (both non-FCMs and FCMs) and it is therefore appropriate to create a segregated default fund for SwapClear (the "SwapClear Fund").

The SwapClear Fund is being sized to cover the default of the largest two SwapClear Clearing Members (in line with the principles outlined by CPSS-IOSCO) using an updated set of extreme, but plausible, theoretical and historical stress test scenarios that are tailored specifically for the interest rates market. The overall size of the SwapClear Fund and the contributions to it by the SwapClear Clearing Members ("SwapClear Contributions") will be higher than today.

The new Default Fund size will be set with a floor of £1bn and a cap of £5bn. For each clearing member the stress test losses over initial margin will be evaluated based on the exposures across each clearing member's House accounts plus the exposures of their largest two (2) clients.

SwapClear Contributions will be risk weighted, with each SwapClear Clearing Member being required to contribute a minimum of £10 million.

The segregation of the SwapClear Fund will mean that, in the event of a default of a SwapClear Clearing Member, the Clearing House will not have recourse to contributions of

non SwapClear Clearing Members. Equally, the Clearing House will not have recourse to contributions of SwapClear Clearing Members in the event of a default of a non SwapClear Clearing Member(s). Contributions of the defaulter itself will be available across services.

In the event that the default of a SwapClear Clearing Member exhausts all of the resources available to the Clearing House in relation to that default (the "SwapClear Waterfall"), the SwapClear Service will close. In contrast to the current arrangements the SwapClear Waterfall is limited recourse in that (i) it does not extend to the general capital of LCH.Clearnet, and (ii) SwapClear Clearing Members are not obliged to make additional payments to make good any shortfall to the Clearing House.

All SwapClear Clearing Members will be obliged to provide additional unfunded Default Fund contributions limited to one such payment per SwapClear Clearing Member default up to a maximum of three defaults in six months.

Changes to the SwapClear default management process are also required to ensure that LCH.Clearnet has the necessary tools to deal with the risk and losses it faces following a default. As a result of these changes, consequential amendments to the General Regulations and FCM Regulations of LCH.Clearnet are also necessary.

#### **1.1.2 Participant Eligibility, Operational requirements**

LCH.Clearnet is removing the current minimum average long term credit rating requirement of 'A' which currently applies to non-FCM SwapClear Clearing Members. All new SwapClear Clearing Members will continue to be subject to the existing LCH.Clearnet assessment upon application for membership that will consider the financial and operational capabilities of each new SwapClear Clearing Member.

LCH.Clearnet is also removing the \$1 trillion outstanding notional portfolio requirement for SwapClear Clearing Members. In addition, non FCM SwapClear Clearing Members will no longer be required to have an affiliated SwapClear Clearing Member.

All SwapClear Clearing Members will continue to demonstrate operational capability during a default scenario. All SwapClear Clearing Members will be entitled to outsource default management responsibilities to a third party on a case by case basis and on the proviso that certain outsourcing conditions are met and subject always to the discretion of LCH.Clearnet.



## EXPLANATION OF RULE CHANGES

To reflect the changes outlined above, the following Rules and Regulations have been amended. The introduction of a segregated SwapClear default fund is reflected by the incorporation of a SwapClear Default Fund Supplement via Rule 14, to form part of the Default Fund Rules. Additionally, there have been some general renumbering and updates to the Rules and Regulations. The rule amendments will become effective May 1, 2012.

The Default Fund Rules are attached as Exhibit A-1. Changes in relation to the SwapClear amendments are blacklined. Please note that these changes should be viewed as parallel to the changes certified on November 22, 2011 and on March 16, 2012 implementing ForexClear. Those changes are not shown in this blackline.

### **Amendments to the Default Fund Rules (at Exhibit A-1)**

The introduction of a segregated SwapClear default fund is reflected by the incorporation of a SwapClear Default Fund Supplement, to form part of the Default Fund Rules.

In Rule 15, additional definitions have been included to cater for the segregated SwapClear default fund.

Rule 16, the default fund waterfall, stipulates the order in which resources are available to the Clearing House in the event of a clearing member default. The amendments provide for a defaulting clearing member's resources to be allocated based on the service in which the clearing member is active.

New language in Rule 16(3), which deals with LCH.Clearnet's own contribution to a default, makes it clear that recourse can only be had to the LCH.Clearnet contribution if and to the extent that the LCH.Clearnet has net assets to meet the relevant amount.

Rule 16(8) now pertains to General Excess Loss only. Therefore, in the (unlikely) event of a sufficiently large SwapClear Clearing Member default, the SwapClear service might close but LCH.Clearnet's general capital would not be at risk (beyond LCH.Clearnet contribution to the waterfall) such that LCH.Clearnet can remain solvent and continue providing other clearing services.

Rule 19D has been deleted as it refers to the SwapClear business, which is now dealt with separately within the new SwapClear Default Fund Supplement.

Rule 22 has been amended to reflect that it pertains exclusively to General Business.

Rule 23 has been amended to incorporate the effects of the segregated SwapClear Default Fund. If LCH.Clearnet certifies any Default Loss, all of that defaulting Clearing Member's contribution shall immediately mature, but only in an amount not exceeding the total default loss. However, the order of maturity of contributions is dependent on business streams, i.e where there is a General Business Default Loss only and the defaulter's General Contribution exceeds the General Business Default Loss, the defaulter's SwapClear contribution shall not mature.

Rule 28 has been amended in order to segregate the indemnities with regards to contributions for each business. The amounts due by a Clearing Member have also been clarified.

Rule 32 has been amended to reflect that it pertain exclusively to the General Business. It has also been amended to reduce the ceiling of the General Default Amount by the amount of the previous SwapClear component.

Rule 33 and Rule 35 have been amended to clarify the situation for Resigning Members and Retiring Members. The concept of a "Resigning Member" is new and reflects the situation where a Clearing Member resigns from one Service but continues to be a Clearing Member of LCH.Clearnet in respect of at least one other clearing service.

#### Addition of the SwapClear Default Fund Supplement to the Default Fund Rules

The introduction of a segregated SwapClear Default Fund is reflected in the addition of the SwapClear Default Fund Supplement.

S2 to S8 deal with the contributions of each SwapClear Clearing Member, including when the contribution is payable, the size of the contributions and how interest is payable on those contributions.

The addition of Rule S8 addresses the SwapClear Unfunded Contributions to the SwapClear Fund. The current unfunded contingent liability per SwapClear Clearing Member included in the existing DMPA has been removed. Instead, as part of the new Default Management Process in respect of a default, LCH.Clearnet will have the right to call for SwapClear Unfunded Contributions from all SwapClear Clearing Members in circumstances where either the amount of the SwapClear Fund has been depleted by at least 25% or LCH.Clearnet anticipates this happening at the time when the Default Management Process has been completed (the "**Trigger Conditions**").

The amount of the SwapClear Unfunded Contribution from each SwapClear Clearing Member will be the amount of their most recent SwapClear Contribution multiplied by the percentage by which the amount of the SwapClear Fund has been depleted. LCH.Clearnet is entitled to make one or more further calls for SwapClear Unfunded Contributions in the context of the same Default Management Process provided that the Trigger Conditions are satisfied.

However, the value of SwapClear Unfunded Contributions payable by a Clearing Member in respect of a single default is capped at the value of the most recent SwapClear Contribution made by such SwapClear Clearing Member prior to the relevant default. LCH.Clearnet is permitted to make calls for SwapClear Unfunded Contributions in respect of three separate defaults in any six month period.

Rule S9 addresses the Loss Distribution Process. If LCH.Clearnet determines that the SwapClear related losses incurred as the result of a SwapClear Clearing Member default, will exceed the amounts available for application under the SwapClear Waterfall (including the ability to call for SwapClear Unfunded Contributions), LCH.Clearnet may implement the Loss Distribution Process.

Under the Loss Distribution Process, all payment obligations of LCH.Clearnet to Clearing Members (including variation margin and price alignment interest etc.) will be subject to a haircut. As a result, Non-defaulting Clearing Members will not receive the full amount of the payments otherwise due to them from LCH.Clearnet in respect of their SwapClear Contracts. The aim of this is to enable LCH.Clearnet to conserve limited funds in order to continue to operate.

The Loss Distribution Process will continue until such time as either the defaulter's trades have been successfully auctioned and transferred under the SwapClear Default Management Process or the predetermined cap on haircut losses to which an individual Clearing Member can be subject has been reached.

Rule S10 deals with Voluntary Payments. Pursuant to this Rule, LCH.Clearnet can request that non-defaulting SwapClear Clearing Members make a SwapClear Voluntary Payment in order to try to prevent service closure. No SwapClear Clearing Member will be obliged to make a SwapClear Voluntary Payment.

Rule S11 addresses Service Closure – return of Initial Margin. The closure of the SwapClear Service will be triggered in circumstances where LCH.Clearnet determines that the resources available to it under the SwapClear Waterfall and through implementation of the Loss Distribution Process are insufficient for it to meet its liabilities under SwapClear Contracts with Non-defaulting Clearing Members.

For the purposes of service closure, a net sum is calculated in respect of amounts owing between LCH.Clearnet and each Non-defaulting SwapClear Clearing Member. Amounts due in respect of variation margin are included in that calculation as are amounts previously not received by SwapClear Clearing Members by virtue of the implementation of the Loss Distribution Process. Where the result of such calculations is that a Clearing Member owes an amount to LCH.Clearnet, that SwapClear Clearing Member shall pay the amount to LCH.Clearnet immediately. In the case of each net sum representing an amount owed by LCH.Clearnet to a Clearing Member, the relevant claim will be adjusted (*pro rata* with all other such claims) by reference to the assets available to LCH.Clearnet in respect of the SwapClear Service (the "Net Sum Amount").

Separately, each Non-defaulting Clearing Member's claim against LCH.Clearnet for the repayment of initial margin and the balance of its SwapClear Contribution will also be calculated by apportioning the assets of LCH.Clearnet available on a cross-service basis for the satisfaction of such claims (the "IM and Contribution Claim").

Payment by LCH.Clearnet of an amount representing the total of the Net Sum Amount and the IM and Contribution Claim (where necessary on an incremental basis in line with the timing of recoveries made by LCH.Clearnet) will constitute full and final settlement of the amounts due to the relevant SwapClear Clearing Member in respect of the SwapClear Service.

It should be noted that Service Closure pursuant to Rule S11 is mutually exclusive with the occurrence of a Termination Date (following a default of LCH.Clearnet) pursuant to General Regulation 39A and FCM Regulation 26A. This is consistent with the intention that the SwapClear Service should be limited recourse – a Clearing Member cannot place LCH.Clearnet into default by virtue of the closure of the SwapClear Service and receiving reduced amounts back from LCH.Clearnet in the context of such a Service closure.

S12 contains ballot provisions for the Segregated SwapClear Default Fund; as SwapClear Clearing Members will no longer be contributors to the General Fund, it is inappropriate for them to be balloted (in their capacity as SwapClear Clearing Members) on changes that are specific to the General Fund and that are not relevant to the SwapClear Fund. S12 provides that SwapClear Clearing Members who do not clear any other Services will not be balloted with respect to major amendments to the Default Fund Rules that only affect the General Fund and a ballot with respect to major amendments to the Default Fund Rules that only affect the SwapClear Fund will be restricted to SwapClear Clearing Members. In the case of a major amendment to the Rules which affects both the General Fund and the SwapClear Fund, all Clearing Members will be balloted in one group. Whether the Ballot thresholds have been satisfied in a particular ballot will be determined accordingly.

## **Addition of the SwapClear DMP Annex to the Default Rules (Exhibit A-2)**

The procedure pursuant to which LCH.Clearnet manages the default of a SwapClear Clearing Member was previously dealt with under a private agreement between each SwapClear Clearing Member and LCH.Clearnet known as the Default Management Process Agreement (the "DMPA"). The DMPA has been amended and also brought into the Default Rules as a SwapClear DMP Annex.

The following changes have been introduced for the revised default management process:

### Portfolio Splitting (Rule 2):

The introduction of portfolio splitting is designed to give the SwapClear Default Management Group the discretion to split a large single currency portfolio into smaller single currency Auction Portfolios for the purposes of an Auction.

LCH.Clearnet has also removed the non-competitive allocation ("NCA") mechanism, which was intended to act as an incentive for SwapClear Clearing Members to participate in the auction process. NCA enabled the LCH.Clearnet to force allocate a portfolio of trades across Non-defaulting SwapClear Clearing Members if an auction process had failed. NCA meant the existence of an unlimited liability in terms of both risk and financial costs, which is incompatible with the changed membership criteria for SwapClear.

### Auction Incentive Pools ("AIPs") (Rule 2.4) and their Allocation (DMPA Rule 2.4.2(c)):

For the purposes of Loss Attribution (see section below), the SwapClear Contributions which are already funded (defined in the SwapClear DMP Annex as the Original Contributions) and the SwapClear Unfunded Contributions which are callable (but have not yet been called) by the Clearing House pursuant to Rule S8 (defined in the SwapClear DMP Annex as the Potential Unfunded Contributions) are allocated to AIPs. Each Auction Portfolio will have a separate AIP associated with it.<sup>1</sup> The resources allocated to each AIP will also take into account any margin still available to the Clearing House which is referable to the SwapClear Contracts of the defaulter, the defaulter's SwapClear Contribution and a pro rata share of the LCH Contribution (the "Non-Mutualised Layers"). LCH.Clearnet will allocate resources to the AIPs based on an apportionment of risk.

### Incentivising auction participation by way of capital at risk (Rule 2.5):

In place of the NCA process, LCH.Clearnet has introduced a Loss Attribution process to incentivize participation in the Auctions of a Defaulting SwapClear Clearing Member's positions and to penalize those Non-defaulting SwapClear Clearing Members who fail to bid or submit unrealistically low bids. This is achieved by treating the SwapClear Contributions of Non-defaulters' Contributions as "capital at risk" and sequencing the order and degree to which LCH.Clearnet attributes those SwapClear Contributions to Auction Losses.

Loss Attribution only takes place once the Auctions of all Auction Portfolios of the Defaulting SwapClear Clearing Member have been completed. Initially, LCH.Clearnet will determine whether the total amount of the losses arising in the Auctions are such that the Non-defaulters' Contributions must be utilized. If this is the case, LCH.Clearnet will then

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<sup>1</sup> Where portfolio splitting has occurred, the AIP relating to the underlying portfolio will be similarly divided

determine which specific Auctions caused Auction Losses sufficient to require recourse to the Non-defaulters' Contributions<sup>2</sup>.

The Non-defaulters' Contributions will be allocated in respect of those Auction Losses by looking first to: (i) the Original Contributions in the AIP related to the loss-making Auction Portfolio; (ii) the Original Contributions in any other AIP relating to an Auction Portfolio denominated in the same currency as the loss-making Auction Portfolio; (iii) the Original Contributions of SwapClear Clearing Members who have positions denominated in any currency in which a loss-making Auction Portfolio is also denominated in; and (iv) all Original Contributions not covered under (i) to (iii). The sequencing of utilization of the Original Contributions made by individual SwapClear Clearing Members in (i) to (iii) is based on the bidding behavior of the relevant SwapClear Clearing Member in the relevant Auction.

If there are Auction Losses remaining after the Original Contributions have been exhausted, the Clearing House will repeat the loss allocation process described in (i) to (iv) in the paragraph immediately above using the SwapClear Unfunded Contributions.<sup>3</sup>

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<sup>2</sup> For these purposes, LCH.Clearnet will attribute the losses in an Auction first to the Non-Mutualised Layers of the AIP related to the relevant Auction Portfolio in order to (i) identify any surplus resources in such Non-Mutualised Layers and (ii) allocate such surplus to the AIPs relating to Auction Portfolios the Auctions of which gave rise to losses requiring the utilisation of resources beyond the Non-Mutualised Layers (i.e the Non-defaulters' Contributions).

<sup>3</sup> If this stage in the Loss Attribution process is reached, it can be assumed that LCH.Clearnet has called for the SwapClear Unfunded Contributions (meaning that, technically, they have become "SwapClear Contributions" and are no longer "Potential Unfunded Contributions"). However, those SwapClear Contributions remain distinct from those SwapClear Contributions which are Original Contributions (and which were already funded at the time when the AIPs were constituted), form a layer in the AIPs below the layer containing the Original Contributions and are utilized in respect of Auction Losses only once all of the Original Contributions have been exhausted.

## **Amendments to the FCM Procedures (at Exhibit A-5)**

### Net capital, Credit and Reporting Requirements:

Section 1.4 contains new provisions that deal with the revised net capital provisions that have been introduced. New provisions provide a tool for LCH.Clearnet to ensure that an FCM Clearing Member is sufficiently capitalized. Where LCH.Clearnet does not believe that an FCM Clearing Member is sufficiently capitalized, 1.4 contains certain new provisions that LCH.Clearnet can implement.

Section 1.5 introduces new reporting requirements in order to comply with CFTC regulation which take effect on May 7, 2012.

Section 1.7 deals with the credit assessment of an FCM Clearing Member as determined by LCH.Clearnet.

### Default Management and Outsourcing:

New provisions in 2.15 supplement the terms of the SwapClear DMP, which are now, included as an Annex to the Default Rules. These terms supplement the auction process as set out in the SwapClear DMP Annex.

Section 2.15.4 describes LCH.Clearnet's approach to outsourcing default management activities and details how an FCM Clearing Member can apply to appoint an LCH Approved Outsourcing Agent and the extent of that LCH Approved Outsourcing Agent's responsibilities.

Certain ancillary provisions relating to the SwapClear DMG are also contained in this section including the requirement for members of the DMG to sign up to the newly included Appendix 2 E 'Confidentiality, Non-Disclosure and Participation in the Default management Group'.

### Calculating SwapClear Default Fund Contributions:

3.7 and 3.8 contain certain consequential amendments that have been introduced as a result of the changes brought about for the Segregated Default Fund, including how such contributions are calculated based on an FCM Clearing Member's client and house positions.

### Disciplinary Proceedings:

New rules have been introduced which are designed to ensure that FCM Clearing Members comply with the terms of the LCH.Clearnet Rulebook.

**Amendments to Sections 1 (at Exhibit A-3) and Section 2C (at Exhibit A-4) of the LCH.Clearnet Procedures (applicable to non-FCM SwapClear Clearing Members):**

Revised Membership Criteria:

LCH.Clearnet has made the following changes to its non-FCM SwapClear Clearing Membership criteria in section 1.2.3 of its Membership Procedures (section 1):

- Reduced the minimum capital requirement from \$5,000,000,000 to \$[RESERVED].
- Introduced scaling of net capital and limitations on risk introduced by non- FCM Clearing Members.
- Removed the requirement for non-FCM SwapClear Clearing Members to have a minimum external credit rating.
- Removed the requirement for non-FCM SwapClear Clearing Members to have a minimum interest rate swap portfolio.
- Clarified the concept that an FCM Clearing Members may outsource certain default management activities.

Net capital, Credit and Reporting Requirements:

Section 1.9.6 contains new provisions that deal with the revised net capital provisions that have been introduced. These new provisions provide a tool for LCH.Clearnet to ensure that a non-FCM SwapClear Clearing Member is sufficiently capitalized. Where LCH.Clearnet does not believe that a non-FCM SwapClear Clearing Member is sufficiently capitalized, 1.9.6 contains certain new provisions that LCH.Clearnet can implement.

Section 1.24 introduces new reporting requirements in order to comply with CFTC regulation which take effect on May 7, 2012 (to the extent that such requirements apply to non-FCM SwapClear Clearing Members).

Section 1.14.1 deals with the assessment of a non-FCM SwapClear Clearing Member's credit rating as calculated by LCH.Clearnet.

Default Management and Outsourcing:

New provisions in 2C.20 supplement the terms of the SwapClear DMP, which are now, included as an Annex to the Default Rules. These terms supplement the auction process as set out in the SwapClear DMP Annex. Further provisions supplement the default management process for non-FCM SwapClear Clearing Members and the appointment of a Backup SwapClear Clearing Member.

Section 2C.20.7 describes LCH.Clearnet's approach to outsourcing default management activities and details how a non-FCM SwapClear Clearing Member can apply to appoint an LCH Approved Outsourcing Agent and the extent of that LCH Approved Outsourcing Agent's responsibilities.

Certain ancillary provisions in 2C.20.8 relating to the SwapClear DMG are also contained in this section including the requirement for members of the DMG to sign up to the newly included Appendix 2.M 'Confidentiality, Non-Disclosure and Participation in the Default management Group'.



**Amendments to the General Regulations (at Exhibit A-6): and FCM Regulations (at Exhibit A-7)**

Revised Membership Criteria:

LCH.Clearnet has made the following changes to its FCM Clearing Member membership criteria in FCM Regulation 3:

- Reduced the minimum capital requirement from \$1,000,000,000 to \$[RESERVED].
- Introduced scaling of net capital and limitations on risk introduced by FCM Clearing Members.
- Removed the requirement for FCM Clearing Members to have an affiliated non-FCM SwapClear Clearing Member.
- Clarified the concept that an FCM Clearing Members may outsource certain default management activities.

Client Clearing in respect of non-FCM SwapClear Clearing Members:

Provisions dealing with client clearing for non-FCM SwapClear Clearing Members were previously dealt with under an amendment to the DMPA, known as the Default Management Process Agreement Amendment Agreement (the "DMPAAA"). These provisions have not changed, however, their terms have been lifted into the General Regulations of LCH.Clearnet and are found in Regulation 52B.

In addition, a new provision has been included in Regulation 52A to clarify that all non-FCM SwapClear Clearing Members that wish to clear for clients must enter into a Deed of Assignment.

**Termination Amounts to be proportionate (General Regulation 39B (at Exhibit A-6): and FCM Regulation 26B (at Exhibit A-7):**

New provisions have been included in General Regulation 39B and FCM Regulation 26B to adjust the order of priority of the claims of the Clearing Members in the event of a default by LCH.Clearnet (whether due to insolvency or some other reason).

These changes have been introduced to address the concerns of SwapClear Clearing Members that they will be making disproportionately large contributions to the resources of LCH.Clearnet (in the form of the SwapClear Contributions) and that, in an insolvency of the LCH.Clearnet, it would be unjust for other creditors of the LCH.Clearnet to have the benefit of recourse to these resources in respect of their claims.

### **1.1.3 Other Rule amendments as a result of CFTC regulations coming into effect on May 7, 2012**

CFTC Regulation §39.12(a)(1)(v) states:

“A derivatives clearing organization shall not require that clearing members maintain a swap portfolio of any particular size, or that clearing members meet a swap transaction volume threshold.”

FCM Regulation s.3 (c)(vii) has been deleted to comply with §39.12(a)(1)(v).

CFTC Regulation §39.12(a)(5) states:

“(i) A derivatives clearing organization shall require all clearing members, including non futures commission merchants, to provide to the derivatives clearing organization periodic financial reports that contain any financial information that the derivatives clearing organization determines is necessary to assess whether participation requirements are being met on an ongoing basis.

(A) A derivatives clearing organization shall require clearing members that are futures commission merchants to provide the financial reports that are specified in § 1.10 of this chapter to the derivatives clearing organization.

(B) A derivatives clearing organization shall require clearing members that are not futures commission merchants to make the periodic financial reports provided pursuant to paragraph (a)(5)(i) of this section available to the Commission upon the Commission’s request or, in lieu of imposing this requirement, a derivatives clearing organization may provide such financial reports directly to the Commission upon the Commission’s request.

(ii) A derivatives clearing organization shall adopt rules that require clearing members to provide to the derivatives clearing organization, in a timely manner, information that concerns any financial or business developments that may materially affect the clearing members’ ability to continue to comply with participation requirements.”

FCM Procedures s1.4.1 and Section 2C.1.2.4 have been amended to comply with §39.12(a)(5) in order to provide clarifications that SwapClear Clearing Members are required to supply to LCH.Clearnet in a timely manner, information that concerns any financial or business developments that may materially affect the clearing member’s ability to comply with LCH.Clearnet’s participation requirements.

These sections also introduce a requirement that all Clearing Members provide periodical financial reports available to the Commission upon the Commission’s request.

CFTC Regulation §39.13 (g)(8)(ii) states:

“*Customer initial margin requirements.* A derivatives clearing organization shall require its clearing members to collect customer initial margin, as defined in § 1.3 of this chapter, from their customers, for nonhedge positions, at a level that is greater than 100 percent of the derivatives clearing organization’s initial margin requirements with respect to each product and swap portfolio. The derivatives clearing organization shall have reasonable discretion in determining the percentage by which customer initial margins must exceed the derivatives clearing organization’s initial margin requirements with respect to particular products or swap portfolios. The Commission may review such percentage levels and require different percentage levels if the Commission deems the levels insufficient to protect the financial integrity of the clearing members or the derivatives clearing organization.”

FCM Regulation s.10 (o) will be adopted to comply with §39.13 (g)(8)(ii).

CFTC Regulation §39.13 (g)(8)(iii) states:

*“Withdrawal of customer initial margin. A derivatives clearing organization shall require its clearing members to ensure that their customers do not withdraw funds from their accounts with such clearing members unless the net liquidating value plus the margin deposits remaining in a customer’s account after such withdrawal are sufficient to meet the customer initial margin requirements with respect to all products and swap portfolios held in such customer’s account which are cleared by the derivatives clearing organization.”*

FCM Regulation s.10 (p) has been added to comply with §39.13 (g)(8)(iii). There is no equivalent provision for non-FCM SwapClear Clearing Members.

CFTC Regulation §39.13 (h)(2) states:

*“Large trader reports. A derivatives clearing organization shall obtain from its clearing members or from a relevant designated contract market or swap execution facility, copies of all reports that are required to be filed with the Commission by, or on behalf of, such clearing members pursuant to parts 17 and 20 of this chapter. A derivatives clearing organization shall review such reports on a daily basis to ascertain the risk of the overall portfolio of each large trader, including futures, options, and swaps cleared by the derivatives clearing organization, which are held by all clearing members carrying accounts for each such large trader, and shall take additional actions with respect to such clearing members, when appropriate, as specified in paragraph (h)(6) of this section, in order to address any risks posed by any such large trader.”*

FCM Procedures s.1.4.1 (b)(iv) will be implemented to comply with §39.13 (h)(2). There is no equivalent provision for non-FCM SwapClear Clearing Members.

CFTC Regulation §39.13 (h)(5)(i) states:

*“A derivatives clearing organization shall adopt rules that:*  
*(A) Require its clearing members to maintain current written risk management policies and procedures, which address the risks that such clearing members may pose to the derivatives clearing organization;*  
*(B) Ensure that it has the authority to request and obtain information and documents from its clearing members regarding their risk management policies, procedures, and practices, including, but not limited to, information and documents relating to the liquidity of their financial resources and their settlement procedures; and*  
*(C) Require its clearing members to make information and documents regarding their risk management policies, procedures, and practices available to the Commission upon the Commission’s request.”*

LCH.Clearnet is introducing a new requirement for all SwapClear Clearing Members to maintain written risk management policies and procedures that outline the risk areas that a SwapClear Clearing Member poses to LCH.Clearnet, and on request of LCH.Clearnet to provide such information and documents to LCH.Clearnet regarding their risk management policies, procedures and practices, including, but not limited to, information and documents relating to the liquidity of their financial resources and their settlement procedures. In addition, LCH.Clearnet may also require its SwapClear Clearing Members to make such information available to the Commission upon the Commission’s request.

FCM Procedure s.1.5.2 has been added to comply with §39.13 (h)(5)(i)(A). FCM Procedure s1.4.1 (b) has been amended to comply with §39.13 (h)(5)(i)(B) and (C).

## **Part II: Certification by LCH.Clearnet**

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the amended rules, comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. In addition, LCH.Clearnet certifies that LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at

[http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

A signed certification is attached to this submission as Exhibit B.

## **Part III: Compliance with Core Principles**

LCH.Clearnet will continue to comply with all Core Principles following the introduction of these proposed amendments into the LCH.Clearnet Rulebook. LCH.Clearnet has concluded that its compliance with Core Principles would not be adversely affected by these changes. In particular, after analysis of the Core Principles and as outlined above, LCH.Clearnet will meet Core Principles B (Risk Management) and G (Default Rules and Procedures) by creating a segregated Default Fund for the SwapClear Service. Finally, the rule changes as a result of CFTC regulation coming into effect on May 7, 2012 will ensure continued compliance with the Core Principles.

## **Part IV: Opposing Views**

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

**Exhibit A-1**  
**Clearing House Default Fund Rules**

See Attached

SWAPCLEAR DRAFT 02/04/12

## LCH.CLEARNET LIMITED

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

## DEFAULT FUND RULES

14. These Default Fund Rules (including the SwapClear Default Fund Supplement) form part of the Default Rules and the Clearing House Rulebook but do not apply in relation to a Participating Exchange.

**Interpretation**

15. For the purposes of Rules 15 to 37 (inclusive) and the SwapClear Default Fund Supplement, the following terms have the following meanings:—

"Aggregate Excess Loss" means the total value of a General Excess Loss and/or a SwapClear Excess Loss (singularly or in combination), as the context requires;

"Capped Amount" has the meaning assigned to it in Rule 16(3);

"Cleared Exchange Contract" means, for the purposes of the Default Fund Rules, a Contract on the terms of a contract entered into under or in accordance with the rules of a Specified Exchange;

"Contribution" has the meaning assigned to it in Rule 17;

"Deductible" means, at the time of preparation of a Rule 26 Certificate, the Capped Amount; as defined in Rule 16(3);

"Default" means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Rule 3 or the occurrence, in respect of a Clearing Member, of an Automatic Early Termination Event;

"Default Loss" has the meaning assigned to it in Rule 23(b);

"Defaulting SCM" means an SCM who is a defaulter under Rule 4;

"EquityClear Clearing Member" includes, for the purposes of the Default Fund Rules, any Clearing Member participating in any part of the EquityClear service;

"EquityClear Contracts" includes, for the purposes of the Default Fund Rules, all cash equity contracts and CFDs cleared by the Clearing House;

"EquityClear Contribution" means the part of a Clearing Member's Contribution attributable to EquityClear business as calculated in accordance with Rules 18A, 19A, 19B and 32A;

~~"EquityClear Clearing Member" includes, for the purposes of the Default Fund Rules, any Clearing Member participating in any part of the EquityClear service;~~

"EquityClear Fund Amount" means, subject to Rule 32, £100,000,000;

"EquityClear Transition Date" means the first Quarter Day as at which the aggregate of EquityClear Contributions calculated under the formula stated in Rule 19A is equal to or greater than the EquityClear Fund Amount;

~~"Excess Loss" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate less (a) the Deductible and (b) any sums then immediately payable in respect of 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 in relation to Default Losses;~~

"Excess Loss" means a General Excess Loss;

"Exchange Clearing Member" includes, for the purposes of the Default Fund Rules, any Clearing Member participating in business conducted on Specified Exchanges and under the LCH Enclear OTC Regulations;

"Exchange Contribution" has the meaning assigned to it in Rule 19;



"Exchange Fund Amount" means, subject to Rule 32, £310,000,000;

"Excluded Transaction" means, subject to Rule 37, any Contract designated by the Procedures as excluded for the purposes of the Default Fund Rules;

"Fed Funds Rate" means the Federal Funds Rate as published by the Federal Reserve Bank of New York;

"General Business" means any transaction, obligation or liability arising out of any Contract constituting EquityClear, RepoClear or Exchange business;

"General Clearing Member" means a Clearing Member which engages in General Business;

"General Contribution" has the meaning assigned to it in Rule 17;

"General Excess Loss" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate less (a) the proportion of the Deductible applicable to General Business under Rule 16(3) and (b) any sums then immediately payable in respect of 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 in relation to Default Losses arising out of General Business;

"General Fund Amount" means the sum of the EquityClear Fund Amount, the Exchange Fund Amount and the RepoClear Fund Amount;

~~"Fund Amount"~~ means the sum of the EquityClear Fund Amount and the Exchange Fund Amount and the RepoClear Fund Amount and "Insufficient Resources Determination" has the meaning assigned to it in Rule S11 of the SwapClear Default Fund Amount Supplement;

"LIBOR" means, in relation to a Contribution, the rate per annum (rounded upwards, if not already such a multiple, to the next whole multiple of one-sixteenth of one per cent) known as the British Bankers' Association Interest Settlement Rate for three-month deposits in sterling being offered to prime banking names in London at or about the time specified by the Procedures for fixing the rate of interest for the period for which interest is payable or, where no such rate is available, such rate as in the opinion of the Clearing House approximates thereto;

"Margin Weight" has the meaning assigned to it in Rule 19;

"Minimum Contribution" means, subject to Rule 32, the sum of the Minimum EquityClear Contribution and the Minimum Exchange Contribution and the Minimum RepoClear Contribution ~~and the Minimum SwapClear Contribution~~;

"Minimum EquityClear Contribution" means, subject to Rule 32, £1,000,000;

"Minimum EquityClear Contribution Member" means a Clearing Member in respect of which the Preliminary EquityClear Contribution calculated under Rule 19B is equal to or less than the Minimum EquityClear Contribution for the time being;

"Minimum Exchange Contribution" means, subject to Rule 32, £100,000;

"Minimum Exchange Contribution Member" means a Clearing Member in respect of which the Preliminary Exchange Contribution calculated under

Rule 19~~(d)~~ is equal to or less than the Minimum Exchange Contribution for the time being;

"Minimum RepoClear Contribution" means, subject to Rule 32, £1,000,000;

"Minimum RepoClear Contribution Member" means a Clearing Member in respect of which the Preliminary RepoClear Contribution calculated under Rule 19C is equal to or less than the Minimum RepoClear Contribution for the time being;

"Minimum SwapClear Contribution" means, subject to Rule ~~32~~, ~~£2,000,000~~£10,000,000;

"Minimum SwapClear Contribution Member" means ~~a Clearing Member~~an SCM in respect of which the Preliminary SwapClear Contribution calculated under Rule ~~19D~~19S2 is equal to or less than the Minimum SwapClear Contribution for the time being;

"Net Recovery" means any sum received by the Clearing House from or for the account of a defaulter after the issue by the Clearing House of a Rule 26 Certificate in respect of losses arising upon the defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the defaulter;

"New Member" means:

- i. ~~(a) "New Member" means,~~ at the time of assessment of the amount of any General Contribution, any Clearing Member whose Clearing Member status commenced or will commence after the Quarter Day immediately before such time and includes any Clearing Member whose Clearing Membership Agreement commenced before the Quarter Day immediately before such time but who commenced or will commence clearing Cleared Exchange Contracts or EquityClear Contracts or RepoClear Contracts ~~or SwapClear Contracts~~ after the Quarter Day immediately before such time; or

~~(b)~~—

ii. at the time of assessment of the amount of any SwapClear Contribution, any SCM whose Clearing Member status commenced or will commence after the SwapClear Determination Date immediately before such time and includes any SCM whose Clearing Membership Agreement commenced before the SwapClear Determination Date immediately before such time but who commenced or will commence clearing SwapClear Contracts after the SwapClear Determination Date immediately before such time;

"Non-Defaulting SCM" means an SCM which is not a defaulter under Rule 4;

"Quarter Day" means each of 31 January, 30 April, 31 July and 31 October in any year or, if any such day is not a business day, the next succeeding business day, or, in exceptional circumstances, any such other business day as may be determined by the Clearing House;

"Relevant Business" means General Business or SwapClear Business;

"Relevant Default" has the meaning ascribed to it in Rule S2 of the SwapClear Default Fund Supplement;

"RepoClear Clearing Member" includes, for the purposes of the Default Fund Rules, any Clearing Member participating in any part of the RepoClear service;

"RepoClear Contribution" means the part of a Clearing Member's Contribution attributable to RepoClear business as calculated in accordance with ~~Rules~~Rule 19C and 32B;

"RepoClear Fund Amount" means, subject to Rule 32, £105,000,000;

"Retiring Member" means at any time any Clearing Member or, as the context may require, any former Clearing Member, who has given notice to terminate its Clearing Member status ~~of~~to the Clearing House or in respect of

whom the Clearing House has terminated or given notice to terminate its Clearing Member status;

"Rule 26 Certificate" has the meaning assigned to it in Rule 26;

"SONIA", means in relation to a SwapClear Contribution, the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page;

"Specified Exchange" means ~~EDX London~~ Turquoise Global Holdings Limited, LIFFE Administration and Management Limited, The London Metal Exchange Limited, Nodal Exchange LLC, Hong Kong Mercantile Exchange Limited or any Exchange succeeding to any such person;

~~"SwapClear Contribution" means the part of a Clearing Member's Contribution attributable to SwapClear business as calculated in accordance with Rules 19D and 32C;~~

~~"SwapClear Fund Amount" means, subject to Rule 32, £125,000,000; and~~

"SwapClear Amendment" has meaning assigned to it in Rule S12 of the SwapClear Default Fund Supplement;

"SwapClear Business" means any transaction, obligation or liability arising out of any SwapClear Contract;

"SwapClear Contribution" has the meaning assigned to it in Rule 17;

"SwapClear Default Management Process" has the meaning assigned to it in SwapClear DMP Annex;

"SwapClear Default Management Process Completion Date" has the meaning assigned to it in the SwapClear DMP Annex;

"SwapClear Default Period" has the meaning ascribed to it in Rule S2 of the SwapClear Default Fund Supplement;

"**SwapClear Determination Date**" has the meaning assigned to it in Rule S2 of the SwapClear Default Fund Supplement;

"**SwapClear DMG**" has the meaning assigned to it in SwapClear DMP Annex;

"**SwapClear Excess Loss**" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate less (a) the proportion of the Deductible applicable to SwapClear Business under Rule 16(3) and (b) any sums then immediately payable in respect of 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 in relation to Default Losses arising out of SwapClear Business;

"**SwapClear Loss Distribution Process**" has the meaning assigned to it in Rule S9 of the SwapClear Default Fund Supplement;

"**SwapClear Segregated Fund Amount**" means the amount as determined in accordance with Rule S2(b) of the SwapClear Default Fund Supplement;

"**SwapClear Unfunded Contribution**" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement;

"**SwapClear Unfunded Contribution Notice**" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement;

"**SwapClear Voluntary Payment**" has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement;

"**SwapClear Voluntary Payment Notice**" has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement; and

"**Volume Weight**" has the meaning assigned to it in Rule 19.

Words and expressions assigned meanings in the Clearing House Rulebook shall have the same meanings in these Rules.

## Reduction of Losses on Default

16. Subject to any contrary provision of the Rulebook, where a defaulter fails to pay any sum payable to the Clearing House, the Clearing House shall reduce or bear its loss in the manner provided by this Rule:-

(1) ~~(a)~~ first, to the extent the Clearing House determines appropriate, in applying any cover for margin and any other sum owed to the defaulter other than ~~his Contribution~~ any Contribution (together, "Margin Cover"), provided that Margin Cover related to the General Business is to be applied first to any loss attributable to the General Business until such loss is absorbed and Margin Cover related to the SwapClear Business is to be applied first to any loss attributable to the SwapClear Business until such loss is absorbed;

~~(b) — second, in applying by set-off the defaulter's own Contribution;~~

(2) second, by recourse to (i) the defaulter's relevant Contribution (i.e. SwapClear Contribution in respect of SwapClear Business and General Contribution in respect of General Business), followed by (ii) any other Contribution made by the defaulter to the extent not utilised under (i) above. The Clearing House will exercise its rights of recourse under this Rule 16(2) by set-off against the Clearing House's obligation to repay the relevant Contributions to the defaulter;

(3) ~~(c)~~ third, by payment from the Clearing House's own account of an amount up to a maximum of £20,000,000 (or such greater amount (if any) as may be determined from time to time by the Board of the Clearing House); (the "~~Capped Amount~~") **Capped Amount**". For the avoidance of doubt, amounts will only be paid under this stage (3) if and to the extent that to do so would not result in the Clearing House being unable to meet all its other liabilities (taking into account for these purposes the obligation of the Clearing House to return initial margin provided in the form of cash and to repay the Contributions of all Clearing Members).

Where there are amounts due from the defaulter at this stage in respect of more than one of General Business and SwapClear Business, the Capped Amount shall be applied to those amounts pro rata:

- (4) ~~(e)~~ fourth, to the extent that any insurance or analogous arrangement is not available to the Clearing House, by recourse to the indemnities given under Rule 28 by Clearing Members other than the defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members' ~~Contributions~~);
- (5) ~~(e)~~ fifth, by recourse to any insurance cover or analogous arrangement;
- (6) ~~(f)~~ sixth, by recourse to ~~any undischarged balance of~~ the indemnities given under Rule 28 by Clearing Members other than the defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members' ~~Contributions~~);
- (7) ~~(g)~~ seventh, by recourse to any other indemnities, guarantees, undertakings or monies provided by Clearing Members; and
- (8) ~~(h)~~ eighth, and in respect of General Excess Loss only, as a loss borne by the Clearing House for its own account. For the avoidance of doubt, amounts will only be paid under this stage (8) if and to the extent that to do so would not result in the Clearing House being unable to meet all its other liabilities (taking into account for these purposes the obligation of the Clearing House to return initial margin provided in the form of cash and to repay the Contributions of all Clearing Members).

This Rule has effect without prejudice to any rights of the Clearing House or any other person against the defaulter. For the avoidance of doubt the effect of Rule S11 is that only stages (1) to (7) under this Rule 16 will apply in respect of any SwapClear Excess Loss, and any outstanding contracts



retained by the Clearing House will be closed out in accordance with the procedure set out in Rule S11 without any recourse to the capital of the Clearing House under Rule 16(8).

Where a defaulter is engaged in more than one of General Business and SwapClear Business (each a "Relevant Business" in respect of the defaulter), the completion of the default management processes in respect of each such Relevant Business may occur at different times. The Clearing House may be required to make a determination in respect of one Relevant Business (including certification of a Default Loss under Rule 23(b), certification of a net sum payable under Rule 26(a) or the value of a General Excess Loss and/or SwapClear Excess Loss) in order to manage the default at a time when (a) the determination is contingent on an outcome of the default management process in respect of some other Relevant Business, and (b) that outcome has not yet been reached. In the interests of efficient resolution, the Clearing House may at such point make assumptions about that outcome, and proceed with the relevant process on that basis. Where any such assumptions have been made, the Clearing House shall, on the completion of the default management processes in respect of all Relevant Businesses, make such credits to the default funds relating to the Relevant Businesses and such distributions to former Clearing Members as may be necessary to put the default funds and those firms which had contributed to such default funds at the time of the relevant default in the position that they would have been if the correct outcomes had been used and the relevant assumptions had not been made.

### **Contributions to Fund**

~~47.~~ 17. Each Clearing Member shall deposit and maintain with the Clearing House ~~a sum~~ one or more sums of cash (~~each a "Contribution"~~ which is "Contribution") in an amount calculated by the Clearing House in accordance with these Rules. A Clearing Member's "**General Contribution**" shall be equal to the sum of its EquityClear Clearing Member Contribution (if any), as defined in Rule 19A, and its Exchange Contribution (if any), as defined in Rule 19, and its RepoClear Clearing Member Contribution (if any), as defined in Rule 19C, ~~and its SwapClear Clearing Member Contribution (if any), as defined in Rule 19D,~~ denominated in sterling as

cover, in accordance with Rules 15 to 37 (inclusive). An SCM's "SwapClear Contribution" shall be the amount specified in the SwapClear Default Fund Supplement, in accordance with Rules 15 to 37 (inclusive) and shall include any SwapClear Unfunded Contributions deposited and made by the SCM with the Clearing House.

18. Subject to Rule 18A, the amount of each General Clearing Member's General Contribution shall be determined by the Clearing House as soon as practicable after each Quarter Day on the basis of information available as at close of business on such Quarter Day and notified to such General Clearing Member as soon as practicable after such determination in accordance with the Procedures.

~~18A-18A~~ Until the EquityClear Transition Date, and subject to Rule 32A, the Clearing House may require an EquityClear Clearing Member to deposit and maintain with the Clearing House an additional sum of cash (a "Supplementary EquityClear Contribution") denominated in sterling as cover, to form part of ~~the~~that Clearing Member's General Contribution. The Clearing House may exercise its rights under this Rule in respect of any date before the EquityClear Transition Date on which, in the reasonable opinion of the Clearing House, 10% of the Clearing Member's requirement for initial margin (as calculated under the Procedures section of the Rulebook or other arrangements applicable) in respect of all EquityClear Contracts significantly exceeds the Clearing Member's EquityClear Contribution actually held by the Clearing House on that date. A Supplementary EquityClear Contribution required to be deposited under this Rule shall be payable in such amount and at such time as the Clearing House shall appoint.

~~19-19~~ Subject to Rules 20, 21, 33 and 34, an Exchange Clearing Member's Contribution (its "Exchange Contribution") to the Exchange Fund Amount shall be determined with reference to business conducted by it on the Specified Exchanges and under the LCH Enclear OTC Regulations, as at close of business on each Quarter Day, as follows:-

- (a) the Clearing Member's "Margin Weight" shall be calculated by dividing the average daily requirement for initial margin (as calculated

under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect: (1) of all Contracts (other than EquityClear, SwapClear and RepoClear Contracts) and (2) all LCH Enclear OTC Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;

- (b) the Clearing Member's **"Volume Weight"** shall be calculated by dividing the average daily number of Cleared Exchange Contracts and LCH Enclear OTC Contracts registered for the first time with the Clearing House in the name of the Clearing Member during the Reference Period by the total of such average numbers for all Clearing Members other than defaulters;
- (c) the Clearing Member's **"Weight Factor"** shall be calculated by adding one-half of its Margin Weight as defined in (a) above to one-half of its Volume Weight as defined in (b) above;
- (d) the Clearing Member's **"Preliminary Exchange Contribution"** shall be calculated by multiplying the Exchange Fund Amount by its Weight Factor;
- (e) if the Clearing Member's Preliminary Exchange Contribution is below the Minimum Exchange Contribution for the time being, the Clearing Member's Exchange Contribution shall be the Minimum Exchange Contribution;
- (f) for each Minimum Exchange Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum Exchange Contribution and (ii) the Clearing Member's Preliminary Exchange Contribution, and the **"Exchange Surplus"** shall be calculated by adding together all such differences;
- (g) for each Clearing Member other than a Minimum Contribution Member, the Clearing Member's **"Exchange Discount"** shall be such Clearing Member's *pro rata* share of the Exchange Surplus calculated as the proportion of such Clearing Member's Preliminary

Exchange Contribution relative to the aggregate Preliminary Exchange Contributions of all Clearing Members other than Minimum Exchange Contribution Members;

- (h) for each Clearing Member other than a Minimum Exchange Contribution Member, the Clearing Member's Exchange Contribution shall be the Preliminary Exchange Contribution less the Clearing Member's Exchange Discount; provided that if the outcome of such calculation would result in an Exchange Contribution less than the Minimum Exchange Contribution, such Clearing Member shall pay the Minimum Exchange Contribution notwithstanding that the arithmetical sum of Exchange Contributions paid by all Clearing Members may thereby exceed the Exchange Fund Amount.

~~19A-19A~~ Subject to Rules 18A, 20, 21, 32A, 33 and 34, each EquityClear Clearing Member's Contribution attributable to EquityClear business conducted by it shall be determined as at close of business on each Quarter Day before the EquityClear Transition Date and shall be the higher of the Minimum EquityClear Contribution and 10% of the Clearing Member's average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all EquityClear Contracts.

~~19B-19B~~ Subject to Rules 20, 21, 33 and 34, each EquityClear Clearing Member's Contribution attributable to EquityClear business conducted by it shall be determined as at close of business on the EquityClear Transition Date and each Quarter Day thereafter as follows:—

- (a) the Clearing Member's "EquityClear Margin Weight" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all EquityClear Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;

- (b) the Clearing Member's "Preliminary EquityClear Contribution" shall be calculated by multiplying the EquityClear Fund Amount by the Clearing Member's EquityClear Margin Weight;
- (c) if the Clearing Member's Preliminary EquityClear Contribution is below the Minimum EquityClear Contribution for the time being, the Clearing Member's EquityClear Contribution shall be the Minimum EquityClear Contribution;
- (d) for each Minimum EquityClear Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum EquityClear Contribution and (ii) the Clearing Member's Preliminary EquityClear Contribution, and the "EquityClear Surplus" shall be calculated by adding together all such differences;
- (e) for each Clearing Member other than a Minimum EquityClear Contribution Member, the Clearing Member's "EquityClear Discount" shall be such Clearing Member's *pro rata* share of the EquityClear Surplus calculated as the proportion of such Clearing Member's Preliminary EquityClear Contribution relative to the aggregate Preliminary EquityClear Contributions of all Clearing Members other than Minimum EquityClear Contribution Members;
- (f) for each Clearing Member other than a Minimum EquityClear Contribution Member, the Clearing Member's EquityClear Contribution shall be the Preliminary EquityClear Contribution less the Clearing Member's EquityClear Discount; provided that if the outcome of such calculation would result in a EquityClear Contribution less than the Minimum EquityClear Contribution, such Clearing Member shall pay the Minimum EquityClear Contribution notwithstanding that the arithmetical sum of EquityClear Contributions paid by all Clearing Members may thereby exceed the EquityClear Fund Amount.

~~19C~~ 19C Subject to Rules 20, 21, 33 and 34, each RepoClear Clearing Member's Contribution attributable to RepoClear business conducted by it shall be

determined as at close of business on ~~the RepoClear Transition Date and~~ each Quarter Day ~~thereafter~~ as follows:—

- (a) the Clearing Member's **“RepoClear Margin Weight”** shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all RepoClear Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;
- (b) the Clearing Member's **“Preliminary RepoClear Contribution”** shall be calculated by multiplying the RepoClear Fund Amount by the Clearing Member's RepoClear Margin Weight;
- (c) if the Clearing Member's Preliminary RepoClear Contribution is below the Minimum RepoClear Contribution for the time being, the Clearing Member's RepoClear Contribution shall be the Minimum RepoClear Contribution;
- (d) for each Minimum RepoClear Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum RepoClear Contribution and (ii) the Clearing Member's Preliminary RepoClear Contribution, and the **“RepoClear Surplus”** shall be calculated by adding together all such differences;
- (e) for each Clearing Member other than a Minimum RepoClear Contribution Member, the Clearing Member's **“RepoClear Discount”** shall be such Clearing Member's *pro rata* share of the RepoClear Surplus calculated as the proportion of such Clearing Member's Preliminary RepoClear Contribution relative to the aggregate Preliminary RepoClear Contributions of all Clearing Members other than Minimum RepoClear Contribution Members;
- (f) for each Clearing Member other than a Minimum RepoClear Contribution Member, the Clearing Member's RepoClear Contribution shall be the Preliminary RepoClear Contribution less

the Clearing Member's RepoClear Discount; provided that if the outcome of such calculation would result in a RepoClear Contribution less than the Minimum RepoClear Contribution, such Clearing Member shall pay the Minimum RepoClear Contribution notwithstanding that the arithmetical sum of RepoClear Contributions paid by all Clearing Members may thereby exceed the RepoClear Fund Amount.

~~19D Subject to Rules 20, 21, 33 and 34, each SwapClear Clearing Member's Contribution attributable to SwapClear business conducted by it shall be determined as at close of business on the SwapClear Transition Date and each Quarter Day thereafter as follows:~~

- ~~(a) the Clearing Member's "**SwapClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all SwapClear Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;~~
- ~~(b) the Clearing Member's "**Preliminary SwapClear Contribution**" shall be calculated by multiplying the SwapClear Fund Amount by the Clearing Member's SwapClear Margin Weight;~~
- ~~(c) if the Clearing Member's Preliminary SwapClear Contribution is below the Minimum SwapClear Contribution for the time being, the Clearing Member's SwapClear Contribution shall be the Minimum SwapClear Contribution;~~
- ~~(d) for each Minimum SwapClear Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum SwapClear Contribution and (ii) the Clearing Member's Preliminary SwapClear Contribution, and the "**SwapClear Surplus**" shall be calculated by adding together all such differences;~~
- ~~(e) for each Clearing Member other than a Minimum SwapClear Contribution Member, the Clearing Member's "**SwapClear Discount**" shall be such Clearing Member's pro rata share of the SwapClear Surplus calculated as the proportion of such Clearing Member's Preliminary SwapClear Contribution relative to the aggregate Preliminary SwapClear Contributions of all Clearing Members other than Minimum SwapClear Contribution Members;~~
- ~~(f) for each Clearing Member other than a Minimum SwapClear Contribution Member, the Clearing Member's SwapClear Contribution shall be the Preliminary SwapClear Contribution less the Clearing Member's SwapClear Discount; provided that if the outcome of such calculation would result in a SwapClear Contribution less than the Minimum SwapClear Contribution, such Clearing Member shall pay the Minimum SwapClear Contribution notwithstanding that the arithmetical sum of SwapClear~~

~~Contributions paid by all Clearing Members may thereby exceed the SwapClear Fund Amount.~~

20. For the purposes of the calculations under Rules 18A, 19, 19A, 19B, ~~19C~~ and 19DC:-
- (a) "Reference Period" means the period starting on the day immediately after the Quarter Day immediately before the Quarter Day as at which the determination is made and ending on the Quarter Day as at which the determination is made (including both the day at the start of the period and the day at the end of the period);
  - (b) no account shall be taken, in calculating Margin Weight or EquityClear Margin Weight or RepoClear Margin Weight ~~or SwapClear Margin Weight~~, of any margin required in relation to an Excluded Transaction, nor in calculating Volume Weight of any Contract which is registered in the course of an Excluded Transaction;
  - (c) references to "Clearing Members" do not include references to defaulters (apart from any defaulter in respect of which the Clearing House permits the application of Rules 19, 19A, 19B, and 19C and ~~19D~~ and this Rule) or persons which were formerly Clearing Members but are not Clearing Members at on the ~~Quarter Day as date~~ at which the determination is made;
  - (d) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and
  - (e) no account shall be taken, in calculating initial margin under Rules 18A, or 19A, 19B, ~~19C~~ and 19D,C Margin Weight under Rule 19, EquityClear Margin Weight under Rule 19B, or RepoClear Margin Weight under Rule 19C, ~~or SwapClear Margin Weight under Rule 19D~~, of any offsets in the initial margin required for Cleared Exchange Contracts ~~and SwapClear Contracts~~ from a Clearing Member, which may otherwise be permissible under the Procedures or other arrangements applicable.



Provided that the Clearing Member is not a defaulter, the amount of its Contribution shall be paid in accordance with and subject to Rule 22. The provisions of Rule 19, 19A, 19B, ~~19C~~ and 19DC and this Rule do not apply to a Clearing Member which is a defaulter, unless the Clearing House so permits in any particular case.

21. Without prejudice to any other requirements which the Clearing House may impose, the amount of the General Contribution of a New Member shall be the sum of (a) where the New Member has applied to become an EquityClear Clearing Member, the Minimum EquityClear Contribution, (b) where the New Member has applied to become an Exchange Clearing Member, the Minimum Exchange Contribution, (c) where the New Member has applied to become a RepoClear Clearing Member, the Minimum RepoClear Contribution, ~~(d) where the New Member has applied to become a SwapClear Clearing Member, the Minimum SwapClear Contribution, and~~ (e and (d)) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

### **Payment of Contributions**

22. Upon determination of the amount of a General Contribution as at any Quarter Day:
- (a) if the amount of the General Contribution of a General Clearing Member immediately before close of business on that Quarter Day exceeds the amount of the General Clearing Member's General Contribution as determined under ~~Rule 19~~these Rules as at close of business on that Quarter Day, the excess shall be paid by the Clearing House to such General Clearing Member in accordance with the Procedures;
  - (b) if the amount of the General Contribution of a Clearing Member immediately before close of business on that Quarter Day is the same as the amount of the General Clearing Member's General Contribution as so determined, no sum shall then be payable by or to

such [General](#) Clearing Member in respect of its [General](#) Contribution;  
and

- (c) if the amount of the [General](#) Contribution of a [General](#) Clearing Member immediately before close of business on that Quarter Day is less than the amount of the [General](#) Clearing Member's [General](#) Contribution as so determined, the shortfall shall be paid by such [General](#) Clearing Member to the Clearing House in accordance with the Procedures.

The provisions of this Rule do not apply to a [General](#) Clearing Member which is a defaulter, unless the Clearing House so permits in any particular case.

### Terms on which Contribution is held

~~23.~~ ~~(a)~~ 23. (a) Subject to Rules 23(b) and 23(c), the outstanding balance of a Clearing Member's Contribution (or, as appropriate, part thereof) shall be repayable to the Clearing Member on the earliest to occur of the following events:

- (i) if the Clearing Member is not a defaulter, the effective date of termination of Clearing Member's status (including a Termination Date under General Regulation 39A or under FCM Regulation 26A);
- (ii) if the Clearing Member has become a defaulter, the date or event appointed by the Clearing House for repayment of sums due to the Clearing Member under Rule 9;
- (iii) the amount of the Contribution being reduced by virtue of the recalculation of its amount in accordance with Rule 19 or Rule S2 of the SwapClear Default Fund Supplement in respect of a SwapClear Contribution (in which case the Contribution shall be repayable only to the extent of such reduction); ~~and~~
- (iv) the Clearing House making an Insufficient Resources Determination pursuant to Rule S11; and

- (v) ~~(iv)~~ the expiry of a period of 50 years from the date on which the Contribution was paid to the Clearing House.
- (b) If a Clearing Member becomes a defaulter, the Clearing House shall as soon as practicable after any ~~cover provided to the Clearing House in respect of the defaulter's obligations~~ Margin Cover has been applied, pursuant to Rule 16, certify ~~the one or more~~ net sums then payable by the defaulter to the Clearing House ~~(each a "Default Loss" in respect of General Business ("General Business Default Loss") and/or SwapClear Business ("SwapClear Business Default Loss") (as applicable) (each a "Default Loss"))~~, disregarding for this purpose any of the defaulting Clearing Member's ~~Contribution~~ Contributions. If the Clearing House certifies ~~a any~~ Default Loss, all of the defaulting Clearing Member's ~~Contribution~~ Contributions shall immediately ~~mature~~ become due and repayable, but only in an amount not exceeding the total Default Loss. In this regard:
- (i) where there is a General Business Default Loss only and the defaulter's General Contribution exceeds the General Business Default Loss, the defaulter's SwapClear Contribution shall not become due and repayable; and
- (ii) where there is a SwapClear Business Default Loss only and the defaulter's SwapClear Contribution exceeds the SwapClear Business Default Loss, the defaulter's General Contribution shall not become due and repayable.
- ~~(e)~~ (c) If an amount becomes payable by the Clearing Member under Rule 28, the Clearing Member's relevant Contribution shall immediately ~~mature~~ become due and repayable, but only to the extent of such amount.
24. On any day interest shall accrue on the amount of each General Contribution then held by the Clearing House, to the extent that it has not been applied under Rule 26 or Rule 28, at such rate and in such manner as provided by the Procedures, provided that the rate of interest shall not be less than LIBOR plus one per cent. Interest shall be payable in arrear and shall be paid on the date or dates specified by the Procedures. In these Default Fund Rules

any interest which has accrued under this Rule shall not be regarded as part of the Contribution.

25. A Clearing Member's entitlement to repayment of any of its ContributionContributions or any part of ~~#them~~ shall not be capable of assignment by the Clearing Member, nor shall ~~#Contributions~~ be capable of being charged or subject to any other form of security whether purporting to rank in priority over, *pari passu* with or subsequent to the rights of the Clearing House. Any purported charge or assignment by a Clearing Member (whether by way of security or otherwise) of its ~~ContributionContributions~~ shall be void. A Clearing Member shall not otherwise encumber (or seek to encumber) its ~~ContributionContributions~~.

#### **Application of defaulter's Contribution, and Certification of Aggregate Excess Losses**

26. Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, in the event of a Default and the certification by the Clearing House of a Default Loss under Rule 23(b) in respect thereof the Clearing House shall without notice set off in or towards satisfaction of any sums payable to the Clearing House from the defaulter any amount of ~~the defaulter's~~any Contribution of the defaulter which has ~~matured~~become due and repayable in accordance with Rule 23(b). If the Clearing House is to have recourse, in accordance with Rule 16, to the indemnities ~~and Contributions of~~ guarantees, undertakings or monies provided by Clearing Members other than the defaulter, as soon as practicable the Clearing House shall certify (by a ~~"Rule 26 Certificate"~~):
- (a) the amount of the defaulter's Contribution applied under this Rule and the net sum (if any), or each net sum (if more than one), then immediately payable by the defaulter to the Clearing House in respect of ~~Contracts~~(i) General Business and (ii) SwapClear Business, taking into account for this purpose the defaulter's Contribution but excluding for this purpose any sum due to the Clearing House in respect of any Excluded Transaction; and

- (b) the extent to which any sums so payable by the defaulter to the Clearing House but unpaid may be claimed by the Clearing House under a policy of insurance or analogous instrument relating to Default Losses.

The Clearing House may issue more than one Rule 26 Certificate in relation to losses arising upon any Default.

Where a Rule 26 Certificate is to be issued in respect of the Default of an SCM, the Clearing House may assume that no further recoveries will be made in respect of obligations of the Defaulting SCM beyond the value of its SwapClear Contribution.

27. The Clearing House may in the exercise of the right conferred by Rule 26 set off the amount due (in accordance with Rule 23(b)) to a defaulter in respect of the defaulter's Contribution or any part thereof against sums owing on any account whether or not it is a client account, and the Clearing House shall have unfettered discretion in this regard. A defaulter's Contribution shall not be treated as standing to the credit of any client account of the defaulter except to the extent that any Default Loss certified under Rule 23(b) arises in relation to a client account and the Clearing House so requires.

### Application of Fund and Indemnity

28. By virtue of the Clearing Membership Agreement and this Rule, and subject to Rule 29:

~~(a)~~—

~~(b)~~—

- (a) each Clearing Member engaged in General Business indemnifies the Clearing House in respect of ~~each~~General Excess Loss ~~arising~~ upon the Default of another Clearing Member in an aggregate amount not exceeding the ~~outstanding balance of its~~amount due from it as its General Contribution at the date of the issue of the Rule 26 Certificate which relates to such ~~excess loss~~Aggregate Excess Loss; and

(b) each SCM indemnifies the Clearing House in respect of the aggregate of the SwapClear Excess Losses calculated in respect of the Defaults of SCMs occurring in a SwapClear Default Period in an aggregate amount not exceeding the amount due from it as its SwapClear Contribution as calculated under the SwapClear Default Fund Supplement on the SwapClear Determination Date immediately prior to the commencement of the relevant SwapClear Default Period together with any SwapClear Unfunded Contribution that the Clearing House has called or would be entitled to call from such SCM during such SwapClear Default Period.

The amount due by a Clearing Member in respect of ~~an~~each General Excess Loss shall be the Clearing Member's *pro rata* share of such ~~Excess Loss~~loss arising upon the relevant Default calculated as the proportion of such Member's relevant Contribution relative to the aggregate relevant Contributions of all Clearing Members other than the relevant defaulter at the time of the relevant Default. The amount due by a Clearing Member in respect of each SwapClear Excess Loss shall be determined in accordance with SwapClear DMP Annex. The amount so due shall become immediately payable automatically (without any obligation on the part of the Clearing House to make demand on the Clearing Member) upon the issue by the Clearing House of the applicable Rule 26 Certificate. Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, the Clearing House shall forthwith without notice set off any amount due in accordance with Rule 23(c) to a Clearing Member in respect of the relevant Contribution of such Clearing Member's ~~Contribution~~ in or towards satisfaction of the amount payable by such Clearing Member under this Rule 28.

29. This Rule applies to a defaulter (the "First defaulter") where the Contribution of the First defaulter has not been repaid to the First defaulter or applied by the Clearing House under Rule 26, and Aggregate Excess Losses arise upon the Defaults of other Clearing Members. Where this Rule applies, Rule 28 shall have effect with the following modifications:-

(a) the ~~balance~~balances (if any) of the First defaulter's ~~Contribution~~relevant Contributions may be applied under Rule 28 in

respect of such relevant Aggregate Excess Losses up to and including the date three months after the date of issue of the Default Notice in respect of the First defaulter's Default; and

- (b) after the date three months after the date of issue of such Default Notice, the ~~balance~~balances (if any) of the First defaulter's ~~Contribution~~relevant Contributions may not be applied under Rule 28 in respect of such relevant Aggregate Excess Losses, but ~~it~~they may be retained on account of losses arising upon the First defaulter's own Default, and for the purposes of Rule 28 ~~it~~they shall be disregarded.
30. The Clearing House shall give notice to each Clearing Member as soon as practicable after an amount has become due in accordance with Rule 28 and of the manner in which it has been satisfied.
31. If, in relation to a Default, the Clearing House has been unable to certify in any Rule 26 Certificates issued on or before the Quarter Day immediately after the Default all sums which may be or become due to the Clearing House from the Defaulter (because such sums will not or may not become liquidated or for any other reason payable until a later date), the Clearing House shall maintain a Contribution from each Clearing Member (other than the Defaulter) as cover for the performance by such Clearing Member of its obligation to indemnify the Clearing House in relation to any General Excess ~~Losses~~Loss not yet certified. In fulfilment of this requirement the Clearing House may take any step which appears to the Clearing House to be appropriate, and the steps so taken may include any (including a combination) of the following:-
- (a) postponement of the date for adjustment of Clearing Members' Contributions under Rule 22;
- (b) reduction of the amounts payable to some or all Clearing Members under Rule 22(a); and
- (c) estimation of the amount of Aggregate Excess Losses which may become certified after the relevant Quarter Day ~~in question~~as

appropriate, and application of Rule 28 as if such estimated amount were already realised as a General Excess Losses Loss.

The Clearing House shall notify Clearing Members of any steps taken under this Rule.

### Reinstatement of the Fund

32. Where, after a Default, the Clearing House has applied part or all of a General Contribution under Rule 26 or Rule 28, the General Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and the EquityClear Fund Amount and the Exchange Fund Amount and the RepoClear ~~Fund Amount and the SwapClear~~ Fund Amount shall be reduced *pro rata*. Unless and until the Clearing House has repaid a defaulter's Contribution, the General Fund Amount shall be treated as having been reduced by the amount of the defaulter's Contribution (if any) regardless of whether the Clearing House has applied part or all of that Contribution under Rule 26. Following a reduction of the General Fund Amount in accordance with this Rule, the Clearing House may by a single increase or by a series of increases raise the General Fund Amount to such level not exceeding ~~£640,000,000~~£515,000,000 and after such interval or intervals as it considers appropriate, provided that:

- (a) upon each such increase the EquityClear Fund Amount and the Exchange Fund Amount and the RepoClear ~~Fund Amount and the SwapClear~~ Fund Amount shall increase *pro rata*; and
- (b) no such increase shall bind any Clearing Member which does not agree to it.

Where by virtue of this Rule the General Fund Amount is less than ~~£640,000,000~~£515,000,000, the size of the Minimum EquityClear Contribution and the Minimum Exchange Contribution and the Minimum RepoClear Contribution ~~and the Minimum SwapClear Contribution~~ shall also be adjusted in proportion to the size of the General Fund Amount as adjusted for the time being.



~~33-~~32A If on any Quarter Day before the EquityClear Transition Date the General Fund Amount is by virtue of Rule 32 less than it was before the ~~default~~Default, the formula in Rule 19A shall be modified so that the alternative basis of calculation is reduced from 10% of the Clearing Member's average daily requirement for initial margin (as provided by Rule 19A) to 10% of such average daily requirement multiplied by the Relevant Proportion. On any date in respect of which the Clearing House exercises its rights under Rule 18A and as at which the General Fund Amount is by virtue of Rule 32 less than it was before the ~~default~~Default the sum with which the Clearing Member's EquityClear Contribution is to be compared shall be reduced from 10% of the Clearing Member's requirement for initial margin (as provided by Rule 18A) to 10% of such requirement multiplied by the Relevant Proportion. For the purposes of this Rule, the ~~"~~"Relevant Proportion" means, in relation to a date, the proportion which the General Fund Amount at such date bears to the amount before the ~~default~~Default.

#### Effect of ~~Cessation~~cessation of Clearing Member ~~Status~~status

~~33.~~ 34- Subject to Rule 34, if a Quarter Day or a SwapClear Determination Date, as appropriate, occurs after the giving of notice: (i) by or in respect of any Retiring Member; (ii) by a Clearing Member to the Clearing House for the purposes of resigning from a particular Service; or (iii) by the Clearing House to a Clearing Member for the purposes of requiring such Clearing Member to resign from a particular Service (the "Relevant Service") (a Clearing Member for the purposes of (ii) and (iii) of this paragraph, a "Resigning Member"), and before the termination of such Retiring Member's Clearing Member status: ~~or the Resigning Member's resignation from the Relevant Service (as the case may be):-~~

- (a) if the Retiring Member or Resigning Member is not a defaulter, the amount of such Retiring Member's Contribution or such Resigning Member's Contribution in respect of the Relevant Service shall be determined by the Clearing House on the basis set out in Rules 19, 19A, 19B, 19C and ~~19D~~the SwapClear Default Fund Supplement (as applicable) without regard to the impending termination of such Retiring Member's Clearing Member status or Resigning Member's resignation (as the case may be), and the provisions of Rule 22 and Rule S5 of the

SwapClear Default Fund Supplement (as applicable) shall apply in respect of such Contribution accordingly;

- (b) if the Retiring Member or Resigning Member is a defaulter, the balance of ~~the defaulter~~ that Retiring Member's Contribution or the Resigning Member's Contribution in respect of the Relevant Service (as the case may be) after any part of it has been applied under Rule 26 or Rule 28 shall not be subject to adjustment under Rules 19, 19A, 19B, 19C and ~~19D~~ the SwapClear Default Fund Supplement (as applicable), and the provisions of Rule 22 and Rule S5 of the SwapClear Default Fund Supplement (as applicable) shall not apply to such Retiring Member or Resigning Member in respect of the Relevant Service.

Notwithstanding the foregoing, in such circumstances the amounts of the respective Contributions of all Clearing Members other than any Retiring Member or any Resigning Member in respect of the Relevant Service shall be determined by the Clearing House on the basis set out in Rules 18A, 19, 19A, 19B, 19C and ~~19D~~ the SwapClear Default Fund Supplement (as applicable), but disregarding for all purposes any Clearing Member which is a Retiring Member or, in relation to a Relevant Service, any Resigning Member in respect of that Relevant Service, in particular disregarding such Clearing Member's daily requirement for margin and such Clearing Member's daily number of Contracts and treating any such ~~Clearing~~ Retiring Member as no longer being a Clearing Member, but without prejudice to any reduction of the General Fund Amount under Rule 32.

34. ~~35.~~ This Rule applies at any Quarter Day or SwapClear Determination Date, as appropriate, after a Retiring Member has given notice of termination of its Clearing Member status, where another Clearing Member (the ~~"Continuing Member"~~ "Continuing Member") has arranged to undertake clearing on behalf of the Retiring Member. If, in the opinion of the Clearing House, the Contribution of the Continuing Member determined under Rules 18A, 19, 19A, 19B, 19C and ~~19D~~ or the SwapClear Default Fund Supplement does not fairly reflect the Continuing Member's share of clearing activity, the Clearing House may determine the Contribution of the Continuing Member as if the EquityClear Margin Weight, Margin Weight, Volume Weight, RepoClear Margin Weight and SwapClear Margin Weight of the Retiring Member were part of the EquityClear

Margin Weight, Margin Weight, Volume Weight, RepoClear Margin Weight, and SwapClear Margin Weight respectively of the Continuing Member. If the Clearing House determines the amount of a Continuing Member's Contribution under this Rule, the Clearing House shall give notice to the Continuing Member, and the provisions of Rule 33 shall not apply.

35. ~~36.~~—A Retiring Member and a Resigning Member in respect of a Relevant Service shall, until the completion of the process set out in Rule 8 in relation to any Default, continue to be liable under its Rule 28 indemnity in respect of Aggregate Excess Losses arising upon such Default, notwithstanding that the Clearing Member status of the Retiring Member has terminated or that the Resigning Member has resigned in respect of the Relevant Service before that time. While a Retiring Member or Resigning Member continues to be so liable, it shall provide such cover as the Clearing House shall require in respect of its liability in relation to any Aggregate Excess Losses not yet certified, subject to such cover not exceeding the Retiring Member's Contribution at the time of the termination of its clearing membership or the Resigning Member's Contribution to the Relevant Service at the time of its resignation. In fulfilment of this requirement the Clearing House may take any step which appears to the Clearing House to be appropriate, including postponement of the date for repayment of part or all of the Retiring Member's Contribution or Resigning Member's Contribution in respect of the Relevant Service (as the case may be). The Clearing House shall notify the Retiring Member or Resigning Member of any steps taken under this Rule.

#### Recoveries from ~~Defaulters~~defaulters

36. ~~37.~~—If all or part of the ~~Contribution~~Contributions of any Clearing Member shall have been applied in accordance with Rule 28, the Clearing House shall account to each such Clearing Member (whether or not he remains at the relevant time a Clearing Member of the Clearing House) in respect of any Net Recovery, *pro rata* to the respective amounts applied in accordance with Rule 28 in relation to the relevant Default and in an amount not exceeding, in relation to each such Clearing Member, the amount of its ~~Contribution~~Contributions so applied.

**Contracts on ~~Terms Prescribed~~terms prescribed by ~~New~~new Exchanges**

37. ~~38.~~ Notwithstanding anything in the Procedures, and subject as follows, any Contract on terms prescribed by any Exchange other than a Specified Exchange shall be an Excluded Transaction. The Clearing House may direct that any such Contract as is referred to in this Rule shall not be an Excluded Transaction, provided that no such direction shall bind any Clearing Member which does not agree to it.

### SwapClear Default Fund Supplement

S1 On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 60 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to SwapClear Business (for a given scenario).

S2 Each SCM's SwapClear Contribution (other than a SwapClear Unfunded Contribution) shall be determined by the Clearing House in accordance with the following provisions:

(a) determinations will be made by the Clearing House on the date that an SCM joins the SwapClear Service, and at close of business on the first business day of each subsequent month, and otherwise in accordance with paragraph (k) below (each a "**SwapClear Determination Date**") provided, however, that, following a Default, any such determinations and any such SwapClear Determination Date which might otherwise have occurred under this Rule S2 shall be suspended for the duration of the period (the "**SwapClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:

(i) the date which is the close of business on the day falling 30 calendar days after the SwapClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and

(ii) where, prior to the to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this sub-paragraph (ii)) one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the SwapClear Default Management Process Completion

Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);

(b) the "**SwapClear Segregated Fund Amount**" shall be denominated in pounds sterling, and, for a given SwapClear Determination Date, shall be the largest of the 60 Combined Loss Values determined under Rule S1 plus 10%. The SwapClear Segregated Fund Amount for a given SwapClear Determination Date shall not be less than the amount calculated by multiplying the number of SCMs on the relevant date by the Minimum SwapClear Contribution (the "**SwapClear Fund Floor**") and shall not be more than 5 billion pounds (the "**SwapClear Fund Cap**");

(c) the SCM's "**SwapClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the SCM during the 20 business day period preceding the relevant SwapClear Determination Date in respect of all SwapClear Contracts to which such SCM is a party by the total of such average daily requirements applied to all Non-Defaulting SCMs;

(d) the SCM's "**Preliminary SwapClear Contribution**" shall be calculated by multiplying the SwapClear Segregated Fund Amount by the SCM's SwapClear Margin Weight;

(e) if the Clearing Member's Preliminary SwapClear Contribution is below the Minimum SwapClear Contribution for the time being, the Clearing Member's SwapClear Contribution shall be the Minimum SwapClear Contribution;

(f) the "**SwapClear Actual Total**" shall be calculated by adding together (i) the amount which is the product of the Minimum SwapClear Contribution and the number of Minimum SwapClear Contribution Members; and (ii) the aggregate Preliminary SwapClear Contributions of those SCMs which are not Minimum SwapClear Contribution Members;

- (g) where the SwapClear Actual Total is greater than the SwapClear Fund Cap, the "**SwapClear Excess**" shall be the arithmetical difference between the SwapClear Actual Total and the SwapClear Fund Cap;
- (h) where the SwapClear Actual Total is less than the SwapClear Fund Floor, the "**SwapClear Shortfall**" shall be the arithmetical difference between the SwapClear Fund Floor and the SwapClear Actual Total;
- (i) for each SCM other than a Minimum SwapClear Contribution Member: (i) the SCM's "**SwapClear Discount**" (if any) shall be such SCM's *pro rata* share of the SwapClear Excess calculated as the proportion of such SCM's Preliminary SwapClear Contribution relative to the aggregate Preliminary SwapClear Contributions of all SCMs other than Minimum SwapClear Contribution Members; and (ii) the SCM's "**SwapClear Increase**" (if any) shall be such SCM's *pro rata* share of the SwapClear Shortfall calculated as the proportion of such SCM's Preliminary SwapClear Contribution relative to the aggregate Preliminary SwapClear Contributions of all SCMs other than Minimum SwapClear Contribution Members;
- (j) for each SCM other than a Minimum SwapClear Contribution Member, the SCM's SwapClear Contribution shall be the Preliminary SwapClear Contribution (i) less any SwapClear Discount applicable to the SCM or (ii) plus any SwapClear Increase applicable to the SCM; provided that if the application of any SwapClear Discount would result in a SwapClear Contribution less than the Minimum SwapClear Contribution, such SCM shall pay the Minimum SwapClear Contribution notwithstanding that the arithmetical sum of SwapClear Contributions paid by all SCMs may thereby exceed the SwapClear Fund Cap; and
- (k) the Clearing House may recalculate the SwapClear Segregated Fund Amount and the SwapClear Contributions due from each SCM on any business day if the largest of the 60 Combined Loss Values determined under Rule S1 on that day differs by more than 25% from the Combined Loss Value on which the previous SwapClear

Contribution determination was based and, on such business day, the Clearing House shall be entitled to require those SCMs whose portfolios have caused the increase in the Combined Loss Value to pay an additional amount in respect of their SwapClear Contributions.

S3 For the purposes of the calculations under Rule S2

(a) references to "SwapClear Clearing Members" or "SCMs" do not include references to Defaulting SCMs (apart from any Defaulting SCM in respect of which the Clearing House permits the application of Rule S2) or persons which were formerly SCMs but are not SCMs at the SwapClear Determination Date at which the relevant determination is made;

(b) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and

(c) no account shall be taken, in calculating initial margin or SwapClear Margin Weight under Rule S2 of any offsets in the initial margin required for SwapClear Contracts from an SCM, which may otherwise be permissible under the Procedures or other arrangements applicable.

Provided that the SCM is not a defaulter, the amount of its SwapClear Contribution shall be calculated in accordance with and subject to Rule S2. The provisions of Rule S2 and this Rule do not apply to a Defaulting SCM, unless the Clearing House so permits in any particular case.

S4 Without prejudice to any other requirements which the Clearing House may impose, the amount of the SwapClear Contribution of a New Member shall be the sum of (a) the Minimum SwapClear Contribution and (b) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.



S5 Upon determination of the amount of a SwapClear Contribution in accordance with Rule S2:

- (a) if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date exceeds the amount of the SCM's SwapClear Contribution as determined under Rule S2 as at close of business on that day, the excess shall be paid by the Clearing House to such SCM in accordance with the Procedures;
- (b) if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date is the same as the amount of the SCM's SwapClear Contribution as so determined, no sum shall then be payable by or to such SCM in respect of its Contribution; and
- (c) if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date is less than the amount of the SCM's SwapClear Contribution as so determined, the shortfall shall be paid by such SCM to the Clearing House in accordance with the Procedures.

The provisions of this Rule do not apply to a Defaulting SCM, unless the Clearing House so permits in any particular case.

S6 On any day interest shall accrue on the amount of each SwapClear Contribution then held by the Clearing House, to the extent that it has not been applied under Rule 26 or Rule 28, at such rate and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall not be less than the SONIA rate published on that day (or, in relation to any day for which a SONIA rate is not available, the SONIA rate most recently published before such day). Interest shall be payable in arrear and shall be paid on the date or dates specified by the Procedures. In these Default Fund Rules any interest which has accrued under this Rule shall not be regarded as part of the SwapClear Contribution.

S7 Where, after a Default, the Clearing House has applied part or all of a SwapClear Contribution under Rule 26 or Rule 28, the SwapClear Segregated Fund Amount shall be reduced forthwith by the aggregate amount of the SwapClear Contributions or parts of SwapClear Contributions so applied and the amount of the SwapClear Contribution that each SCM must maintain with the Clearing House shall be reduced by the amount of its SwapClear Contribution which has been applied pursuant to Rule 28, in each case until the next SwapClear Determination Date. Unless and until the Clearing House has repaid a defaulter's SwapClear Contribution (or remaining part thereof, as applicable), the SwapClear Segregated Fund Amount shall be treated as having been reduced by the amount of the defaulter's SwapClear Contribution (if any), regardless of whether the Clearing House has applied part or all of that SwapClear Contribution under Rule 26.

S8 Where, after a Default, the Clearing House determines that (i) by reason of a reduction in accordance with Rule S7, the value of the SwapClear Segregated Fund Amount has been reduced by at least 25%; or (ii) by the time of the SwapClear Default Management Process Completion Date in relation to the relevant Default the value of the SwapClear Segregated Fund Amount will be reduced by at least 25%, the Clearing House may, by notice in writing (the "**SwapClear Unfunded Contribution Notice**"), require each Non-Defaulting SCM to deposit and maintain an amount (each a "**SwapClear Unfunded Contribution**") in accordance with the following provisions:

(a) SwapClear Unfunded Contributions will only be payable in circumstances where the relevant SwapClear Unfunded Contribution Notice is delivered by the Clearing House to SCMs prior to the SwapClear Default Management Process Completion Date in relation to the relevant Default;

(b) the value of the SwapClear Unfunded Contribution payable by each individual SCM shall be the product of (i) the percentage by which the value of the SwapClear Segregated Fund Amount has been reduced and (ii) the value of the SwapClear Contribution of such SCM as at the last SwapClear Determination Date prior to the date when the relevant Default occurred;

(c) the Clearing House may, by the delivery of one or more further SwapClear Unfunded Contribution Notices, require each Non-Defaulting SCM to pay one or more further SwapClear Unfunded Contributions in respect of the same Default, provided that the total value of the SwapClear Unfunded Contributions payable by an individual SCM in respect of a particular Default (determined in accordance with paragraph (b) above) may not exceed the value of the SwapClear Contribution of such SCM as at the last SwapClear Determination Date prior to the date when the relevant Default occurred; and

(d) following a Default in respect of which SwapClear Unfunded Contributions were paid (the “**First Default**”), the Clearing House may require the payment of further SwapClear Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided that SwapClear Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first SwapClear Unfunded Contribution Notice in respect of the First Default).

SCMs will be required to deposit the full amount of their SwapClear Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following receipt of a SwapClear Unfunded Contribution Notice.

For the avoidance of doubt, references to “SCMs” for the purposes of this Rule S8 include any SCM (other than a Defaulting SCM) who is: (i) a Retiring Member but whose status as a Clearing Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the SwapClear Service is not yet effective.

#### S9 **SwapClear Loss Distribution Process**

Where, after a Default, the Clearing House determines that the SwapClear Excess Loss resulting from the Default will exceed the amounts to be applied

to it under Rule 16(1) to (7), the Clearing House may implement the process (the "**SwapClear Loss Distribution Process**") described in this Rule S9.

(a) For the purposes of this Rule S9 and for Rule S11, 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 SwapClear 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 Rule 16(1) to (7) 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 Base Currency Adjustment to Cash Payment"** has the meaning set out in paragraph (b)(i) of this Rule S9.

**"Cash Gainer Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph (b)(i) of this Rule S9.

"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 S9.

"Cash Loser Payment Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(ii) of this Rule S9.

"Cash Payment" means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting SCM (expressed as a positive number) or by such SCM 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 17 currencies in which payments made between the Clearing House and an SCM may be denominated.

"Cash Payment Type" means each of the Price Alignment Interest, coupon payments, consideration (fee) payments and variation margin payable in respect of a Margin Account of a Non-Defaulting SCM.

"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows" means in respect of each Margin Account of each Non-Defaulting SCM 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 SCM (expressed as a

positive number) or by such SCM 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 SCM 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:

$$\text{DH}(t) = \text{LUL}(t) / \text{TCG}(t)$$

where:

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

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

"Last Call prior to Default" means the most recent business day on which payments of cover required to be made by SCMs were made in full.

"LCH Transfer Cost" means the cost (converted, where applicable, into pounds sterling at a rate of exchange determined by the Clearing House in its sole discretion) to the Clearing House of transferring the rights and obligations arising out of the Auction Portfolios of a Defaulting SCM to those SCMs who have successfully bid for such Auction Portfolios in Auctions.

"LCH Uncovered Loss" means, in respect of the Clearing House on any business day in any Loss Distribution Period, the amount calculated in accordance with the following formula:

$$\text{LCH Uncovered Loss}(t) = \text{Max} (0, (\text{TCPH}(t) + \text{CLC}(t) - \text{TAR}))$$

where:

"TCPH" means the Total Cumulative Pre Haircut Base Currency Gains losses and Realised Cash Flows;

"CLC" means the Cumulative LCH Transfer Cost;

"TAR" means the Total Available Resources; and

the LCH Uncovered Loss as at the Last Call prior to Default shall be zero.

"Loss Distribution Cap Amount" means, in respect of each Non-Defaulting SCM and any Loss Distribution Period, an amount equal to the higher of (i) £100,000,000; (ii) the product of (a) 100 per cent. and (b) the SwapClear Contribution of such Non-Defaulting SCM as at the last SwapClear Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period; and (iii) any adjusted cap as may be agreed pursuant to paragraph (d) of this Rule S9.

"Loss Distribution Day" means any business day in a Loss Distribution Period on which the Clearing House, in consultation with the SwapClear DMG, prior to calling for: (i) cover in respect of margin in accordance with the provisions of the Procedures; and (ii) Required Collateral, on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"Loss Distribution Period" means the period from, but excluding, the day on which a Default occurs with respect to an SCM to but excluding the earlier of: (i) the business day on which (a) the rights and obligations arising out of the Auction Portfolios of the Defaulting SCM are transferred to those SCMs which have successfully bid for such Auction Portfolios in Auctions, or, if any Default occurs with respect to any other SCM prior to the end of a Loss Distribution Period, the rights and obligations arising out of the Auction Portfolios of any subsequent Defaulting SCM are transferred to those SCMs who have successfully bid for such Auction Portfolios in Auctions and (b) all payments required to be made by such SCMs and/or the Clearing House in respect of such Auction(s) have been made in full; or (ii) any Loss Distribution Day in respect of which the Clearing House determines that the SCM Adjustment Amount for any SCM would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day.

"Margin Account" means each Proprietary Account, Individual Segregated Account, Omnibus Net Segregated Account and FCM Omnibus OTC Client Account of an SCM.

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

"Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment" means, in respect of each Cash Payment and any business day, the amount (converted, where applicable, into pounds sterling at the Rate of Exchange which would be paid by the



Clearing House to a Non-Defaulting SCM (expressed as a positive number) or by such SCM to the Clearing House (expressed as a negative number) on such business day in the absence of the application of the Distribution Haircut.

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

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

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

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

"Total Available Resources" means, on any business day during a Loss Distribution Period the sum of (i) the Available Resources and (ii) any Unfunded Contributions deposited with the Clearing House since the relevant Last Call Prior to Default.

"Total Cash Gains" means, in respect of any business day, the sum of the Cash Gain in respect of all Cash Gainers on such business day.

"Total Cumulative Pre Haircut Base Currency Gains losses and Realised Cash Flows" means, in respect of any business day the

sum of all Total Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments.

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

**"Total Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment"** means, in respect of any business day, the sum of the Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment in respect of all Margin Accounts of all Non-Defaulting SCMs on such business day.

**"Underlying Cash Payment"** means, in respect of a Cash Gainer Base Currency Adjustment to Cash Payment or a Cash Loser Base Currency Adjustment to Cash Payment, the Cash Payment in respect of which such Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment is calculated.

**(b) Adjustment of Underlying Cash Payments**

**(i) Cash Gainer**

On each Loss Distribution Day for each Margin Account of each Non-Defaulting SCM which is deemed to be a Cash Gainer, the relevant SCM shall be required to pay the Clearing House an amount equal to each positive amount determined as follows or, as applicable, the Clearing House shall be required to pay the relevant SCM the absolute value of each negative amount determined as follows (in each case, such amount the "**Cash Gainer Payment Currency Adjustment to Cash Payment**):

The Cash Gainer Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Gainer Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated

where:

Cash Gainer Base Currency Adjustment to Cash Payment (t) = PHG(t) – (CHG(t) \* Max (0, 1 - DH(t)) – CAG(t-1))

"PHG" means the Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"CHG" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"DH" means the Distribution Haircut; and

"CAG" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call prior to Default shall be zero.

(ii) **Cash Loser**

On each Loss Distribution Day for each Margin Account of each Non-Defaulting SCM which is deemed to be a Cash Loser, the Clearing House shall be required to pay the absolute value of each amount (the "**Cash Loser Payment Currency Adjustment to Cash Payment**") determined as follows:

The Cash Loser Payment Currency Adjustment to Cash Payment is the value of the amount determined in

accordance with the formula below (the "**Cash Loser Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated

Where

Cash Loser Base Currency Adjustment to Cash Payment(t) = PHG(t) – (CHG(t) – CAG(t-1))

"PHG" Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"CHG" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment; and

"CAG" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call prior to Default shall be zero.

(iii) **Application of Payment Currency Adjustment to Cash Payment**

On each Loss Distribution Day, the Clearing House shall apply the payment or receipt of any Payment Currency Adjustment to Cash Payment as an offset against any payments denominated in the same Cash Payment Currency as the relevant Payment Currency Adjustment to Cash Payment due from or receivable by the relevant SCM.

(iv) **Adjustment for exchange of Notional Amounts on maturity**

Where an exchange of Notional Amounts is applicable to any SwapClear Contract on any business day during a Loss Distribution Period, the Clearing House may, following

consultation with its risk committee or the SwapClear DMG, as appropriate, make such adjustments as are necessary to the calculation of a Payment Currency Adjustment to Cash Payment to reflect the payment flows arising from such exchange of Notional Amounts, keeping in mind the principle that the calculation of a Payment Currency Adjustment to Cash Payment is designed to capture all profits and/or losses on positions during the relevant Loss Distribution Period.

**(c) Application of Cash Gainer Payment Currency Adjustment to Cash Payment**

The Clearing House shall apply all payments it receives in respect of Cash Gainer Payment Currency Adjustment to Cash Payments solely for the purposes of meeting any loss incurred by the Clearing House following, and in relation to, each Default, as contemplated in accordance with Rule 16(1) to (7).

**(d) Adjustment to Loss Distribution Cap Amount**

If, during a Loss Distribution Period, the Clearing House considers that the Cash Gainer Payment Currency Adjustment to Cash Payments applied to a particular Margin Account of an SCM are, or are about to be equal to or greater than the Loss Distribution Cap Amount, the Clearing House may propose an adjustment to such Loss Distribution Cap Amount. If agreed by all Non-Defaulting SCMs, the Loss Distribution Cap Amount as adjusted pursuant to this paragraph (d) shall be applicable for the remainder of the relevant Loss Distribution Period.

**(e) No Rebate**

The payment to the Clearing House by any SCM of any Cash Gainer Payment Currency Adjustment to Cash Payment shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

(f) Application of any Recoveries

If the SwapClear Loss Distribution Process has been invoked by the Clearing House in accordance with this Rule S9, the Clearing House shall reimburse the SCMs (irrespective of whether they remain SCMs at the time of the recovery) and the Clearing House on a *pro rata* basis by reference to the resources which have been applied pursuant to Rule 16(1) to (7) and including the net amount of any one or more paid by the relevant SCMs:

(i) any amounts received from the Defaulting SCM as a result of the Clearing House being a creditor of the Defaulting SCM in respect of the SwapClear Business of such Defaulting SCM in the context of the occurrence of any of the events under Rule 5(i) to (p) in respect of the Defaulting SCM or otherwise, other than in respect of sums due to the Clearing House for its own account; or

(ii) any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the SwapClear Default Management Process or which are otherwise referable to the Defaulting SCM,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting SCM in connection with the SwapClear clearing service. For the avoidance of doubt, nothing in this paragraph (f) shall oblige the Clearing House to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of the Clearing House has also been applied as a result of the SCM's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

S10 Where, after the Default of one or more SCMs, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rule 16(1) to (7) and the availability of the SwapClear Loss Distribution Process in accordance with the terms of Rule S9, it is clear that the Clearing

House does not have sufficient resources to meet its obligations and liabilities arising in respect of those SwapClear Contracts to which it is party with Non-Defaulting SCMs, the Clearing House will by notice in writing (a “SwapClear Voluntary Payment Notice”): (i) inform all Non-Defaulting SCMs that it has insufficient resources and that it is likely to invoke Rule S11; and (ii) invite each Non-Defaulting SCM to make a payment of funds (a “SwapClear Voluntary Payment”), in accordance with Rule 16(7), to make up for the relevant shortfall.

SwapClear Voluntary Payments will be made on the following terms:

- (a) no SCM shall be obliged to make a SwapClear Voluntary Payment;
- (b) any SwapClear Voluntary Payment will be made by an SCM by the close of business on the business day after receipt of the relevant SwapClear Voluntary Payment Notice;
- (c) no SwapClear Voluntary Payment may be withdrawn once made; and
- (d) the Clearing House shall full discretion whether or not to accept a particular SwapClear Voluntary Payment.

~~(e) —~~

~~(f) —~~

Any failure by the Clearing House to deliver a SwapClear Voluntary Payment Notice pursuant to this Rule S10 will not invalidate any action taken by the Clearing House pursuant to Rule S11 nor give rise to any liability whatsoever on the part of the Clearing House.

Any SwapClear Voluntary Payments remaining unused at the time of the expiry of the relevant SwapClear Default Period will be accounted for ratably by the Clearing House as if they were amounts paid in respect of the SwapClear Contributions of those SCMs from whom SwapClear Voluntary Payments were accepted.

S11 Where, following the process for inviting SwapClear Voluntary Payments in accordance with Rule S10, the Clearing House makes a determination (an “**Insufficient Resources Determination**”) that it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those SwapClear Contracts to which it is party with Non-Defaulting SCMs, the following provisions shall have effect:

(a) All outstanding SwapClear Contracts shall be closed out as of the clearing day following the date the Insufficient Resources Determination was made and any further obligations to make any payments under or in respect of such SwapClear Contracts shall cease. The closing prices used shall be mid prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding SwapClear Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin requirement for the position to be closed out.

(b) On the basis of the close out values established for each outstanding SwapClear Contract, an account shall be taken (as at the time of close out) of what is due in respect of each SCM, from that SCM to the Clearing House and from the Clearing House to that SCM, as well as all other amounts owing under or in respect of SwapClear Contracts and any other amounts that may be due in respect of the SwapClear Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the SCM shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. For the avoidance of doubt, amounts in respect of SwapClear Contracts shall include, but not be limited to, returns of variation margin associated therewith and the repayment of any Net Cash Gainer Payment Currency Adjustment to Cash Payments made in the SwapClear Default Period to which the Insufficient Resources Determination relates (and in respect of which S9(e) shall be specifically disapplied), but shall exclude the repayment of any cash initial margin or any outstanding SwapClear Contributions.



- To the extent that the aggregate of all of the amounts owed to the Clearing House by SCMs plus all of those other resources applicable to the SwapClear Clearing Service under Rule 16(1) to (7) that have not been applied towards a SwapClear Excess Loss is less than the aggregate of the amounts owed to SCMs by the Clearing House, each amount owed to SCMs by the Clearing House shall be reduced pro rata the shortfall.
- (c) The Clearing House shall determine any amounts due to each SCM in respect of the repayment of any cash initial margin and outstanding SwapClear Contributions to be repaid. The claim of each such SCM in respect to the foregoing shall be reduced in proportion to an amount by which (i) the value of the assets available to the Clearing House to meet the return obligations referred to in (ii) bears to (ii) the value of what would be due from the Clearing House to each Clearing Member in aggregate in respect of the return of initial margin received from each such Clearing Member in the form of cash and outstanding Contributions.
- (d) For each SCM, the amount due to it or due from it as determined pursuant to (b) shall be aggregated with its claim determined pursuant to (c) above and only the net sum shall be payable. Where the result of such calculations is that an SCM owes an amount to the Clearing House, that SCM shall pay that amount to the Clearing House immediately. Where the result of such calculations is that an SCM is owed an amount by the Clearing House, the Clearing House shall pay that amount to the SCM immediately, subject to (f) below.
- (e) The payment of such amount to an SCM, pursuant to (d) above subject to any re-calculations performed pursuant to (f) below, shall constitute the full and final payment in respect of the SwapClear Service and such SCM shall not be permitted to make any further claims to the Clearing House in respect of amounts relating to the SwapClear Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation 39A for a failure to pay any amounts in relation to the SwapClear Service.

- (f) The Clearing House may make the payments due under (d) above in one or more instalments to the SCMs in proportion to the value of their claims on the Clearing House under (b) above if some but not all of the amounts due under (d) or Rule 16(1) to 16(7) above have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to SCMs in accordance with this Rule S11.
- (g) This Rule S11 shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation 39A.
- (h) Nothing in the foregoing shall override the obligation of the Clearing House to return initial margin provided by way of security to a SCM pursuant to its Regulations and Procedures.

## S12 Ballot Arrangements

- (a) Notwithstanding anything to the contrary in clauses 9.4 and 9.5 of the Clearing Membership Agreement, no proposal for any of the amendments set out in paragraphs (i), (ii) and (iii) below (each a "**SwapClear Amendment**") shall be capable of coming into effect unless first approved in a ballot of SCMs:
- (i) any amendment to the value of the SwapClear Fund Floor and/or the value of the SwapClear Fund Cap, in each case as provided for in paragraph (b) of Rule S2 or as subsequently approved in a ballot under this Rule S12;
- (ii) any amendment providing for a change in the nature of the liabilities for which an SCM's indemnity is given by virtue of paragraph (c) of Rule 28; and

- (iii) any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the SCMs but not in the commitments of any other Clearing Members.
- (b) For the purposes of a ballot conducted pursuant to this Rule S12, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:
- (i) the words "major amendment to the Default Fund Rules" in the first line of clause 9.4 of the Clearing Membership Agreement shall be replaced with the words "SwapClear Amendment":
- (ii) all references to "Clearing Members" shall be replaced with references to "SCMs":
- (iii) in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Contributions" shall be replaced with a reference to "SwapClear Contributions" and the reference to "Quarter Day" shall be replaced with a reference to "SwapClear Determination Date":
- (iv) references to "Fund Amount" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "SwapClear Fund Amount":
- (v) the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be replaced with a reference to "Rule S12 of the SwapClear Default Fund Supplement to the Default Fund Rules"; and
- (vi) the references to "Contribution" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "SwapClear Contribution".

(c) For the purposes of a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement other than a ballot in relation to an amendment which, in the opinion of the Board of Directors of the Clearing House falls within paragraph (c) of clause 9.5 of the Clearing Membership Agreement but not within paragraph (a)(iii) of this Rule S12, references to "Clearing Members" shall not include SCMs who are not engaged in any business with the Clearing House other than SwapClear Business and SwapClear Contributions shall not count as "Contributions".

**Exhibit A-2**  
**Clearing House Default Rules**

See Attached

**LCH.CLEARNET LIMITED****The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, Part IV****DEFAULT RULES**

1. Save where expressly stated to the contrary these Default Rules ("Rules") have effect with regard to the provision of clearing services for all markets cleared by the Clearing House.
2.
  - (a) Words and expressions defined in the Clearing House's Rulebook shall have the same meanings in these Rules, save that in relation to the provision of clearing services by an FCM Clearing Member, words and expressions defined in the Clearing House's FCM Regulations shall have the same meanings in these Rules and such meanings shall prevail over any other meaning given to the relevant word or expression in the Clearing House's Rulebook;
  - (b) A reference to a numbered Regulation in these Rules is a reference to the Regulation so numbered in the Regulations section of the Rulebook and a reference to a numbered FCM Regulation is a reference to the FCM Regulation so numbered in the FCM Regulations. A reference to a numbered Rule is a reference to the Rule so numbered in these Rules;
  - (c) The expression "relevant office-holder" in these Rules has the meaning given to it by section 189 of the Companies Act 1989 and a reference to the defaulter shall include where the context permits a reference to the relevant office-holder; and
  - (d) A reference to an agreement in these Rules is a reference to that agreement as amended, modified or varied from time to time.
3. In the event of a Clearing Member appearing to the Clearing House to be unable, or to be likely to become unable, to meet its obligations in respect of one or more Contracts, the Clearing House may (or upon the occurrence of an Automatic Early Termination Event, in which case such contracts will automatically terminate, the Clearing House will) take such steps listed in Rule 6 as in the circumstances appear to it best calculated:
  - (a) to discharge all the Clearing Member's rights and liabilities under or in respect of all Contracts to which it is party or upon which it is or may be liable, and
  - (b) to complete the process set out in Rule 8.

Before taking any such step the Clearing House shall have regard to the interests of the members of any market that the Clearing Member may belong to and shall, where in the circumstances it is reasonably practicable to do so without prejudice to those interests if applicable or the interests of the Clearing House, consult any relevant Exchange to whose Exchange Rules open contracts registered in the name of the Clearing Member are subject. As soon as practicable after the Clearing House has elected to take any such step in relation to a Clearing Member (or in the case of an Automatic Early Termination Event as soon as practicable after the occurrence of such

event) the Clearing House shall send to such Clearing Member: (a) a notice of such step being taken or notice of the occurrence of an Automatic Early Termination Event (a "**Default Notice**"), and shall publish a copy of the Default Notice; and (b) in relation a defaulter who is a SwapClear Clearing Member, copies of any written notices received from the Individual Segregated Account Clearing Client(s) and/or any of the Omnibus Net Segregated Clearing Client(s) of that defaulter confirming their instructions for the Clearing House to arrange for a transfer or termination, close-out and re-establishment of their open SwapClear Contracts to/with the relevant Back-up SwapClear Clearing Member(s), provided, however, that the Clearing House shall have no liability for any failure to deliver such notices.

4. A Clearing Member (i) in respect of whom the Clearing House has issued a Default Notice under Rule 3; or (ii) in respect of whom an Automatic Early Termination Event has occurred is in these Rules called a "defaulter".
5. Without prejudice to the generality of Rule 3, the Clearing House may take any or all of the events under paragraphs 5(a) to (q) below to show that a Clearing Member is or is likely to become unable to meet its obligations in respect of one or more Contracts. Also, the Clearing House may from time to time by publication in a circular to Clearing Members specify criteria (including but not limited to the jurisdiction of incorporation of a Clearing Member) according to which an event under paragraphs 5(i) to (p) below will constitute an Automatic Early Termination Event:
  - (a) the Clearing Member fails duly to perform or is in breach of the Regulations, the FCM Regulations, the Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House or the right of the Clearing Member to receive a transfer or termination, close-out and re-establishment of contracts pursuant to a Link has been suspended under Participating Exchange Rules, or a Clearing Member is a Defaulter (as defined in a Member Link Agreement to which the Clearing Member is a party);
  - (b) the Clearing Member is in breach of the terms of membership of, or is declared to be in default by, or is suspended or expelled from membership of, an Exchange, a Participating Exchange or any other recognised, designated or overseas investment exchange or clearing house;
  - (c) the Clearing Member is in breach of any Exchange Rules, Participating Exchange Rules or the rules of any recognised, designated or overseas investment exchange or clearing house;
  - (d) the Clearing Member is in breach of the terms of membership of, or is refused an application for or is suspended or expelled from membership of, a Regulatory Body or is in breach of the rules of a Regulatory Body to which it is subject or its authorisation by a Regulatory Body is suspended or withdrawn;
  - (e) a Regulatory Body takes or threatens to take action against or in respect of the Clearing Member under any statutory provision or process of law;
  - (f) the Clearing Member is in default in the payment of any sum whatsoever due and payable to the Clearing House;

- (g) the Clearing Member is in default in making or accepting a tender pursuant to Regulation 19 or in performing an open contract subject to tender or a delivery contract;
  - (h) the Clearing Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;
  - (i) in respect of the Clearing Member, a bankruptcy petition is presented or bankruptcy order made or a voluntary arrangement is approved;
  - (j) in respect of the Clearing Member, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;
  - (k) an assignment or composition is made by the Clearing Member for the benefit of creditors or any of them;
  - (l) a petition is presented for the winding up of the Clearing Member;
  - (m) an order is made for the winding up of the Clearing Member, or a resolution is passed for the winding up of the Clearing Member (save for the purpose of its amalgamation or reconstruction);
  - (n) in respect of the Clearing Member, a petition is presented or order made for the appointment of an administrator;
  - (o) the Clearing Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
  - (p) any step analogous to those mentioned in paragraphs (i) to (o) is taken in respect of the Clearing Member in any jurisdiction; or
  - (q) any distress, execution or other process is levied or enforced or served upon or against any property of the Clearing Member.
6. The steps which may be taken by the Clearing House under Rule 3 in respect of the defaulter or otherwise are:
- (a) to register an original contract or an FCM SwapClear Transaction (as the case may be) in the name of the defaulter or to decline to register an original contract or an FCM SwapClear Transaction (as the case may be) in the name of the defaulter or otherwise to exercise the Clearing House's discretion with regard to the defaulter under Regulation 9(c) or, in the case of an FCM Clearing Member, FCM Regulation 5(h);
  - (b) to effect a closing-out in respect of an open contract of the defaulter (whether by the entering into of a closing-out contract or otherwise) and at the option of the Clearing House to settle such contracts or to effect the transfer or termination, close-out and cash-settlement of an open contract of the defaulter by applying a price determined by the Clearing House in its discretion;
  - (c) to settle any open contract of which settlement might have been requested by the defaulter pursuant to Regulation 15(e) or 16;



- (d) to invoice a Contract, other than a SwapClear Contract or an FCM SwapClear Contract or a ForexClear Contract, of the defaulter back by way of compulsory settlement in accordance with Regulation 28 at a price or premium determined under paragraph (d) of that Regulation;
- (e) to sell any security deposited by the defaulter pursuant to Regulation 12 or, in the case of a defaulter who is an FCM Clearing Member, FCM Regulation 10, or any agreement made between the defaulter and the Clearing House by public or private sale for account of the defaulter without being obliged to obtain the defaulter's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the defaulter;
- (f) subject to the Procedures, to exercise an option of the defaulter on its behalf notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by any relevant Exchange Rules;
- (g) to transfer an open contract of the defaulter to the account of another Clearing Member or to close-out and terminate such open contract and re-establish it with another Clearing Member, being a Clearing Member entitled and willing to have such open contract registered in its name or to transfer an open contract from the account of another Clearing Member to the account of the defaulter for the purposes of closing out an open contract registered in an account of the defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Exchange;
- (h) to take such steps as may be desirable, including crediting or debiting of accounts (including margin accounts), entry into new contracts, transfer of existing contracts, reversal of contracts, or termination, close-out and re-establishment of contracts, or any other step, to preserve as far as possible the position of any client of the Clearing Member. Where an open contract is transferred or closed-out, terminated, and re-established under paragraph (g), without requiring the consent of the relevant Exchange, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment of positions) to the Clearing Member to whom the open contract is transferred (or with whom the replacement open contract is re-established) such cover held as security for the defaulter's obligations to the Clearing House on that account as the Clearing House may deem appropriate;
- (i) tender or receive a tender in the defaulter's name;
- (j) to perform an open contract subject to tender or a delivery contract by either delivery of or accepting delivery of the commodity the subject of such contract to or from, as the case may be, the defaulter, its agent or a third party in any manner permitted by the terms of the Contract and the Exchange Rules (if any);
- (k) where the defaulter is party to an open contract subject to tender, to declare the defaulter's rights and liabilities in respect of performance thereof discharged, whereupon the provisions of Rule 7 shall apply to the defaulter in respect of the open contract;
- (l) to make or procure the making of one or more contracts, including (without limitation) original contracts for the purpose of hedging market risk to which

the defaulter is exposed, and to register the same in the defaulter's name under the Regulations or the FCM Regulations (as the case may be);

- (m) to make or procure the making of one or more contracts, whether or not in the terms of exchange contracts, for the sale, purchase or other disposition of a commodity, and to register the same in the defaulter's name under the Regulations;
- (n) to designate a currency as a currency of account, and at the defaulter's expense to convert any sum payable by or to the defaulter in another currency into the currency of account;
- (o) to take any step which in the circumstances is open to the Clearing House under any applicable Exchange Rules including, without limitation, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment) an open contract of the defaulter to a Participating Exchange to be registered at the Participating Exchange in accordance with its rules;
- (p) without prejudice to any other right of the Clearing House under the Regulations, to take such action as the Clearing House may deem necessary for its protection in the name and at the expense of the defaulter with regard to any open contract standing in its name;
- (q) in respect of Contracts standing in the defaulter's name, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to or in consequence of the circumstances mentioned in Rule 3 or the steps which are or may be taken under this Rule, the Regulations or the FCM Regulations (as the case may be) and any expenses incurred with regard thereto under Rule 11 and the amount of any losses, costs or expenses incurred or suffered by the Clearing House referred to in paragraph (g) of Regulation 42 and any other amounts referred to in such paragraph;
- (r) any other step calculated by the Clearing House to complete the process set out in Rule 8; and
- (s) to obtain such advice or assistance, whether legal advice or otherwise, as the Clearing House may deem necessary and at the expense of the defaulter for any matter arising out of or in connection with the default,

PROVIDED that in the case of SwapClear Contracts, the steps which shall be taken by the Clearing House shall be set out in the ~~relevant DMPA and, in the case of SwapClear Clearing Client Business, the steps which shall be taken by the Clearing House shall be set out in the relevant DMPA and the relevant Default Management Process Agreement Amendment Agreement,~~ and [SwapClear DMP Annex to these Default Rules, and](#)

PROVIDED further that in the case of ForexClear Contracts, the steps which shall be taken by the Clearing House shall be set out in the ForexClear Default Management Process Agreement in force between it and each ForexClear Clearing Member, as amended from time to time.

7. (a) Where the Clearing House declares the defaulter's rights and liabilities under an open contract subject to tender discharged under Rule 6(k):

- (i) those rights and liabilities and the rights and liabilities of the Clearing House under the open contract shall be discharged, and,
    - (ii) there shall arise between the defaulter and the Clearing House in respect of the open contract an obligation to account, as directed by the Clearing House, for a settlement amount determined by the relevant Board under this Rule.
  - (b) The settlement amount referred to in paragraph (a) shall be an amount which, at the request of the Clearing House, the relevant Board determines to represent adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the defaulter and the Clearing House under the open contract. The Board's determination shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the defaulter and itself.
  - (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.
8. Upon the discharge of the defaulter's rights and liabilities under or in respect of all Contracts to which it is party the following process shall, subject to any contrary provision in Rule 16, be completed by the Clearing House:
- (a) there shall be brought into account all sums payable: (i) by or to a defaulter in respect of Contracts (other than FCM SwapClear Contracts); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations; (except, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the defaulter); and/or any amount due from the defaulter to the Clearing House in respect of any Treasury Contract; or (ii) by or to a defaulter in respect of FCM SwapClear Contracts; any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
  - (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule 10; and
  - (c) such net sum, or each such net sum:
    - (i) if payable by the defaulter to the Clearing House, shall be set off against any cover standing to the credit of the defaulter's account so as to produce a further net sum, or shall be aggregated with any debit balance of the defaulter's account, or
    - (ii) if payable by the Clearing House to the defaulter, shall be aggregated with any cover standing to the credit of the defaulter's account, or shall be set off against any debit balance of the defaulter's account so as to produce a further net sum.
  - (d) Where an amount is payable by the Clearing House to the defaulter in respect of a balance on its Proprietary Account or accounts, and there are amounts due to the Clearing House in respect of any client account or any FCM Omnibus OTC Client Account with LCH (as the case may be) operated by it, the balance on the Proprietary Account or accounts may be applied to

meet the shortfall on the client account or accounts or on the FCM Omnibus OTC Client Account(s) with LCH (as the case may be) in any way which the Clearing House may determine.

For the purposes of paragraph (a) of this Rule the Clearing House may assess the sum payable by or to the defaulter in respect of any breach of the Regulations or the FCM Regulations (as the case may be) in such reasonable manner as it thinks fit.

9. The sum, or each sum, finally payable by the defaulter to the Clearing House or by the Clearing House to the defaulter, or the fact that no sum is finally payable by either such party to the other, as the case may be upon completion of the process set out in Rule 8, shall be forthwith certified by the Clearing House. The certificate of the Clearing House under this Rule shall be conclusive as to the discharge of the defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Rule to be due to the defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule 8 can be completed.
10. (a) Where the defaulter has more than one account with the Clearing House, the defaulter's accounts shall be combined for the purpose of Rules 8 and 9 as follows: an account which is an FCM Omnibus OTC Client Account with LCH of the defaulter may only be combined with other FCM Omnibus OTC Client Accounts with LCH of the defaulter; an account which is a Proprietary Account of the defaulter may be combined with any other Proprietary Accounts of the defaulter and (if the Clearing House so elects) Treasury Accounts of the defaulter (subject to Rule 8(d) and 10(d) of the Default Rules); and an account which is a Treasury Account of the defaulter may only be combined with other Treasury Accounts and (if the Clearing House so elects) Proprietary Accounts of the defaulter. Notwithstanding the foregoing, in no circumstances may an account which is an Individual Segregated Account of the defaulter or an Omnibus Net Segregated Account of the defaulter be combined with any other account of the defaulter.
  - (b) For the purposes of this Rule 10, each Individual Segregated Account of the defaulter and each Omnibus Net Segregated Account of the defaulter shall constitute a separate "kind of account". Where the defaulter has more than one kind of account with the Clearing House, the process set out in Rule 8 shall be separately completed in respect of each kind of account. In the case of each kind of account of the defaulter which is not an Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 shall be separately certified under Rule 9. In the case of each kind of account of the defaulter which is an Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (pro rata as it sees fit in its sole discretion) between the Omnibus Net Segregated Clearing Clients sharing in that Omnibus Net Segregated Account. Each sum so allocated to an Omnibus Net Segregated Clearing Client shall be separately certified under Rule 9.
  - (c) In Rule 8(c) the "defaulter's account" means:

- (i) with regard to a net sum produced by reference to Contracts registered in an Individual Segregated Account of the defaulter, that Individual Segregated Account;
  - (ii) with regard to a net sum produced by reference to Contracts registered in an Omnibus Net Segregated Account of the defaulter, that Omnibus Net Segregated Account;
  - (iii) with regard to a net sum produced by reference to FCM SwapClear Contracts registered in one or more FCM Omnibus OTC Client Accounts with LCH of the defaulter, that FCM Omnibus OTC Client Account with LCH, or (if there is more than one) all those FCM Omnibus OTC Client Accounts with LCH combined;
  - (iv) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Rule 10(a)) any Treasury Accounts of the defaulter; and
  - (v) with regard to a net sum produced by reference to one or more Treasury Accounts of the defaulter, that Treasury Account or those Treasury Accounts combined, and (if the Clearing House has elected in accordance with Rule 10(a)) Proprietary Accounts.
- (d) Notwithstanding any provision of the Rulebook to the contrary, any loss which relates to a Treasury Account may not be treated as a Default Loss (as defined in Rule 23(b)), whether or not cover has been applied in respect of such loss. Nothing in this Rule 10(d) requires the Clearing House to apply cover in respect of any such loss instead of any other amount referred to in Rule 8(a), except that the Clearing House may not apply cover in respect of any such loss to the extent that doing so would give rise to an Excess Loss (as defined in Rule 15).
11. Without further authorisation, permission or cooperation from the defaulter, the Clearing House may appoint any person to take or assist it in taking any step under these Rules or to complete or assist it in completing the process set out in Rule 8.
12. The Clearing House may co-operate, by the sharing of information and otherwise, with any Regulatory Body or relevant Exchange, any relevant office-holder acting in relation to the defaulter or its estate and any other authority or body having responsibility for, or any Clearing Member having an interest in, any matter arising out of or connected with the circumstances mentioned in Rule 3.
13. In addition to such copy report as it supplies under section 162(3) of the Companies Act 1989, the Clearing House shall report to the defaulter, or any relevant office-holder acting in relation to the defaulter or its estate, on steps taken in relation to the defaulter under Rule 6.

## SWAPCLEAR DMP ANNEX

### 1. Scope and Interpretation

1.1 The Clearing House has established a SwapClear DMP which will apply to SwapClear Contracts following the issue of a Default Notice relating to a SwapClear Clearing Member and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the SwapClear DMP are elaborated to the fullest extent possible in this Annex. Where exhaustive detail cannot be laid out in the provisions of this Annex, the SwapClear DMP will be undertaken on the basis of the principles contained herein.

1.2 The Clearing House has an obligation to ensure the on-going integrity of the SwapClear service and SwapClear Contracts in the interests of the Non-Defaulting SCMs. When a SwapClear Clearing Member defaults, Non-Defaulting SCMs are required to supply impartial expertise through the SwapClear DMG and to bid for the Auction Portfolios of a Defaulting SCM, as laid out in this Annex. In addition, most SCMs or their parent companies or subsidiaries or fellow subsidiaries, have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House. Each SCM shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a SCM arising out of this SwapClear DMP Annex.

1.3 The initial margining of SwapClear Contracts will be such so as to ensure that the acceptance of bids for the Auction Portfolios of a Defaulting SCM will recognise risk premiums, and that equivalent premiums will be paid by the Clearing House in closing-out large positions in other Contracts traded on exchange or ATS-organised markets.

1.4 In this Annex:

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

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

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

"Auction Losses" has the meaning given in Rule 2.5.2 of this Annex;

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

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

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

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



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

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

"Equal Bid" has the meaning given in Rule 2.3.5 of this Annex;

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

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

"Higher Bid" and "Higher Bidder" have the meanings given in Rule 2.5.3 of this Annex;

"Initial Resources" has the meaning given in Rule 2.5.2 of this Annex;

"Losing Currency" has the meaning given in Rule 2.5.4 of this Annex;

"Losing Currency Original SCM" has the meaning given in Rule 2.5.4 of this Annex;

"Losing Currency Unfunded SCM" has the meaning given in Rule 2.5.7 of this Annex;

"Margin Cover" has the meaning given in Rule 16(1) of the Default Fund Rules;

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

"Original Contributions" has the meaning given in Rule 2.5.3 of this Annex;

"Portfolios" means, in respect of each SwapClear currency, the SwapClear Contracts in such currency registered in the name of a Defaulting SCM, and, where relevant, includes any connected hedging trades concluded by the Clearing House through Risk Neutralisation;

"Potential Unfunded Contributions" has the meaning given in Rule 2.4.2 of this Annex;

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

"Relevant Original Contributions" has the meaning given to it in Rule 2.5.3 of this Annex;

"Relevant Unfunded Contributions" has the meaning given to it in Rule 2.5.6 of this Annex;

"Remaining Original Short Bidder" has the meaning given in Rule 2.5.3 of this Annex;

"Remaining Unfunded Short Bidder" has the meaning given to it in Rule 2.5.6 of this Annex;

"Risk Neutralisation" means the process of reducing the market risk associated with a Defaulting SCM's obligations to the Clearing House under SwapClear Contracts by hedging the exposure prior to the auction process as described in Rule 2.2 of this Annex;

"Short Bidder" has the meaning given in Rule 2.5.3 of this Annex;

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

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

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

"Worst Case Loss" means, in respect of an Auction Portfolio or all of the SwapClear Contracts of a Non-Defaulting SCM denominated in a particular currency, the largest loss which could be incurred by the Clearing House in respect of the relevant group of SwapClear Contracts, as determined by the Clearing House using the SwapClear PAIRS margining algorithm based on 1250 historical scenarios (5 years history) and a holding period of 5 days.

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

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

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

### 2.1 Portfolio Splitting

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



procedures it is broadly anticipated that the parameters of any Auction Portfolio shall not be materially different to those set out in the Clearing House's fire drill.

## 2.2 Risk Neutralisation

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

## 2.3 Auction

2.3.1 Following the completion of Risk Neutralisation, the Clearing House shall auction each Auction Portfolio to Non-Defaulting SCMs. The Clearing House, in consultation with the SwapClear DMG, shall prescribe such procedures (in addition to those set out herein) for the conduct of the auction process as it considers reasonably appropriate from time to time.

2.3.2 The Clearing House shall notify each SCM of all details that may be reasonably required in relation to an Auction Portfolio prior to the relevant Auction.

2.3.3 The auction process may take place over a number of days and Auctions of different Auction Portfolios may take place at different times.

2.3.4 SCMs will submit bids to the Clearing House representatives on the SwapClear DMG, who will ensure that the identities of the bidders are not revealed to the SCM representatives on the SwapClear DMG. For the avoidance of doubt, an SCM shall be entitled to submit a bid on behalf of one or more affiliated SCMs. The SwapClear DMG will oversee the bidding process in a manner which it considers best protects the resources of the Clearing House and ensures an orderly process.

2.3.5 The Clearing House in consultation with the SwapClear DMG will have full discretion in deciding whether or not to accept a particular bid in an Auction and, in so deciding, will take into account the relevant factors that determine risk premiums, as well as the range of bids received relative to initial margin held and, subject to their availability, the Clearing House resources as set out in Rule 16 of the Clearing House's Default Fund Rules. In the event that more than one SCM submits a bid of the same value (each an "Equal Bid"), the Clearing House will, subject to its discretion to reject all such Equal Bids, select the bid which was received first in time.

2.3.6 In the case of an Auction in which no bid is accepted or received (as the case may be), one or more further Auctions will be held in relation to the relevant Auction Portfolio. As soon as practicable following an Auction:

(a) in the event that a bid was accepted, the Clearing House will notify those Currency Participants in the relevant Auction Currency together with any other SCMs who participated in the Auction that a bid was accepted and shall notify the SCM who submitted the accepted bid that its bid was accepted;

(b) in the event that no bid was accepted, the Clearing House will notify all SCMs of the details of any further Auction.

2.3.7 The SCM agrees to use all reasonable efforts to make a bid in an Auction for an Auction Portfolio in respect of which such SCM is a Currency Participant.

## 2.4 Auction Incentive Pools

2.4.1 Before commencing the auction process, the Clearing House will calculate an auction incentive pool (each an "AIP") for each individual Auction Portfolio for the purposes of providing an initial allocation of the resources potentially available to it to satisfy any loss incurred in the Auction of each such Auction Portfolio. Notwithstanding such initial allocation, any resources utilised by the Clearing House will be allocated in accordance with Rule 2.5 below.

2.4.2 For each AIP, the resources shall be allocated as follows:

(a) the resources of the Defaulting SCM (in the form of: (i) that part of the Margin Cover for the SwapClear Contracts of the Defaulting SCM pursuant to Rule 16(1) of the Default Fund Rules and (ii) the SwapClear Contribution made by the Defaulting SCM to the SwapClear Default Fund) available pursuant to Rule 16(2) of the Default Fund Rules at the time of the auction process will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; the portion of the Capped Amount applied to the SwapClear Business of the Defaulting SCM pursuant to Rule 16(3) of the Default Fund Rules will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; and

(b) the Non-defaulters' Contribution of each SCM and the total value of the SwapClear Unfunded Contributions which would be callable but have not been called by the Clearing House from the relevant SCM in respect of the relevant Default in accordance with Rule S8 of the Default Fund Rules (the "**Potential Unfunded Contributions**") will, subject to Rule 2.4.3 below, be allocated between the AIPs relating to the Auction Portfolios in which the relevant SCM is a Currency Participant based on the proportion that: (a) the risk of the SwapClear Contracts of such SCM denominated in the relevant currency bears to (b) the aggregate of the amounts calculated in (a) in respect of each currency in which the relevant SCM is a Currency Participant.

2.4.3 Where a Portfolio for a particular Swapclear currency has been split into two or more Auction Portfolios, the Non-defaulters' Contributions and Potential Unfunded Contributions allocated to the AIP related to the relevant Portfolio will be further divided for the purposes of allocation into AIPs relating to the relevant Auction Portfolios based on the proportion that (a) the risk of the

SwapClear Contracts in each such Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) for each of the Auction Portfolios in the relevant currency.

## 2.5 Loss Attribution

2.5.1 Following the completion of all Auctions of all Auction Portfolios of the Defaulting SCM, the Clearing House will determine whether losses incurred by it as a result of such Auctions are such that the Non-defaulters' Contributions must be utilised. Where applicable, such losses will be allocated to Non-defaulters' Contributions in accordance with the loss attribution process described in Rules 2.5.2 to 2.5.8 of this Annex.

2.5.2 For each Auction Portfolio, losses to the Clearing House will be met using the resources as set out in Rule 16. In applying those resources, the Clearing House will allocate the losses in respect of each Auction Portfolio (the "Auction Losses") by reference to the resources allocated to the AIPs related to such Auction Portfolios in accordance with Rule 2.4 of this Annex. Where there are no Auction Losses in respect of an Auction Portfolio or the Auction Losses in respect of an Auction Portfolio do not require the full amount of the resources referred to in sub-paragraphs (a) and (b) of Rule 2.4.2 of this Annex allocated to the AIP related to the relevant Auction Portfolio (the "Initial Resources") to be fully utilised, the relevant surplus Initial Resources will be allocated pro rata between those AIPs relating to Auction Portfolios in respect of which there are Auction Losses requiring the utilisation of resources beyond the Initial Resources available in the relevant AIP in accordance with Rule 16(1), 16(2) and 16(3) until such time as all Initial Resources have been fully utilised.

2.5.3 In the case of each Auction for which there are Auction Losses in respect of which the Non-defaulters' Contributions must be utilised, those Non-defaulter's Contributions, not including, for these purposes, any part of such Non-defaulters' Contributions that reflect any SwapClear Unfunded Contribution deposited with the Clearing House pursuant to the Default in respect of which the relevant Auction was held (the "Original Contributions") and which have been allocated to the AIP relating to the relevant Auction Portfolio (the "Relevant Original Contributions") will be used first in the following order:

(i) The Auction Losses will be attributed to the Relevant Original Contributions of those SCMs who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Original Contribution of an individual SCM pursuant to this sub-paragraph (i) based upon the proportion that: (a) the value of the Relevant Original Contribution of such SCM bears to (b) the total value of the Relevant Original Contributions of all SCMs who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction;

(ii) If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (i) above, those Auction Losses will be attributed to the Relevant Original Contributions of the Short Bidders. For the purposes of this sub-paragraph (ii) and sub-paragraph (ii) of Rule 2.5.6 of this Annex the term "Short Bidder" means any SCM who is a Currency Participant in

the Auction Currency and who submitted an unsuccessful bid in the relevant Auction save for any SCM who submitted a higher bid in an Auction than the bid accepted by the Clearing House in accordance with Rule 2.3.4 of this Annex (each such SCM, a “Higher Bidder” and each such bid, a “Higher Bid”).

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

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

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

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

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

2.5.4 If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.3 above, those Auction Losses will

be attributed to the Original Contributions of those SCMs who are Currency Participants in any other Auction Currency in relation to which Auction Losses have arisen to the extent that Non-defaulters' Contributions must be utilised (each a "Losing Currency") and whose Original Contributions have not yet been fully utilised (each a "Losing Currency Original SCM"). Such remaining Auction Losses will be attributed to any remaining Original Contribution of each such SCM pursuant to this Rule 2.5.4 based upon the proportion that: (a) the risk of all of the SwapClear Contracts of such SCM denominated in each of the Losing Currencies bears to (b) the aggregate of the amounts calculated in (a) for all Losing Currency Original SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.4 until the first to occur of (a) the Auction Losses being fully met; and (b) the Original Contributions of all Losing Currency Original SCMs being fully attributed.

2.5.5 If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.4 above, those remaining Auction Losses will be allocated to the Original Contributions of each SCM who is not a Currency Participant in any of the Losing Currencies based upon the proportion that (a) the value of each such Original Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such SCMs.

2.5.6 If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.5 above, the SwapClear Unfunded Contributions which have been allocated to the AIP relating to the relevant Auction Portfolio (the "Relevant Unfunded Contributions") will be used first in the following order:

(i) The Auction Losses will be attributed to the Relevant Unfunded Contributions of those SCMs who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Unfunded Contributions of an individual SCM pursuant to this sub-paragraph (i) based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such SCM bears to (b) the total value of the Relevant Unfunded Contributions of all SCMs who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction;

(ii) If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (i) above, those Auction Losses will be attributed to the Relevant Unfunded Contributions of the Short Bidders in the relevant Auction. Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph (ii) based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid (denominated in units of the relevant Auction Currency) bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Currency);

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph (ii) is greater than the value of the Relevant Unfunded Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Unfunded Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph (ii) (each a "Remaining Unfunded Short Bidder") by (a) calculating

the amount which is the bid of the relevant Remaining Unfunded Short Bidder divided by the sum of the bids of all Remaining Unfunded Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses;

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

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

If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph (iii) above, and there are AIPs relating to other Auction Portfolios in the same Auction Currency in which the Relevant Unfunded Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auctions Losses amongst such Remaining Unfunded Contributions through the attribution process set out in sub-paragraphs (i) to (iii) above.

- 2.5.7 If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.6 above, those Auction Losses will be attributed to the SwapClear Unfunded Contributions of those SCMs who are Currency Participants in any other Losing Currency and whose SwapClear Unfunded Contributions have not yet been fully utilised (each a "Losing Currency Unfunded SCM"). Such remaining Auction Losses will be attributed to any remaining SwapClear Unfunded Contributions of each such SCM pursuant to this Rule 2.5.7 based upon the proportion that: (a) the risk of all of the SwapClear Contracts of such SCM denominated in each of the Losing Currencies bears to (b) the aggregate of the amounts calculated in (a) for all Losing Currency Unfunded SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.7 until the first to occur of (a) the Auction Losses being fully met; and (b) the SwapClear Unfunded Contributions of all Losing Currency Unfunded SCMs being fully attributed.

- 2.5.8 If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.7 above, those remaining Auction Losses will be allocated to the SwapClear Unfunded Contributions of each SCM who is not a Currency Participant in any of the Losing Currencies based upon the proportion that (a) the value of each such SwapClear Unfunded Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such SCMs.



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

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

3.1 The SwapClear DMP in respect of any contract which is a SwapClear Contract in respect of SwapClear Clearing Client Business shall involve the stages described in Regulation 52B.

3.2 The SwapClear DMP in respect of any contract which is an FCM SwapClear Contract in respect of FCM Client Business shall be conducted in accordance with FCM Regulation 9(g).

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

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

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

4.3 Where, as a result of an Auction, the Clearing House is required to make a payment to a SCM in respect of a winning bid, the Clearing House shall not be permitted to register any position, whether as a new position or as a novation of existing rights and obligations, to any such SCM if the Clearing House does not simultaneously credit that SCM with the requisite amount. If any position is so registered without such payment, such registration shall be deemed void *ab initio* and unenforceable against the relevant SCM. For the avoidance of doubt, the Clearing House will utilise the resources available to it pursuant to Rule 16 of the Default Fund Rules for the purposes of making such a payment notwithstanding that other Auction Portfolios of the Defaulting SCM may not yet have been auctioned and that the loss attribution process provided for by Rule 2.5 of this Annex has not yet occurred.

## 5. Information Regarding the SwapClear DMP

Whenever the SwapClear DMP is implemented by the Clearing House in respect of a Defaulting SCM, the Clearing House will, with the assistance of the SwapClear DMG, provide such ongoing information to SCMs as the Clearing House deems reasonably appropriate in respect of the progress of the SwapClear DMP.

Nothing in this Rule 5 shall require the Clearing House to disclose information in respect of the SwapClear DMP which, in the reasonable opinion of the Clearing House, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the Clearing House's reasonable opinion, inappropriate for disclosure to SCMs.

## 6. Bankruptcy Code and Related Issues

Notwithstanding any other provision of this Annex in the event of a Default by an FCM Clearing Member, the completion of any and all actions, including but not limited to any transfers or transactions, permitted or required to be taken by the Clearing House hereunder shall be subject in all respects to the provisions of the Bankruptcy Code, Part 190 of the regulations of the CFTC, the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, and the receipt of any approvals required under the Bankruptcy Code or such regulations.

## 7. CEA Issues

Notwithstanding any other provision of this Annex in the event of a Default by an FCM Clearing Member, the operation of this Annex shall in all respects be subject to applicable provisions of the CEA and CFTC regulations regarding the handling, custody, liquidation, transfer and disposition of client positions and assets, including but not limited to those provisions requiring segregation of client assets and prohibiting application of the assets of non-defaulting clients to amounts owed by defaulting clients.

## 8. Miscellaneous

8.1 Subject to Rules 2.4 and 2.5 of this Annex, the resources available to the Clearing House and their order of use are defined in Rule 16 of the Default Fund Rules as modified and/or supplemented by the SwapClear Default Fund Supplement.

8.2 The Clearing House may from time to time supplement the details of any of the stages set out in Rule 2 of this Annex or any other aspects of the SwapClear DMP, in consultation with the SwapClear DMG, either by way of further Guidance or immediately on notice to SCMs on a case-by-case basis where the Clearing House deems it appropriate to do so in the circumstances of the Default, provided that the Clearing House may not take any such action that effects a material change to the terms of this Annex without the written consent of 50% of all SwapClear Clearing Members unless such change is invoked unilaterally against all SCMs and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization. The Clearing House agrees that, in the ordinary course, it shall discuss any such Guidance with the SwapClear DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (i) the Guidance is not material to the rights and obligations of the SCMs or (ii) the Clearing House deems it inappropriate to do so in the circumstances of the Default and it is not possible to convene the SwapClear DMG in timely fashion.



8.3 The timetable for implementation of the stages of the SwapClear Default Management Process following issue of a Default Notice by the Clearing House shall be either (1) as prescribed by the Clearing House from time to time in consultation with the SwapClear DMG and set out in Guidance; or (2) imposed by the Clearing House without prior notice to the SCMs on a case-by-case basis where the Clearing House, in consultation with the SwapClear DMG, deems it appropriate to do so in the circumstances of the Default.

## 9. Role and Constitution of SwapClear DMG

9.1 The SwapClear DMG shall meet at regular intervals in order to:

9.1.1 keep under review the SwapClear DMP, together with any Guidance issued in respect thereof;

9.1.2 keep under review the terms of reference of the SwapClear DMG to ensure they remain appropriate;

9.1.3 consider appropriate supplements or amendments to the SwapClear DMP and/or Guidance in order to improve the procedures in place; and

9.1.4 consider any other business relevant to the SwapClear DMP which any member of the SwapClear DMG from time to time sees fit to raise at such meetings.

9.2 The members of the SwapClear DMG shall also meet within one hour, or as soon as reasonably practical, following notification by the Clearing House that a Default Notice has been served upon an SCM, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist the Clearing House in the implementation of the SwapClear DMP as contemplated under this Agreement. Such implementation shall include, without limitation, the provision of general default management advice with regard to: (1) the ongoing obligations of the Clearing House to its non-defaulting members; (2) the neutralisation and closing-out of the individual obligations of the Defaulting SCM; and (3) the splitting of Portfolios and the disposal of Auction Portfolios in accordance with the SwapClear DMP. Where it is not possible or practicable for the SCM to provide its nominated representative within an appropriate timeframe, it shall provide an alternate of suitable experience and expertise to participate on the SwapClear DMG.

9.3 The SwapClear DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by the Clearing House which shall ensure that the composition is such as to provide effective review of the SwapClear DMP and suitable expertise and representation of market-making capacity in the event of a Default:

9.3.1 in the event of the issuance of a Default Notice, the chief executive or deputy chief executive of the Clearing House, who shall act as chairman;

9.3.2 representatives of at least five SCMs, being senior executives with appropriate skills and expertise;

9.3.3 at least one director (staff member of director grade) of the Clearing House's Risk Management department; and

9.3.4 such other individuals as the SwapClear DMG considers appropriate from time to time in relation to individual meetings.

- 9.4 For the purpose of SwapClear DMG meetings convened to deal with a specific Defaulting SCM, the Clearing House may, after consultation with the SwapClear DMG, invite the Defaulting SCM to nominate one or more representatives to join the SwapClear DMG to assist it in carrying out its functions in the SwapClear DMP for that Defaulting SCM, and also request representatives from any other SCMs. In the event of receiving such request, the SCM shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the SCM were a member of the SwapClear DMG.
- 9.5 In establishing the SwapClear DMG, the Clearing House agrees that in the normal course of events (not including the Clearing House's declaration of a Default and the invocation of the processes as outlined in Rules 2, 3 and 4 of this Annex) it will, as far as practicable, and in accordance with the terms of reference of the SwapClear DMG, rotate the membership of the SwapClear DMG on a regular basis and amongst all SCMs. The SCM agrees that, when requested to do so by the Clearing House, it will make available a representative to participate in the SwapClear DMG. The Clearing House shall agree with the SCM the identity of such representative and shall be able to request a substitute where it believes the SCM's nominated representative does not have the requisite skills or expertise.
- 9.6 Each SCM who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representative agrees:
- 9.6.1 to ensure that such representative will be fully available, at any time and for such periods of time as the Clearing House may require during the course of a Default, to perform his function as a member of the SwapClear DMG including attending meetings, considering and advising the Clearing House upon aspects of the SwapClear DMP. The SCM shall ensure that a representative's other work commitments do not affect his availability for this purpose;
- 9.6.2 to take all steps to respect the confidential capacity in which such a representative receives information through the SwapClear DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the SwapClear DMP of any such confidential information by the SCM or its representative. Such procedures shall normally include, without limitation, the establishment of Chinese walls within the SCM; and
- 9.6.3 to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with the requirements contained in the Procedures or the FCM Procedures (as the case may be).
- 9.7 Each SCM shall accept that:
- 9.7.1 representatives of SCMs serving on the SwapClear DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the SwapClear service in the interests of Non-Defaulting SCMs; and
- 9.7.2 representatives of SCMs serving on the SwapClear DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the SwapClear Default Management Process, provided, however, that nothing in this Rule 8.7.2 shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers.

9.8 The Clearing House agrees that, in exercising its rights and obligations in consulting with the SwapClear DMG pursuant to this Agreement, it will use all reasonable commercial endeavours to agree a common position with the SwapClear DMG, provided that nothing in this Rule shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.

~~13.~~

**Exhibit A-3**  
**Clearing House Procedures Section 1**

See Attached

**SECTION 1**

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## **1. CLEARING MEMBER, DEALER, EQUITYCLEAR AND TURQUOISE DERIVATIVES NCMs (NON-CLEARING MEMBERS)**

### **1.1 APPLICATION PROCEDURE**

An application for Clearing Member status of the Clearing House, or for Dealer status (whether as a ForexClear Dealer, RepoClear Dealer or SwapClear Dealer, each a “Dealer”) or for other Non-Clearing Member status (EquityClear or Turquoise Derivatives), must be made on the appropriate form which can be obtained from the Clearing House’s Membership Department. Additional information (including legal documents) must be supplied where necessary and submitted to the Clearing House with the completed form.

An application for the status of special clearing member (“Special Clearing Member”) must be initiated by a written request to the Clearing House. The nature of the application procedure and the documents and information required from the applicant will be determined by the Clearing House by reference to the nature of the application and will be notified by the Clearing House to the applicant upon receipt of such written request.

Applicants approved by the Clearing House for Clearing Member or Dealer status, (“Approved Applicants”) must, within three months of notification of their approval, fulfil all conditions attached to their approval. If an Approved Applicant does not fulfil all such conditions within these three months, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and may notify the prospective Clearing Member or Dealer accordingly that they will be required to provide further information, following which the application will be submitted for re-approval.

Clearing Members have the right to apply for approval to clear one or more of the markets cleared by the Clearing House, subject to meeting the requirements of the Clearing House in respect of each such market. Please note that Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

Applicants approved as Dealers for ForexClear, RepoClear and/or SwapClear will be admitted to the Register of ForexClear Dealers, Register of RepoClear Dealers, and/or the Register of SwapClear Dealers (“the OTC Registers”), as appropriate. Successful admission to one OTC Register does not confer automatic admission to any other OTC Register.

#### **1.1.1 Clearing Member Status**

The terms and conditions binding on each Clearing Member are set out in the Clearing Membership Agreement as amended. Two copies of this document will be provided to the applicant who must sign both (but not date them) and return them to the Clearing House’s Membership Department along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for Clearing Member status and is non refundable.

If and when Clearing Member status is granted, new Clearing Members will receive a duly executed (and dated) copy of the Clearing Membership Agreement together with the notification of acceptance and details of any condition(s) attached to Clearing Member status. If granted, Clearing Member status is subject to a Contribution to the Default Fund of the Clearing House (DF), as determined by the Clearing House under the Default Fund Rules.

### 1.1.2 Dealer Status

The terms and conditions of admission to each of the OTC Registers are set out in the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement and the SwapClear Dealer Clearing Agreement (“the OTC Agreements”) as amended. Admission to each OTC Register requires that three copies of the corresponding OTC Agreement must be signed by the applicant and their proposed Clearing Member.

The copies of the relevant OTC Agreement should be returned, undated, to the Clearing House’s Membership Department along with the application documentation.

If and when admission to an OTC Register is granted, new Dealers will receive a duly executed and dated copy of the relevant OTC Agreement, together with the notification of acceptance and details of any condition(s) attached to their admission. The Clearing House will send, under separate cover, a copy of the duly executed and dated OTC Agreement to the elected Clearing Member.

### 1.1.3 Conditions of Application

An applicant for Clearing Member or Dealer status must accept that the Clearing House:

- (a) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;
- (b) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;
- (c) is entitled to provide and/or disclose information to an exchange, governmental department, regulatory organisation, other authority, or to the Clearing House’s insurers in connection with any form of insurance, or to any person pursuant to the provisions of the Financial Services and Markets Act 2000 as amended and any rules made thereunder, or in accordance with any other statutory requirement, and in accordance with the terms of the Clearing Membership Agreement, the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement, or the SwapClear Dealer Clearing Agreement as applicable;
- (d) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and
- (e) will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so,

Conditions (a) to (e) apply equally to Clearing Members and to Dealers.

## **1.2 CRITERIA FOR CLEARING MEMBER STATUS**

### 1.2.1 General

An applicant must satisfy the criteria set out below in order to be considered for Clearing Member status. These requirements are without prejudice to the provisions of the Clearing Membership Agreement which must be executed by the applicant, and must equally be met by Clearing Members.

The applicant must either be, or have applied to become, a RepoClear Clearing Member (categories F & G), a SwapClear Clearing Member (category H), an EquityClear Clearing Member (categories I & J), a Clearing Member of the relevant exchange(s) (categories B – D), an LCH EnClear OTC Clearing Member (category B), a Special Clearing Member (category K) or a ForexClear Clearing Member (category M). Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related exchange clearing membership(s) requirements are met, but cannot be operational until such requirements are satisfied.

The applicant must, if it also wishes to submit and clear RepoClear, SwapClear and/or ForexClear trades, meet the additional criteria for such status (see sections 1.2.2, 1.2.3 and 1.2.4 respectively). The applicant, any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the markets and contracts they wish to clear.

A Clearing Member of one or more markets who wishes to clear the contracts of another market cleared by the Clearing House, must apply to the Clearing House for such extension and have the Clearing House's express written approval before commencing to submit trades in such other market for registration. The prescribed form of document for the relevant new market is available from the Clearing House Membership Department. Clearing Members should be aware that they also need the appropriate additional exchange clearing membership before they can extend their range of activities in this way. The Clearing Member must, within three months of notification of their approval to extend their activities, fulfil all conditions attached to their approval. If the Clearing Member does not, within these three months, fulfil all such conditions, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and may notify the Clearing Member accordingly that they will be required to provide further information, following which the extension will be submitted for re-approval..

The applicant must satisfy the minimum Net Capital requirements, as set out in section 1.9.3 ("Net Capital Requirements") or such greater amounts as may be required by the Clearing House.

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

- 1) in London in GBP;
- 2) in London in each currency in which it incurs settlements;
- 3) in the USA in US dollars,

and execute all necessary PPS mandates (see Section 3.2 of the Procedures) for House and Client accounts.

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

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

The applicant must maintain a back office:

- (a) remote from both the trading floor and/or trading desks;



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

or, where the Clearing House Rulebook and exchange rules (where relevant) permit, have executed a Clearing Services Management Agreement (as defined at Section 2H.2.1 of the NYSE Liffe Clearing Service Procedures).

~~The applicant~~ [Applicants for clearing membership status and clearing members](#) must at all times respond promptly to enquiries or requests for information made by the Clearing House. [Such enquiries may require clearing members to demonstrate compliance with the applicable membership criteria and/or applicable law or regulation.](#)

[Each clearing member shall at all times continue to comply with and stratify the qualifications and requirements set forth in these Procedures and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.](#)

#### 1.2.2 Supplementary Criteria Applicable to RepoClear Applicants

In addition to the minimum Net Capital Requirements set out in section 1.9.3, applicants must satisfy the following criteria:

- (a) have an average long-term rating, or equivalent, of at least BBB (or equivalent) from Fitch Ratings, Moody's Investors Service or Standard & Poor's. If requested by an applicant, and where special circumstances exist, the Clearing House may take into consideration the rating of an agency other than those agencies described above in addition to the long-term ratings obtained from at least two of the agencies mentioned above. If an applicant has been placed on Rating Watch Negative (or equivalent) by any of the agencies described above where a downgrade would result in an average rating of below BBB they will not be eligible to join the RepoClear service; or
- (b) be unconditionally guaranteed, in respect of all liabilities to the Clearing House (in a form acceptable to the Clearing House) from its parent company or from another member in the applicant's Group (not including a subsidiary of the applicant) provided that the guarantor itself meets those criteria or is a guarantor for another RepoClear Clearing Member (RCM) in its Group (and met the criteria mentioned above at the time of provision of that guarantee).
- (c) be authorised and supervised as either a credit institution or an investment firm by the competent authorities of a member state of the European Union; or
- (d) be authorised and supervised as the equivalent of a credit institution or an investment firm by the competent authorities of a country outside the European Union and be subject to prudential rules considered to be as stringent as those applicable to credit institutions and investment firms.

## Rating Downgrades

The Clearing House will, in the event of a RepoClear Clearing Member or its guarantor being downgraded to an average rating of below BBB in the relevant credit rating scale utilised by the Clearing House, apply a multiplier to that Clearing Member's initial margin requirement as calculated by the Clearing House. The initial margin multiplier shall be as follows:

- 110% for a Clearing Member downgraded to BBB-
- 200% for a Clearing Member downgraded to BB+

In the event that a Clearing Member is downgraded below BB+ in that scale, the Clearing Member will be required to leave the RepoClear service and its authorisation to participate in that service will be withdrawn. In the event that this process is invoked, details of the process will be provided by the Risk Management Department of the Clearing House.

### 1.2.3 Supplementary Criteria Applicable to SwapClear Applicants

In addition to the minimum Net Capital Requirements as set out in section 1.9.3, an applicant must satisfy the following criteria:

- ~~(a) — have an average long-term rating from either Fitch Ratings, Standard & Poor's, or Moody's Investors Service of at least A or equivalent. If requested by an applicant, and where special circumstances exist, the Clearing House may take into consideration the rating of an agency other than those agencies described above in addition to the long-term ratings obtained from at least two of the agencies mentioned above. If an applicant has been placed on Rating Watch Negative (or equivalent) by any of the agencies described above where a downgrade would result in an average rating of below A they will not be eligible to join the SwapClear service;~~
- ~~(b) — have, or be a member of a corporate group that has, an interest rate swaps portfolio with a minimum notional outstanding principal of US\$1,000 billion (i.e. \$1,000,000,000,000) or equivalent; and~~
- (a) ~~(e)~~ successfully participate, or have demonstrate that it has: (i) an affiliated SCM that ~~has can~~ successfully participated; or (ii) an LCH Approved Outsourcing Party that can successfully participate in a SwapClear "fire drill" run by the Clearing House which shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's SwapClear Clearing Member application will not be approved.
- (b) ~~(d) sign the relevant Clearing House documentation confirming participation in the SwapClear~~ be able to participate or demonstrate that it has: (A) an affiliated SCM that can participate; or (B) an LCH Approved Outsourcing Party that can successfully participate in the Default Management Process as operated by the Clearing House;
- (c) ~~(e)~~ have, within its corporate group, at least one credit institution or investment firm licensed by the competent authorities of a member state of the European Union, or the equivalent of a credit institution or an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as

stringent as those applicable to credit institutions and investment firms within the European Union; and

- (d) ~~(f)~~ in the event of a default, be able to receive from the Clearing House and process SwapClear contracts, and any associated hedge trades, in FPML format or, separated value electronic format.

The Clearing House may, at its discretion, deem the Net Capital Requirement set out in section 1.9.3 ~~and the minimum rating criterion set out in (a) above~~, to be met by the provision to the Clearing House of an unconditional and unlimited guarantee (in a form acceptable to the Clearing House) from its parent company or from another member in the applicant's Group (not including a subsidiary of the applicant) provided that the guarantor itself meets ~~those that~~ criteria or is a guarantor for another SwapClear Clearing Member (SCM) in its Group (and met the net capital criteria mentioned above at the time of provision of that guarantee).

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

Membership criteria for FCM Clearing Member status are contained in the Clearing House's FCM Regulations.

### **Rating Downgrades**

~~The Clearing House will, in the event of a SwapClear Clearing Member or its guarantor being downgraded to an average rating of below A in the relevant credit rating scale utilised by the Clearing House, apply a multiplier to that Clearing Member's initial margin requirement as calculated by the Clearing House. The initial margin multiplier shall be as follows:~~

- ~~• 110% for a Clearing Member downgraded to A-;~~
- ~~• 200% for a Clearing Member downgraded to B-BB+; and~~
- ~~• 250% for a Clearing Member downgraded to BBB.~~

~~In the event that a Clearing Member is downgraded below BBB in that scale, the margin multiplier of 250% will continue to be applied, and the Clearing Member will be required to leave the service through the SwapClear Resignation Process and its authorisation to participate in that service will be withdrawn. In the event that this process is invoked, details of the process will be provided by the Risk Management Department of the Clearing House.~~

#### 1.2.4 Provision of Information by SwapClear Clearing Members

- (a) All SCMs must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up in accordance with the requirements of the Clearing House as applicable from time to time. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the SCM.
- (b) All FCM Clearing Members must provide the Clearing House in a prompt and timely manner with:

- (i) copies of all financial returns/reports made to their regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC's Regulations (including CFTC Regulation 1.12);
- (ii) any information concerning any financial or business development that that the SCM reasonably considers may materially affect the clearing member's ability to comply with the applicable membership criteria or applicable laws or regulations;
- (iii) copies of all reports that are required to be filed with its principal regulator;
- (iv) information and documents regarding the SCM's risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that SCM's financial resources and settlement procedures;
- (v) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis; and
- (vi) notice if the SCM becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event to which it is required to notify the Clearing House under the Clearing Membership Agreement or the Rulebook.

In addition, and upon request from the Clearing House, each SCM shall promptly provide the information detailed in (v) above directly to the any of the Clearing House's regulators (including the CFTC and the Financial Services Authority).

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

#### 1.2.5 ~~4.2.4~~ Supplementary Criteria Applicable to ForexClear Applicants

In addition to the minimum Net Capital Requirements as set out in section 1.9.3, an applicant must satisfy the following criteria:

- (a) have an average long-term rating from either Fitch Ratings, Standard & Poor's, or Moody's Investors Service of at least A or equivalent. If requested by an applicant, and where special circumstances exist, the Clearing House may take into consideration the rating of an agency other than those agencies described above in addition to the long-term ratings obtained from at least two of the agencies mentioned above. If an applicant has been placed on Rating Watch Negative (or equivalent) by any of the agencies described above where a downgrade would result in an average rating of below A they will not be eligible to join the ForexClear service;

- (b) successfully participate, or have an affiliated ForexClear Clearing Member that has successfully participated, in a ForexClear “fire drill” run by the Clearing House which shall involve submitting a bid for a notional portfolio of trades within specific currency pairs in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant’s ForexClear Clearing Member application will not be approved.
- (c) sign the relevant Clearing House documentation confirming participation in the ForexClear Default Management Process;
- (d) have, within its corporate group, at least one credit institution or investment firm licensed by the competent authorities of a member state of the European Union, or the equivalent of a credit institution or an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to credit institutions and investment firms within the European Union; and
- (e) in the event of a default, be able to receive from the Clearing House and process ForexClear contracts, and any associated hedge trades, in FPML format or, separated value electronic format.

The Clearing House may, at its discretion, deem the Net Capital Requirement set out in section 1.9.3 and the minimum rating criterion set out in (a) above, to be met by the provision to the Clearing House of an unconditional and unlimited guarantee (in a form acceptable to the Clearing House) from its parent company or from another member in the applicant’s Group (not including a subsidiary of the applicant) provided that the guarantor itself meets those criteria (and met the criteria mentioned above at the time of provision of that guarantee).

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

### **Rating Downgrades**

The Clearing House will, in the event of a ForexClear Clearing Member or its guarantor being downgraded to an average rating of below A in the relevant credit rating scale utilised by the Clearing House, apply a multiplier to that Clearing Member’s initial margin requirement as calculated by the Clearing House. The initial margin multiplier shall be as follows:

- 110% for a Clearing Member downgraded to A- ;
- 200% for a Clearing Member downgraded to BBB+ ; and
- 250% for a Clearing Member downgraded to BBB.

In the event that a Clearing Member is downgraded below BBB in that scale, the margin multiplier of 250% will continue to be applied, and the Clearing Member will be required to leave the service through the ForexClear Resignation Process and its authorisation to participate in that service will be withdrawn. In the event that this process is invoked, details of the process will be provided by Risk Management Department of the Clearing House.

### 1.2.6 ~~4.2.5~~ Supplementary Criteria Applicable to Special Clearing Member Applicants

The Clearing House may agree with an applicant for Special Clearing Member status, in addition to or in place of requirements set out in these Procedures, such further terms as it deems appropriate in the circumstances of the applicant and its business and these shall be reflected in the Clearing Membership Agreement.

## **1.3 DEALER STATUS CRITERIA**

An applicant must satisfy the criteria set out below in order to be considered for admission to the OTC Registers. These requirements are without prejudice to the provisions of the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement and/or the SwapClear Dealer Clearing Agreement, and must equally be met by Dealers.

The applicant and any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, acceptable to the Clearing House, of the nature, risks and obligations of trading foreign exchange transactions, over-the-counter repos and swaps cleared by the Clearing House.

The applicant must be a member of an Approved Trade Matching System (as approved by the Clearing House from time to time).

- (a) For RepoClear, see Section 2B of the Procedures (RepoClear).
- (b) For SwapClear, see Section 2C of the Procedures (SwapClear).
- (c) For ForexClear, see Section 2K of the Procedures (ForexClear).

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

The applicant must maintain a back office:

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

The applicant must have executed and must maintain a ForexClear Dealer Clearing Agreement, a RepoClear Dealer Clearing Agreement and/or a SwapClear Dealer Clearing Agreement in the current standard form.

The applicant may specify any number of branches, with agreement from its corresponding Clearing Member, from which it proposes to submit eligible ForexClear, RepoClear and/or SwapClear Transactions. It is a requirement that only branches of the same legal entity as the Dealer may be specified. A company which is a different legal entity and which wishes to submit eligible ForexClear, RepoClear and/or SwapClear Transactions for clearing must apply

separately for admission to the relevant OTC Register. ForexClear Dealers, RepoClear Dealers and SwapClear Dealers are entitled to remain on the relevant OTC Register for so long as a valid agreement remains in effect. In the event that the relevant agreement for any ForexClear Dealer, RepoClear Dealer or SwapClear Dealer is terminated, then that Dealer will be removed from the relevant OTC Register.

The applicant must at all times respond promptly to enquiries or requests for information made by the Clearing House.

### 1.3.2 ForexClear Dealer Status

The applicant must have a clearing arrangement for ForexClear transactions in place with an existing ForexClear Clearing Member within their corporate group.

### 1.3.3 RepoClear Dealer Status

The applicant must:

- (a) have minimum Net Capital (as defined in paragraph 1.10) of €100mn; and
- (b) be authorised and supervised as either a credit institution or an investment firm by the competent authorities of a member state of the European Union; or
- (c) be authorised and supervised as the equivalent of a credit institution or an investment firm by the competent authorities of a country outside the European Union and be subject to prudential rules considered to be as stringent as those applicable to credit institutions and investment firms.

### 1.3.4 SwapClear Dealer Status

The applicant must have a clearing arrangement for SwapClear transactions in place with an existing SwapClear Clearing Member within their corporate group.

## **1.4 EQUITYCLEAR NON-CLEARING MEMBER STATUS**

A person who does not have Clearing Member status of the Clearing House may nevertheless participate indirectly in the EquityClear Service as an EquityClear Non-Clearing Member ("NCM"), subject to compliance with all the Clearing House requirements in this regard.

In order to participate in the manner described that person ("the Applicant NCM") must enter into the "EquityClear NCM-GCM Agreement" with a Clearing Member which is authorised by the Clearing House to clear the relevant market. This agreement must be in the form prescribed by the Clearing House. It must then be submitted to the Clearing House, together with the relevant EquityClear Static Data Form duly completed in the form prescribed by the Clearing House for that ATP. If the Clearing House agrees to admit the Applicant NCM to become an EquityClear NCM, as the case may be, it will indicate its consent by signing the agreement and adding the Applicant NCM to the section relating to that ATP in the Register of EquityClear NCMs.

An NCM is entitled to remain on the Register of NCMs for so long as a valid EquityClear NCM-GCM Agreement remains in effect. In the event that the relevant Agreement for any NCM is terminated, then that NCM will be removed from the Register of NCMs.

The rights and obligations of an NCM are set out in the EquityClear NCM-GCM Agreement.

The Clearing House may suspend the EquityClear Open Offer in respect of any ATP, and may, at the request of its GCM, suspend an NCM. Clearing Members and NCMs are referred to Section 2D of the Procedures (EquityClear) in this regard.

It should be noted that NCMs do not have Clearing Member status.

### **1.5 TURQUOISE DERIVATIVES NON-CLEARING MEMBER STATUS**

A person who does not have Clearing Member status may nevertheless participate indirectly in the Clearing House Turquoise Derivatives Service as a Turquoise Derivatives Non-Clearing Member ("NCM"), subject to compliance with all the Clearing House requirements.

In order to participate in the manner described, that person ("the Applicant NCM") must enter into a Turquoise Derivatives NCM-GCM Agreement with a Clearing Member which is authorised by the Clearing House to clear eligible trades as a "GCM". If the Clearing House agrees to admit the Applicant NCM, it will indicate its consent by signing the agreement and adding the Applicant NCM to the Register of NCMs.

An NCM is entitled to remain on the Register of NCMs for so long as a valid Turquoise Derivatives NCM-GCM Agreement remains in effect. In the event that the Agreement for any NCM is terminated, then that NCM will be removed from the Register of NCMs.

The rights and obligations of an NCM are set out in the Turquoise Derivatives NCM-GCM Agreement.

It should be noted that NCMs do not have Clearing Member status.

### **1.6 PARTICIPATION IN CROSS-MARGINING AGREEMENTS**

Participation is limited to current Clearing Members who meet eligibility criteria specified in Cross-Margining Agreements. Clearing Members should contact the Clearing House's Membership Department to clarify the specific criteria.

### **1.7 EXTENSION OF CLEARING ACTIVITIES**

#### 1.7.1 Extension to Exchange clearing

A Clearing Member must hold the appropriate category of Clearing Member status for the exchange(s) it wishes to clear.

A Clearing Member is approved to clear only the exchange(s) stipulated in its application. Subject to the Clearing Houses consent, this approval may be extended to include clearing on another exchange(s). Such approval must be given in writing by the Clearing House in the form prescribed from time to time. In determining such extension the Clearing House will have regard to, inter alia:

- (a) The Clearing Member having the appropriate category of exchange Clearing Member status applicable to the extension of its activities;
- (b) The Clearing Member demonstrably having sufficient staff resources and expertise in the new market that it wishes to clear; and
- (c) The Clearing Member having sufficient Net Capital to meet the additional requirement as set out in section 1.9.3.



### 1.7.2 Extension to LCH EnClear OTC Services/EquityClear/ RepoClear/ SwapClear/ ForexClear Clearing

In addition to the requirements noted above, a Clearing Member wishing to commence clearing on each of the LCH EnClear OTC services (Freight , OTC Emissions and/or Precious Metals divisions), the EquityClear markets and/or clearing or dealing on ForexClear, RepoClear and/or SwapClear, must complete additional documentation and be approved by the Clearing House. Clearing Members who wish to either clear directly or to submit for clearing EquityClear ATP Matches, RepoClear Transactions and/or Bond/Repo Trades, ForexClear Transactions and/or SwapClear Transactions originating from an NCM or Dealer for clearing, should contact the Clearing House's Membership Department.

Dealers or NCMs who wish to clear their own transactions must apply for Clearing Member status. Potential applicants should contact the Clearing House's Membership Department.

### 1.7.3 Extension for SwapClear Clearing Members to clear for clients

Subject to obtaining approval from the Clearing House's Membership Department a SwapClear Clearing Member ("SCM") may offer certain SwapClear clearing services to its clients (SwapClear Clearing Clients). SCMs should contact the Clearing House's Membership Department for further details of the SwapClear Client Clearing service.

### 1.7.4 Special Clearing Members

A Special Clearing Member is only approved to clear the types of contract on the Clearing House service(s) and/or on the market(s) stipulated in its Clearing Membership Agreement, subject to the terms of that Agreement.

## **1.8 TERMINATION OF CLEARING MEMBER STATUS**

1.8.1 In the event that a Clearing Member wishes to terminate its Clearing Member status, it may do so by giving notice of not less than three months ahead of its termination date. By the close of business on the termination date, the Clearing Member shall ensure that all Registered Contracts in its name have been closed-out or transferred so as to ensure that there are no open Registered Contracts to which they are party to at the termination date. A resigning Clearing Member should note that any and all exchange NCMs or Dealers will be required to find alternative clearing arrangements by this date or will be unable to trade on the relevant exchange or cleared market. Clearing Members will need to give the Clearing House notice of termination in respect of all such NCM/Dealer agreements in accordance with the terms of those agreements and the relevant section of the Rulebook. For further information on the resignation process, Clearing Members should contact the Membership Department.

1.8.2 If a Clearing Member has not been active on any exchange or market for a continuous period of three months, they will be asked to confirm that they intend to utilise their Clearing Member status and failing a satisfactory response, they will be asked to resign their Clearing Member status.

## **1.9 NET CAPITAL REQUIREMENTS**

### 1.9.1 Categories of Clearing Member Status

There are ten categories of Clearing Member status currently in use. These are as follows:

**Category B**

NYSE Liffe –	Individual Clearing Member (clearing own business)
Turquoise Derivatives	- Individual Clearing Member (clearing own business)
LCH EnClear OTC Services	- LCH EnClear Clearing Member being an OTC Participant for OTC Services: OTC Emissions, Freight and/or Precious Metals divisions (see Section 2E)
Nodal Exchange	- Individual Clearing Member (clearing own business)
HKMEx	- Clearing Member

**Category C**

NYSE Liffe	- General Clearing Member (clearing own business and the business of unrelated Non-Clearing Members)
Turquoise Derivatives	- General Clearing Member (clearing own business and the business of unrelated Non-Clearing Members)
Nodal Exchange	- General Clearing Member (clearing own business and the business of unrelated Non-Clearing Members)

**Category D**

LME	- Associate Trade Clearing Member
	- Associate Broker Clearing Member
	- Ring Dealing Member

**Category E**

Category no longer in use.

**Category F**

RepoClear Clearing Member: clearing own business.

**Category G**

RepoClear Clearing Member: clearing own business, and the business of unrelated RepoClear Dealers.

**Category H**

SwapClear Clearing Member.

**Category I**

EquityClear Individual Clearing Member: clearing own business on EquityClear.

**Category J**

EquityClear General Clearing Member: clearing own business, and the business of unrelated EquityClear Non-Clearing Members (NCMs) on EquityClear.

**Category K**

Special Clearing Member.

**Category L**

Not in use

**Category M**

ForexClear Clearing Member

**NOTES:**

1.9.2 'Own business' is defined as trades transacted solely for the benefit of that Clearing Member or another wholly-owned company or other wholly-owned companies with the same ultimate parent company. These other companies must not in turn be trading on behalf of clients in relation to these trades.

## 1.9.3 Net Capital Requirements

The requirements set out below are the minimum requirements applicable to Clearing Members whose clearing relationship with the Clearing House is confined to the clearing of one market, subject, in relation to categories B to D, to an absolute minimum Net Capital requirement of £5mn sterling. The requirements may be satisfied in the currencies indicated or in foreign currency equivalents.

The requirements for Clearing Members who clear more than one market are detailed in section 1.9.4. The definition of Net Capital is given in section 1.10 (subject to a minimum of £5mn sterling).

**Category A**

Category no longer in use.

**Category B**

Net Capital	£1.0mn sterling
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**Category C**

Net Capital	£2.0mn sterling
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**Category D**

(i) LME Associate Trade Clearing Members

Net Capital                      £2.5mn sterling

(ii) LME Associate Broker Clearing and Ring Dealing Members

Net Capital                      £5.0mn sterling

**Category E**

Category no longer in use.

**Category F**

Net Capital                      €100.0mn

**Category G**

Net Capital                      €400.0mn

**Category H**

Net Capital                      US\$~~5,000mn~~ [\[RESERVED\]](#)

**Category I**

Net Capital                      £5.0mn sterling

**Category J**

Net Capital                      £10.0mn sterling

**Category K**

See section 1.9.5

**Category L**

Not in use

**Category M**

Net Capital                      US\$5,000mn

**1.9.4 Cross-Market Net Capital Requirement for categories B-D, I-J and L**

Subject to the absolute minimum requirement of £5mn sterling, Clearing Members who clear more than one exchange (categories B – D) or have LCH EnClear OTC Services Clearing Member status and/or EquityClear Clearing Member Status (categories I – J), are required to meet a minimum Net Capital Requirement which is the sum of their specific requirements. For example, a Clearing Member acting as a General Clearing Member on NYSE Liffe (Category C - £2mn sterling) and as an EquityClear Individual Clearing Member (category I - £5mn sterling) has a minimum requirement of £7mn sterling. A Clearing Member acting as a

General Clearing Member on NYSE Liffe only (Category C - £2mn sterling) has a minimum requirement of £5mn sterling.

Clearing Members for ForexClear, RepoClear and/or SwapClear (including those who clear on other exchanges or markets through the Clearing House) are required to meet the applicable Category F, G, H or M minimum Net Capital Requirement only.

#### 1.9.5 Capital Requirements for Category K

The minimum capital requirements for a Special Clearing Member will be established at the discretion of the Clearing House with reference to (i) the requirements set out in section 1.9.3 which would be applicable to a Clearing Member carrying on comparable business in the same service(s) and/or market(s) of the Clearing House as that which is to be carried on by the Special Clearing Member pursuant to its Clearing Membership Agreement and (ii) any other factors which the Clearing House deems to be relevant in establishing such requirements for a Special Clearing Member.

#### 1.9.6 Additional Net Capital Requirements

Additional resources will be required when, in the Clearing House's assessment, ~~a Clearing Member an SCM's~~ Net Capital is not commensurate with its level of business, ~~whether that business is confined to one market, or is cross-market in nature.~~

The Clearing House shall, on a daily basis, compare the market risk associated with each SCM SwapClear Contracts with their level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such SCM is sufficiently capitalised to support the level of risk associated with the SwapClear Contracts to which they are counterparty. In determining whether an SCM is sufficiently capitalised, the Clearing House may also consider:

- (a) the SCM internal credit score as determined pursuant to 1.14 below;
- (b) the SCM's aggregate exposure to other clearing providers and other entities; and
- (c) the total amount of cover deposited with, transferred to or otherwise delivered to the Clearing House by the SCM.

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

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

### **1.10 CALCULATION OF NET CAPITAL**

Net Capital ("Net Capital") is broadly defined as:

Permanent Capital plus Additional Capital less Intangible Fixed Assets (including goodwill, development costs, etc ("Intangible Fixed Assets")).

Clearing Members must comply with the Net Capital minimum requirements at all times (see section 1.9.3).

The Clearing House may vary the definitions below to include forms of capital or to exclude assets, other than those stated. An applicant wishing to determine the acceptability of specific forms of capital or the treatment of particular categories of assets should contact the Clearing House's Membership Department.

#### 1.10.1 Definition of Permanent Capital ("Permanent Capital")

The definition of Permanent Capital includes:

- issued and fully-paid ordinary share capital;
- issued and fully-paid preference share capital; and
- share premium account and reserves not available for distribution.

Accumulated profit and loss and reserves available for distribution will not be taken into account when calculating permanent capital. A deficit in reserves will, however, be deducted from permanent capital.

#### 1.10.2 Definition of Additional Capital ("Additional Capital")

The definition of Additional Capital includes:

- other equity reserves (distributable or otherwise);
- profit and loss reserve;
- redeemable shares; and
- subordinated loans.

Where loans, subordinated or otherwise, are allowed in a Clearing Member's Net Capital calculation, the Clearing House may require Clearing Members to provide the Clearing House with details of the terms and conditions of the loan(s) (see section 1.10.3). The Clearing House may, at its discretion, recognise other long-term loans in the calculation of additional capital.

#### 1.10.3 Acceptability of Subordinated Loans

The Clearing House will, in the Net Capital Requirement, allow subordinated loans from a parent company/ies as an acceptable form of capital. Where a Clearing Member is reliant upon subordinated loans to meet its minimum requirement, the Clearing House will require assurances that the loan(s) will not be repaid without the prior consent of the Clearing House.

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

#### 1.10.4 Recognition of Irrevocable Letters of Credit

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

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

### **1.11 FINANCIAL REPORTING**

Clearing Members must provide the financial information detailed below in order to demonstrate that they continue to comply with the Clearing House's Net Capital Requirements at all times.

#### 1.11.1 All Members

All Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up either in accordance with Companies Act requirements or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the Clearing Member.

#### 1.11.2 Regulated Clearing Members

Regulated Clearing Members must provide the Clearing House with copies of all financial returns made to their regulator. The Clearing House will, in respect of firms regulated by the Financial Services Authority ("FSA"), take returns direct from the FSA. This arrangement is for administrative convenience and the Clearing House reserves the right to require that financial returns are submitted direct by the Clearing Member to the Clearing House.

#### 1.11.3 Non-Regulated Clearing Members

Non-regulated Clearing Members must provide the Clearing House with a quarterly balance sheet and profit and loss statement within 30 days of their quarter-end date. This must be signed by two directors, a director and the company secretary, or two Authorised Signatories. Where the Clearing Member is a partnership the balance sheet and profit and loss statement must be signed by two partners of the firm. Please provide evidence of signing authority together with specimen signatures.

#### 1.11.4 Category K

Must provide the Clearing House with such financial information as is stipulated in their Clearing Membership Agreement.

#### 1.11.5 Reduction in Net Capital

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

- (a) shareholders' funds;
- (b) Net Capital.

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

## **1.12 ADDITIONAL REQUIREMENTS**

### 1.12.1 Notification of Changes of Ownership

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

## **1.13 OTHER CONDITIONS**

The Clearing House may, at any time, impose additional conditions relative to continued Clearing Member status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to deposit additional security in cash or collateral as determined by the Clearing House.

## **1.14 Credit Ratings**

1.14.1 The Clearing House shall, on a daily basis, monitor each SCM's internal member credit score based upon both quantitative and qualitative data and pre-determined tolerance levels.

In the event that the Clearing House considers that the SCM's internal credit member score is insufficient to support the level of risk associated with it, the Clearing House may perform one or more of the following:

- (a) require that the relevant SCM furnish the Clearing House with additional cover;  
or
- (b) prevent or limit the extent to which an SCM may register additional SwapClear Contracts.



**Exhibit A-4**  
**Clearing House Procedures Section 2C**

See Attached

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**2C. SWAPCLEAR****2C.1 THE CLEARING PROCESS**

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

Those authorised by the Clearing House to submit trades for clearing in the SwapClear Service fall into two categories – SwapClear Clearing Members (SCMs) and SwapClear Dealers (SDs). SCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SDs are not clearing members but have met the criteria for registration as a SwapClear Dealer and have entered into a SwapClear Dealer Clearing Agreement with an SCM and the Clearing House. Subject to obtaining approval from the Clearing House's Membership Department an SCM may offer certain SwapClear clearing services to its clients (SwapClear Clearing Clients). SwapClear Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated or Omnibus Net Segregated account. SCMs should contact the Clearing House's Membership Department for further details of the SwapClear Client Clearing Service and the Clearing House's approval process (+44 (0)207 426 7891/7627/7063; [membership@lchclearnet.com](mailto:membership@lchclearnet.com)).

In practice there are four day-to-day users of the SwapClear Service - SCM's, SDs, SwapClear Clearing Clients and SCM Branches. An SCM Branch must always be the same legal entity as the SCM and, subject to authorisation by the Clearing House, it may submit SwapClear Transactions to the Clearing House, for registration as SwapClear Contracts in the name of the SCM, using its own BIC code.

SCMs, SDs and SCM Branches are collectively known as "SwapClear Participants".

For the purposes of these Procedures and the Regulations, an SCM Branch is a part of and is the same legal person as the SCM. Where a SwapClear Transaction is presented for registration by an SCM Branch it is deemed to have been presented by the SCM of which it is part for registration in the name of that SCM.

**2C.1.1.1 SwapClear Service Functions**

The following functions are performed within the SwapClear Service:

processing and settlement of coupon payments;

processing and settlement of consideration (fee) payments;

calculation of initial and variation margin requirements;

calculation of Price Alignment Interest;

adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;

allocation and designation of trades to a position-keeping account; and

reporting of registered trades.

SwapClear Transactions submitted via an Approved Trade Source System (i.e. new trades submitted for intra-day registration or existing trades submitted for overnight registration – see sections 2C.3.2 and 2C.3.3.1) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the SwapClear Clearing System. Information regarding SwapClear Contracts and margin reporting will be disseminated via the Clearing House's Clearing Member Reporting (see section 2C.1.3).

### 2C.1.2 **Clearing House System Requirements**

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

### 2C.1.3 **SwapClear Clearing Member Reporting**

There are two methods of notification to SCMs of SwapClear Contract registrations:

Report 001

Via the Approved Trade Source System.

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

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

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

## 2C.2 **OPERATING TIMES AND CALENDARS**

### 2C.2.1 **Opening Days**

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

### 2C.2.2 **Opening Hours**

The SwapClear Clearing System will be operational during the following hours:

07:30 to 22:00 hours London time

### 2C.2.3 **SwapClear Clearing System Calendars**

The SwapClear Clearing System uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Participants to be licensees of the

*SwapsMonitor Financial Calendar.* The calendars, as applicable to the SwapClear Clearing System, will be available online for inspection and for file download from Clearing Member Reporting (see section 2C.1.3).

## 2C.3 **REGISTRATION**

### 2C.3.1 **Submission for Registration**

The Clearing House receives a new eligible SwapClear Transaction using agreed format messages via the Approved Trade Source System. Where SwapClear Participants wishing to submit a SwapClear Transaction to the Clearing House for registration via MarkitWire both SwapClear Participants must first request that the trade be cleared using either the appropriate GUI or API functions. The Approved Trade Source System will then send these trades to the Clearing House when they have been bi-laterally agreed.

### 2C.3.2 **SwapClear Approved Trade Source Systems**

The only current Approved Trade Source System designated by the Clearing House for SwapClear is MarkitWire.

SwapClear Transactions submitted through an Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the SwapClear Participant and that Approved Trade Source System. The ability of SwapClear Participants to submit SwapClear Transactions through a given Approved Trade Source System may be suspended from time to time.

SwapClear Participants should ensure that only trades which meet the criteria to be SwapClear Transactions are submitted to the Clearing House from any Approved Trade Source System. The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis, and subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade source System. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant SwapClear Participants.

The Clearing House accepts no liability for any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House or to a SwapClear Participant or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any SwapClear Contract/s on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System, the SCM/s concerned shall be bound by the terms of such SwapClear Contract/s. The Clearing House may agree to use its reasonable endeavours to assist the relevant SCMs in re-registering the trade on the correct basis but it shall be under no obligation so to do and the Clearing

House shall not be liable to the SCMs or anyone else with regard to the registration of such SwapClear Contract/s.

SwapClear Participants shall ensure that all transaction details entered into an Approved Trade Source System for reporting to the Clearing House are input by appropriately authorised personnel. SwapClear Participants must ensure that the security and access procedures of the relevant Approved Trade Source System are complied with at all times. The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any SwapClear Participant suffers any loss through the unauthorised input of details into a system of an Approved Trade Source System.

### 2C.3.3 Registration of New Trades

New trades are registered on an intra-day basis. The SwapClear Clearing System will respond, after processing, with a message either confirming the registration or giving a reason for rejection (see section 2C.3.6). The registration notification or rejection message will be sent via the originating Approved Trade Source System. The definitive report of the registered SwapClear Contract will be shown on Reporting (see section 2C.1.3) on the SCM's reporting account in the SwapClear Clearing System.

The Clearing House may require a SCM in whose name an open contract is to be registered to provide it with cover for initial and variation margin prior to registration. In these circumstances variation margin can be covered intra-day in non-cash collateral.

SwapClear Transactions that are submitted for registration near to the closing time of the service are registered the following morning, subject to the normal requirements for margin.

Where a SwapClear Clearing Member executes an FCM SwapClear Transaction on an FCM Approved Trade Source System and such FCM Approved Trade Source System submits the details of the FCM SwapClear Transaction to the Clearing House for registration on behalf of that SwapClear Clearing Member, the SwapClear Clearing Member shall be bound in the same manner and to the same extent as if it had presented the SwapClear Transaction for registration directly to the Clearing House in accordance with General Regulation 47(b).

### 2C.3.4 Backloading of Existing Trades

The Clearing House provides the facility for SwapClear Participants to load eligible existing SwapClear Transactions, through an Approved Trade Source System. This requires bilateral agreement between the relevant SwapClear Participants, of the full particulars required by the Clearing House for each such SwapClear Transaction, with both parties re-confirming the trades via an Approved Trade Source System.

The Clearing House will, in the case of SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the SwapClear Transaction overnight for registration the following day. For Backloaded trades the Clearing House will notify Clearing Members of their submission and status via Clearing Member Reporting (see section 2C.1.3). It is

a pre-condition of registration that sufficient cover for initial and variation margin is provided.

#### 2C.3.5 **Notification**

The Clearing House will notify SwapClear Participants of the registration or rejection of SwapClear Transactions, or contracts purported as such, via the SwapClear Clearing Member Reporting System (see section 2C.1.3) and the originating Source System messaging service for onward transmission to the submitting SwapClear participant.

#### 2C.3.6 **Rejected Trades**

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data will be rejected. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

### 2C.4 **POSITION ACCOUNTS**

#### 2C.4.1 **SCM Accounts**

For identification purposes each SCM is assigned a unique three-character mnemonic. An SCM's position and financial information are further identified by a single character code: C for segregated client business; and H for house business. The H account is obligatory, the C account is optional.

#### 2C.4.2 **Position-Keeping Accounts**

##### 2C.4.2.1 Clearing Member Accounts

These are identical to Clearing Member accounts as described in Regulation 5. The account types are: H for house business; and C for segregated client business. An SCM's SwapClear positions are also recorded within the SwapClear Clearing System in SwapClear Accounts.

##### 2C.4.2.2 SwapClear Accounts

The SwapClear Clearing System will provide position-keeping accounts for SCMs. A SwapClear Account will be assigned a code identical to the Bank Identifier Code (BIC) of the SCM. Each SwapClear Account must map to a Member Account.

All registered SwapClear Contracts will be identifiable to SCMs via SwapClear Reporting (see section 2C.1.3). Each SwapClear Contract will also be assigned a unique trade identifier. The Clearing Member Reporting functionality also allows SCMs to identify all SwapClear Contracts, registered in their name, and, if submitted by an SD, the submitting SD.

### 2C.5 **FINANCIAL ACCOUNTS**

Clearing Member accounts have financial accounts associated with them.



These are, inter alia, used to record cash balances, and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

### 2C.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account	
H	House	H
C	Client	C

### 2C.5.2 Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Buffer accounts (House), used for holding additional cash in relation to House business	B
Buffer account (Client), used for holding additional cash in relation to Client business	E
SwapClear Additional Collateral Account	A

### 2C.5.3 Default Fund (DF) Account

Each SCM's Default Fund Contribution is held on a separate financial account. The DF account code is "F".

### 2C.5.4 SwapClear Additional Collateral Account

Upon request from an SCM the Clearing House will setup a new sub-account called the Additional Collateral Account.

Such requests should be submitted to the Clearing House's Treasury Operations team ([lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com); 020 7426 7505)

SCMs are able to lodge excess collateral on behalf of their clients (the amount is at the SCM's discretion), into the Additional Collateral Account.

In order to lodge collateral into the Additional Collateral Account, an SCM must adhere to the following procedure:

- (a) An SCM can lodge non-cash collateral or request that the Clearing House call cash directly from the SCM into the Additional Collateral Account. If an SCM intends to lodge non-cash collateral they must submit an Additional Collateral Account Lodgement Form to the Clearing House. (Appendix 2C.E);
- (b) An SCM can transfer non-cash or cash collateral from its Client Account to the Additional Collateral Account (see section 2C.9)

When an SCM lodges non-cash collateral at the Clearing House, the Clearing House will issue the SCM with a collateral lodgement number that must be provided to the Clearing House whenever that SCM wishes to transfer that non-cash collateral.

The SCM is responsible for maintaining a record of the collateral held against each SwapClear Clearing Client (see Additional Collateral Account Spreadsheet, Appendix 2C.H).

The Additional Collateral Account Spreadsheet submitted by an SCM to the Clearing House is the primary record of the contents of the Additional Collateral Account and an SCM must provide an updated version to the Clearing House whenever transfers are made from/to the Additional Collateral Account.

In the event of an SCM default, the Additional Collateral Account Spreadsheet provided by the defaulted SCM will be used to identify the SwapClear Clearing Clients' collateral lodged in the Additional Collateral Account.

## 2C.6 **VARIATION MARGIN**

All SwapClear Transactions will, on submission to the Clearing House, be marked-to-market, in accordance with Regulation 15 (b), using the Clearing House's zero coupon yield curves. The Clearing House will use these curves to calculate the Net Present Value of the SwapClear Transaction. This value must, subject to Intra-day Registration (see section 2C.3.3), be paid by the SCM in cash in the currency of the SwapClear Transaction. Where a SwapClear Transaction is registered intra-day, and variation margin is covered with non-cash collateral, the Clearing House will, the following business day, require payment of the full cash amount.

All SwapClear Contracts will be marked-to-market daily, in accordance with Regulation 15 (b), using the Clearing House's zero coupon yield curves. The daily change in the Net Present Value will be credited to or debited from SCM's financial accounts.

For the avoidance of doubt, this procedure shall not apply to contracts which are credited to a SwapClear Clearing Member's Client account or to such other contracts as the Clearing House may determine.

### 2C.6.1 **Zero Coupon Yield Curve Construction**

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from the Clearing House Risk Management Department on +44 (0)20 7426 7549, but may be subject to change without prior notification.

### 2C.6.2 **Official Quotations**

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted are London time

AUD	12:00
CAD	20:00
CHF LIBOR & OIS	16:30
CZK	16:30
DKK	16:30
EURO LIBOR	16:30
GBP LIBOR	16:30
HKD	12:00
HUF	16:30
JPY	12:00
NOK	16:30
NZD	12:00
PLN	16:30
SEK	16:30
SGD	12:00
USD LIBOR & OIS	20:00
ZAR	16:30
EURO OIS	18:00
GBP OIS	18:00

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website at intervals during the day as the prices and rates are captured

### 2C.6.3 Net Present Value

The Clearing House will calculate the net present value (NPV) of each eligible SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each SwapClear Transaction.

#### 2C.6.4 **Price Alignment Interest**

The payment of variation margin, or change in NPV, on a daily basis without adjustment would distort the pricing for SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of variation margin, the Clearing House will for each SCM either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2).

### 2C.7 **COUPON PAYMENTS**

#### 2C.7.1 **Calendars and Coupons**

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see section 2C.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to SCMs by the Clearing House in a Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between SCMs and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the Contract Terms.

#### 2C.7.2 **Calculation of Fixed Amount**

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (a) ~~a~~-if an amount is specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (b) ~~b~~-if an amount is not specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

#### 2C.7.3 **Calculation of Floating Amount**

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \text{Calculation} \times \text{Floating} \times \text{Floating Rate Day}$$

Amount                      Rate                      Count Fraction  
(+/- Spread)

#### 2C.7.4 OIS coupon calculation

##### Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 definitions. The formula for these calculations is given below.

##### USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{FEDFUNDi} \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

“FEDFUNDi”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption “EFFECT”, as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in respect of any day “i”, the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUNDi; and

“d” is the number of calendar days in the relevant Calculation Period.

##### CHF-TOIS-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich

Banking Day in the relevant Calculation Period;

“TOIS<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

“n<sub>i</sub>” is the number of calendar days in the relevant Calculation Period on which the rate is TOIS<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

GBP-WMBA-SONIA-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

“d<sub>0</sub>” for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d<sub>0</sub>, each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

“SONIA<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers’ Association and appearing on the Reuters Screen SONIA Page in respect of that day;

“n<sub>i</sub>” is the number of calendar days in the relevant Calculation Period on which the rate is SONIA<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

EUR-EONIA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d<sub>0</sub>” for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d<sub>0</sub>, each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

“EONIA<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate

equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is EONIAi; and

“d” is the number of calendar days in the relevant Calculation Period.

### 2C.7.5 Calculation of Compounded Amount

Depending on whether the SwapClear Contract is submitted under ISDA 2000 or 2006 Definitions the Clearing House will calculate the compounded floating amount payable by a SwapClear Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

### 2C.7.6 Calculation of FRA Discounting (Article 8.4 of the 2006 ISDA Definitions)

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD, ZAR the FRA Amount will be calculated in accordance with the following formula:

$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times \left[ \begin{array}{l} (\text{Floating Rate} + \\ \text{Spread}) \\ - \text{Fixed Rate} \end{array} \times \begin{array}{l} \text{Floating} \\ \text{Rate Day} \\ \text{Count} \\ \text{Fraction} \end{array} \right]}{1 + \left[ \begin{array}{l} \text{Discount Rate} \times \\ \text{Discount} \\ \text{Rate Day} \\ \text{Count} \\ \text{Fraction} \end{array} \right]}$$

Where FRA Discounting is specified for AUD Forward Rate Transactions and NZD Forward Rate Transactions then FRA Yield Discounting will be applied and the FRA Amount calculated in accordance with the following formula:

$$\text{FRA Amount} = \text{Calculation Amount} \times 365 \times \left[ \frac{1}{365 + [R_1 \times \text{ND}]} - \frac{1}{365 + [R_2 \times \text{ND}]} \right]$$

Where:

R<sub>1</sub> is the sum of the Floating Rate and the Spread on the payment date, expressed as a decimal

R<sub>2</sub> is the Fixed Rate, expressed as a decimal

ND is the actual number of days in the calculation period

### 2C.7.7 Business Day and Business Day Convention

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centres specified in the matched SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched SwapClear Transaction message.

### 2C.7.8 Payment of Coupons

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next business day following the Coupon Payment Date.

### 2C.7.9 Calculation Periods

In respect of any Calculation Period that is not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

### 2C.7.10 Day Count Fractions: ISDA 2000

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

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

Where the SwapClear Contract is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) if "30/360", "360/360", "Bond Basis", "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with



the following formula:

$$((Y_2 - Y_1) * 360) + ((M_2 - M_1) * 30) + (D_2 - D_1)$$

where  $D_1$ ,  $M_1$  and  $Y_1$  are the day, month and year respectively on which the period begins and  $D_2$ ,  $M_2$  and  $Y_2$  are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

- i) if "30/360", "360/360" or "Bond Basis" is specified the Clearing House will
  - if  $D_1$  is 31 amend it to 30,
  - if  $D_2$  is 31 amend it to 30 only if  $D_1$  is 30 or 31; or
- ii) if "30E/360" or "Eurobond Basis" is specified the Clearing House will
  - if  $D_1$  is 31 then amend it to 30
  - if  $D_2$  is 31 then amend it to 30.
- (e) For Actual/Actual (ISMA): "The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after December 31, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond."

#### 2C.7.11 Day Count Fractions: ISDA 2006

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

Where the SwapClear contract is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/Actual", Actual/Actual (ISDA)", "Act/Act", or "Act/Act-(ISDA)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if "Actual/360" is specified, the actual number of days in the Calculation

Period in respect of which payment is being made divided by 360;

- (d) “30/360”, “360/360” or “Bond Basis” is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (e) if “30/E60” or “Eurobond basis is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: “Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first

day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

- (f) if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: "Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

- (g) If "Actual/Actual" (ICMA) or "Act/Act" (ICMA) is specified, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "ICMA Rule Book"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non US Dollar denominated straight and convertible bonds issued after December 21, 1998, as though the interest coupon on a bond were being calculated for a coupon period

corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

#### 2C.7.12 **Reset Rates**

Reset Rates will be published by the Clearing House via the Rate Reset reports.

The Clearing House will apply the following principles in calculating Reset Rates:

- (a) “GBP-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.
- (b) “USD--LIBOR-BBA” the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (c) “Euro-LIBOR-BBA” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (d) “Euro-EURIBOR-Telerate (ISDA2000) / “Euro-EURIBOR-Reuters” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (e) “JPY-LIBOR-BBA” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (f) “CHF-LIBOR-BBA” means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (g) “AUD-BBR-BBSW” means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.
- (h) “AUD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (i) “CAD-BA-CDOR” means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of

the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.

- (j) "CAD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (k) "CZK-PRIBOR-PRBO" means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.
- (l) "DKK-CIBOR-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.
- (m) "DKK-CIBOR2-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.
- (n) "HKD-HIBOR-HIBOR=" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption "FIXING@11:00" as of 11:00 hours, Hong Kong time, on that Reset Date.
- (o) "HKD-HIBOR-HKAB" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.
- (p) "HKD-HIBOR-ISDC" (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.
- (q) "HUF-BUBOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.
- (r) "NOK-NIBOR-NIBR" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding

that Reset Date.

- (s) "NZD-BBR-Telerate" (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.
- (t) "NZD-BBR-FRA" means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of "FRA" as of 11:00 hours, Wellington time, on that Reset Date.
- (u) "SEK-STIBOR-SIDE" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption "FIXINGS" as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.
- (v) "SGD-SOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.
- (w) "PLN-WIBOR-WIBO" means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption "FIXINGS" as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.
- (x) "ZAR-JIBAR-SAFEX" means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption "YIELD" as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified "ZAR-JIBAR-Reference Banks" as the applicable Floating Rate Option.
- (y) "CHF-TOIS-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2C.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).
- (z) "GBP-WMBA-SONIA-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2C 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).
- (aa) "USD-Federal Funds-H.15-OIS-Compound" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2C 7.4, will be the rate of return of a daily compound interest



investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

(bb) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2C 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

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

#### 2C.7.12.1 Applying Reset Rate

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

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

#### 2C.7.12.2 Negative Interest Rate Method

SCMs should note the provisions of section 3.3 of Part A of the Schedule to the SwapClear Regulations regarding the applicability of the Negative Interest Rate Method to a SwapClear Contract. SwapClear Participants may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

### 2C.8 **INITIAL MARGIN**

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

Separate initial margin calculations are performed for an SCM's house “H” and client “C” accounts.

#### 2C.8.1 **Margin Parameters**

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

Clearing Members will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the

new yield curve scenarios.

## 2C.8.2 Counterparty Risk Multiplier

The Clearing House will, in the event of an SCM being downgraded to “BBB” (see section 1.3), apply a multiplier to that SCM’s initial margin requirement as calculated by PAIRS. The initial margin multiplier for SCMs rated “A -”, will be 1.1. For a rating of “BBB +” it will be 2.0 and for a rating of “BBB” it will be 2.5. In the event that that SCM is downgraded below BBB, the margin multiplier of 2.5 will continue to be applied, and the SCM will be required to leave the service through the SwapClear Resignation Process. (In the unlikely event that this Process is invoked, details of the process will be provided by Risk Management).

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

The Clearing House reserves the right to require additional amounts of cover from a specific SCM or from all SCMs in accordance with Regulation 12.

## 2C.8.3 Liquidity Multiplier

Risk Management apply a liquidity multiplier based on WCL exceeding certain thresholds on the SCM’s whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis. SwapClear Clearing Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

## 2C.8.4 Intra-day Margin Calls

In accordance with the Clearing House’s General Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2C.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see section 3.2.2). **Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.**

## 2C.8.5 Calculation of Initial Margin

### 2C.8.5.1 Portfolio Approach to Interest Rate Scenarios (PAIRS)

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the initial margin requirement. Further details of this method are available upon



request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team on +44 (020) 7426 6325 or +44 (020) 7426 7428

## 2C.9 **INTRA-DAY MARGIN CALL: COLLATERAL MANAGEMENT**

### 2C.9.1 **General – Intra-day Margining**

Following an intra-day margin call and unless notified otherwise by an SCM at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant SCM's PPS account to cover that intra-day margin call.

Standard Clearing House rules for acceptable cash used for intra-day cover will apply.

It is the responsibility of the SCM to ensure that they have sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

If the Clearing House is unable to contact the SCM in order to arrange an alternative payment method for the intra-day margin call the Clearing House will automatically issue a PPS call to debit the SCM's PPS account in the appropriate currency.

Please note: An SCM must notify the Clearing House of its preferred method of collateralisation at the time of the Clearing House's margin call. Once an SCM has chosen an intra-day collateralisation method and has notified the Clearing House of its chosen method, such choice is definitive and the Clearing House will not reverse any decision.

### 2C.9.2 **Alternative Intra-Day Cash Collateralisation Methods**

An SCM may choose to cover its intra-day, margin calls by transferring cash from its House account or Additional Collateral Account to its Client Account.

#### 2C.9.2.1 **Method 1: Transferring Cash Collateral from the House Account**

An SCM may choose to transfer excess cash collateral from its House account to cover an intra-day margin call for its Client account.

In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess cash collateral from its House account it must follow the procedure below.

A transfer of excess cash collateral from its House account to its Client account must be completed within 1 hour of the SCM's request to the Clearing House that it intends to transfer House cash excess to its Client account by completing the Intra-Day House Cash Excess Transfer Form (Appendix 2C.D)

In the event that an SCM does not fulfil the requirement to provide the Clearing House with an executed Intra-Day House Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer excess cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirements in cash, in the appropriate currency, or impose penalty charges.

### 2C.9.2.2 Method 2: Transferring Cash Collateral Excess Deposited in the Additional Collateral Account

An SCM may choose to utilise any cash collateral held in its Additional Collateral account in respect of a SwapClear Clearing Client to cover an intra-day margin call for its Client account. An SCM may only transfer collateral from its Additional Collateral account for the purposes of meeting an intra-day margin call on its Client account.

In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring cash collateral from its Additional Collateral account it must follow the procedure below.

A transfer of cash collateral from the Additional Collateral account to the Client account must be completed within 1 hour of the SCM's request to the Clearing House that it intends to transfer Additional Collateral cash excess to its Client account by completing the Additional Collateral Cash Excess Transfer Form (Appendix 2C.G)

In the event that an SCM does not meet its requirement to provide the Clearing House with an executed Additional Collateral Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer cash collateral, the Clearing House may as its discretion issue a PPS call to cover the requirement in cash, in the appropriate currency, or impose penalty charges.

An SCM may also transfer cash collateral from its Client account to its Additional Collateral account by completing an Additional Collateral Account Cash Transfer Form (Appendix 2C.G).

An SCM must submit an Additional Collateral Account Spreadsheet to the Clearing House whenever transfers are made from/to the Additional Collateral account.

### 2C.9.3 **Alternative Intra-Day Non-Cash Collateralisation Methods**

An SCM may choose not to cover its intra-day margin calls with cash collateral. In such a case, an SCM may choose from one or more of the following three methods:

1. Deposit intra-day non-cash collateral into the Client account;
2. Transfer House non-cash excess from the House account to the Client account;
3. Transfer Client non-cash excess deposited in the Additional Collateral account to the Client account

#### 2C.9.3.1 Method 1 – Deposit Intraday Non-Cash Collateral

An SCM may choose to lodge non-cash collateral to cover any intra-day margin call for their Client account.

In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by depositing non-cash collateral it must follow the procedure below:

Within 30 minutes of the SCM's notification of its intention to deposit non-cash collateral it must:

- (a) complete the Intra-Day Collateral Lodgement Form and provide a copy to the Clearing House (Appendix 2C.B);
- (b) input instructions for matching with the relevant Custodian account.

Any lodgement of non-cash collateral must be settled in the Clearing House's account at the relevant Custodian within 1 hour of the SCM's notification to the Clearing House of its intention to lodge non-cash collateral.

The Clearing House will charge accommodation fees as notified to SCMs for any non-cash collateral lodged as intra-day cover (see section 3 of the Clearing House Procedures). This charge will be invoiced to SCMs separately from the standard monthly interest and accommodation charge statement.

In the event that non-cash collateral is not settled in the Clearing House's account within 1 hour of the SCM notifying the Clearing House of its intention to lodge non-cash collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day requirement in cash, in the appropriate currency, or impose penalty charges.

When an SCM lodges non-cash collateral, the Clearing House will issue the SCM with a collateral lodgement reference number.

#### 2C.9.3.2 Method 2 – Transfer Non-Cash House Excess

An SCM may choose to utilise any excess non-cash collateral held in its House account to cover an intra-day margin call on its Client account.

In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess non-cash collateral from its House account it must follow the procedure below:

A transfer of excess non-cash collateral from the House account to the Client account must be completed within 1 hour of the SCM's request to the Clearing House that it intends to transfer House excess to its Client account by completing the House Excess Transfer Form (Appendix 2C.C).

The House Excess Transfer Form submitted by the SCM to the Clearing House must contain the collateral lodgement reference number as provided by the Clearing House to the SCM at the time the non-cash collateral was lodged.

In the event that an SCM transfers non-cash collateral to its Client account, the Clearing House will apply accommodation charges for any non-cash collateral lodged as intra-day cover. This charge will be invoiced to members separately from the standard monthly interest and accommodation charge statement.

In the event that an SCM does not fulfil its requirement to provide the Clearing House with an executed House Excess Transfer Form within 1 hour of notifying

the Clearing House of its intention to transfer non-cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirement in cash, in the appropriate currency, or impose penalty charges.

Transfers from the Client Account to the House account are not permitted under any circumstances.

#### 2C.9.4 **Method 3 – Transfer Non-Cash Collateral deposited in the Additional Collateral Account**

An SCM may choose to transfer non-cash collateral held in its Additional Collateral account in respect of a SwapClear Clearing Client to cover any intra-day margin call on its Client account.

In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring non-cash margin held in its Additional Collateral account it must follow the procedure below:

Within 30 minutes of the SCM's notification of its intention to transfer non-cash collateral from the Additional Collateral Account:

- (a) submit an Additional Collateral Account Non-Cash Transfer Form (Appendix 2C.F);
- (b) provide the Clearing House with a revised Additional Collateral Account Spreadsheet (Appendix 2C.H) that takes into account the transfer from the Additional Collateral account to the Client account.

The Clearing House will apply accommodation charges for any Non-cash collateral lodged as intra-day cover (see section 3 of the Clearing House Procedures). This charge will be invoiced to members separately from the monthly interest and accommodation charge statement.

If an SCM does not fulfil its requirement to provide the Clearing House with an executed Additional Collateral Account Non-Cash Transfer Form within 1 hour of the SCM's notification to the Clearing House that it wishes to transfer non-cash collateral from the Additional Collateral account, the Clearing House may at its discretion issue a PPS call to cover the margin requirement in cash, in the appropriate currency, or impose penalty charges.

An SCM may also transfer non-cash collateral from its Client account to its Additional Collateral account by completing an Additional Collateral Account Transfer Form.

All Additional Collateral Account Non-Cash Transfer Forms submitted by the SCM to the Clearing House must contain the collateral lodgement reference number as provided by the Clearing House to the SCM at the time the non-cash collateral was initially lodged.

An SCM must submit an Additional Collateral Account Spreadsheet to the Clearing House whenever transfers are made from/to the Additional Collateral account.

**2C.10      DECLARING**

Trades are usually declared from SwapClear upon receipt by the Clearing House of appropriate instructions from MarkitWire; such instructions will have been originated in MarkitWire by both SCMs and/or both SCMs and a SwapClear Clearing Client consenting to the trade or portfolio of trades being declared. If at any time an Early Termination Date in respect of all Transactions under the Clearing ISDA Master Agreement occurs in respect of which the SwapClear Clearing Client is the Defaulting Party or sole Affected Party, the Clearing House will declare all of the Associated LCH Transactions relating to the client upon receipt of instructions from the SCM and the following:

- (a) a copy of the notice designating the Early Termination Date or, if the Early Termination Date occurs automatically, evidence of the relevant Event of Default or Termination Event;
- (b) a copy of a notice served by the SCM on the SwapClear Clearing Client alerting that SwapClear Clearing Client of its intention to declare the relevant trade;
- (c) an indemnity from the SCM in a form suitable to the Clearing House.

The Clearing House will usually declare the relevant trade within 24 hours of receipt of the above, unless a SwapClear Clearing Client contests the declaring of the trades.

In the event that all of the Associated LCH Transactions relating to a SwapClear Clearing Client are declared in accordance with this section 2C.10, the relevant SCM that has declared the trades or trades shall be entitled to any collateral lodged in the Additional Collateral Account with the Clearing House and held in respect of the relevant SwapClear Clearing Client.

**2C.11      POSITION TRANSFERS**

The SwapClear Clearing System provides functionality for transfer of positions between SCMs. An SCM who wishes to effect a position transfer to another SCM should contact the Clearing House Risk Management Department.

SwapClear Dealers who wish to change their SCM will be required to execute a new SwapClear Dealer Clearing Agreement with their intended new SCM. The Clearing House will, if all parties are in agreement, effect a transfer of positions from one SCM to the other.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer with the exception of a transfer to a Backup SwapClear Clearing Member following a default of their existing SwapClear Clearing Member.

**2C.11.1    Legal Documentation**

The Clearing House will provide standard legal documentation for the transfer of

positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.

#### 2C.11.2 **Position Transfer Notice Period**

The Clearing House will usually require five business days notice ahead of an intended transfer.

#### 2C.12 **TERMINATION BY AUTOMATED SERVICE**

Termination by automated service is no longer available. SwapClear Contracts may be declared from SwapClear in line with section 2C.10. In the event that an SCM wishes to remove a SwapClear Contract submitted through the SWIFT trade source it should complete a Cleared Trade Removal Agreement as set out in Appendix 2M and a corresponding Cleared Trade Removal Agreement should also be submitted to the Clearing House by the Counterparty SCM (as defined in the Agreement).

#### 2C.13 **AMENDMENT OF TRADE REFERENCES**

Sometimes SwapClear Participants wish to change their own trade references numbers/codes by which they identify trades registered in the SwapClear Service. Subject to that SwapClear Participant meeting all the Clearing House's requirements and these Procedures, the Clearing House will, as part of its service to SwapClear Participants, amend its records in order to reflect this change. Such change has no effect whatsoever on the terms of any registered SwapClear contract or any other obligations of the SCMs party to those contracts.

#### 2C.14 **TRADE REFERENCE AMENDMENT REQUEST FORM**

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any SwapClear Participant wishing to amend a trade reference. The form must be signed by two persons from within the SwapClear Participant with appropriate signing authority and must set out the required full details of each registered trade in respect of which the SwapClear Participant wishes to CHANGE ITS TRADE REFERENCE. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two business days ("the Trade Reference Amendment Notice Period") after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it cannot promise to do so. The date for the amendment in the Clearing House's records and SwapClear Clearing System is a matter entirely within the discretion of the Clearing House and SCMs will be advised in due course of the date set by the Clearing House.



### 2C.14.1 Multi-trade Amendments

If a SwapClear Participant requests amendment to several trades it must (in addition to the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +44 (0) 20 7426 7697). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the SwapClear Participant advised accordingly.

The Security Trustee Deed of Assignment is currently only available to UK incorporated SwapClear Clearing Members and UK branches of overseas incorporated SwapClear Clearing Members.

### 2C.14.2 Processing

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- ~~≡~~ ~~(a)~~ it is not made in accordance with these Procedures
- ~~≡~~ ~~(b)~~ any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the SwapClear Participant trade reference which the Clearing House has recorded
- ~~≡~~ ~~(c)~~ any the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the SwapClear Clearing System
- ~~≡~~ ~~(d)~~ any trade referred to in the Trade Reference Amendment Request Form is not already registered in the SwapClear Clearing system or is not recorded by the Clearing House against the BIC code of the SwapClear Participant requesting the amendment
- ~~≡~~ ~~(e)~~ it would not be practical in all the circumstances or would put the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the SwapClear Participant and process the amendment as soon as reasonably practicable thereafter.

After close of business of the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new SwapClear Participant trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely “amended” or “rejected”. All records of the Clearing House and data held in the SwapClear

Clearing System will then be updated overnight following the close of business on that day.

#### 2C.14.3 **Legal Documentation**

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

#### 2C.14.4 **Notification**

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

#### 2C.15 **SWAPCLEAR CLIENT CLEARING**

SwapClear Client Clearing allows a SwapClear Clearing Member to provide certain clearing services to SwapClear Clearing Clients.

#### 2C.15.1 **Deed of Assignment**

Unless otherwise specified by the Clearing House, SwapClear Clearing Members and SwapClear Clearing Clients must enter into a Deed of Assignment with the Clearing House before such SwapClear Clearing Members provide clearing services to SwapClear Clearing Clients. The deed of assignment must be executed substantially in the form set out in Appendix 2I.

A slightly amended Deed of Assignment is required for SwapClear Clearing Members incorporated in Ireland and is available from the Clearing House's Membership Department ([membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com)).

As an alternative to entering an individual Deed of Assignment with each SCM and their individual SwapClear Clearing Client, the Clearing House also operates a Security Trustee Model whereby the Clearing House holds those assets assigned under the Deed of Assignment on trust for SwapClear Clearing Clients. The Security Trustee Model Deed of Assignment is shown at Appendix J. Further details are available from the Clearing House's Membership Department ([membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com)).

#### 2C.15.2 **Give-Up Agreement**

Unless otherwise specified by the Clearing House, a SwapClear Clearing Member that wishes to give up to another SwapClear Clearing Member a



transaction entered into with a client with a view to such transaction being submitted to the Clearing House for clearing through the SwapClear Client Clearing Service must enter into a Give-up Agreement with such SwapClear Clearing Member. The Give-up Agreement must be executed substantially in the form set out in Appendix 2K and must incorporate the SwapClear Client Clearing Give Up Standard Terms Version 1.0 dated 8 November 2010.

### 2C.15.3 Prescribed Language

Pursuant to the Clearing House's General Regulations, each SwapClear Clearing Member is required to ensure that it includes certain language in its agreement with its SwapClear Clearing Client (the "Clearing House Prescribed Language"). The Clearing House Prescribed Language is shown at Appendix 2L.

### 2C.15.4 Other Legal Documentation

2C.15.4.1 From time to time, the Clearing House may make available on its website template documents that a SwapClear Clearing Member and a SwapClear Clearing Client may find useful when agreeing the terms between them for the provision of clearing services by such SwapClear Clearing Member to a SwapClear Clearing Client. SwapClear Participants should note that the Clearing House makes no representations in respect of any documentation, including without limitation, those provided by the Clearing House or otherwise.

SwapClear Clearing Clients should, of course, make their own independent decisions in relation to the SwapClear Client Clearing Service based upon their own judgment and upon such advice from such advisers as those clients deem necessary.

SwapClear Clearing Clients' attention is drawn to the SwapClear Clearing End-User Notice which is published on the Clearing House's website ([http://www.lchclearnet.com/swaps/swapclear\\_for\\_clients/default.asp](http://www.lchclearnet.com/swaps/swapclear_for_clients/default.asp))

2C.15.4.2 The following template documentation is currently made available on the Clearing House's website:

(a) ~~(A)~~ SwapClear Client Clearing Agreement Version 2.0 dated 8 November 2010, incorporating the SwapClear Client Clearing Standard Terms Version 1.0 dated 8 November 2010. An additional long-form version of this document is also available.

(b) ~~(B)~~ SwapClear Client Clearing Give Up Standard Terms Version 1.0 dated 8 November 2010.

### 2C.15.5 Withholding Taxes

Please note that where SCMs are not beneficially entitled to securities that they lodge with the Clearing House as non-cash collateral, the Clearing House may require certain tax documents from the relevant beneficial owner of such securities (see section 4 of the LCH procedures).

**2C.16 EARLY TERMINATION EVENTS**

SwapClear Participants using MarkitWire may, if they so wish, use the Early Termination Provision FpML block to include details of any terms relating to optional early termination agreed between the parties to that SwapClear Transaction.

The Clearing House has agreed, in order to assist SwapClear Participants, that SwapClear Participants may use these fields for their own administrative convenience as a record of a term of the underlying SwapClear Transaction between them, but any data populating these fields will not under any circumstances constitute any part of or any term of the SwapClear Contracts which arise between the Clearing House and the SCMs in whose name such trades are registered. SCMs have no right to elect early termination of any SwapClear Contract. The full terms of any such SwapClear Contract are as set out in Part A of the Schedule to the SwapClear Regulations.

The Clearing House does not store or record any data populating these fields or blocks or any other fields or blocks in the trade confirmation message which are ignored by the SwapClear System (see information documents provided by SwapClear entitled

“The FpML Validation Rules for SwapClear”

**2C.17 TERMINATION OF SWAPCLEAR CLEARING MEMBER AND SWAPCLEAR DEALER STATUS****2C.17.1 Termination of SwapClear Clearing Member status**

Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; [membership@lchclearnet.com](mailto:membership@lchclearnet.com)) for details of how to resign from the SwapClear service.

**2C.17.2 Termination of SwapClear Dealer status**

The SwapClear Dealer Agreement sets out how that relationship may be terminated.

In particular, a SwapClear Dealer may terminate the agreement by giving no less than twenty one (21) days' written notice in the same terms to the SCM and to the Clearing House. Before the expiry of such twenty one (21) days (the “Termination Date”), the Clearing House will notify all SwapClear Clearing Members and SwapClear Dealers that the relevant SD is no longer able, from such Termination Date to submit SwapClear Transactions for registration. It may only resume registration of SwapClear Transactions if it enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers. The Clearing House may give such notification by letter, email, fax, internet or telephone.

An SCM may terminate the agreement, inter alia, at any time by giving written notice to the SD and to the Clearing House in accordance with the provisions of the agreement. Following receipt of that notice, the Clearing House will confirm receipt to the SCM and SD and such termination will become effective 3 hours

after the Clearing House's confirmation has been sent out. Confirmation may be given by the Clearing House by letter, email, fax, internet or telephone. Where notice is given to the Clearing House on a day which is not a business day for the SwapClear Service, it will become effective three (3) hours after the commencement of the SwapClear Service on the next following business day.

Following the receipt of a notice to terminate given by the SCM, the Clearing House will notify all SwapClear Clearing Members and SwapClear Dealers that the relevant SD is no longer able to submit SwapClear Transactions for registration until that SD enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers.

#### 2C.18 **PAYMENT OF STAMP TAX**

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

#### 2C.19 **SECTION 168, FINANCE ACT 1994**

Under section 696 Corporation Tax Act 2009 ("**CTA 2009**"), net payments in relation to certain derivative contracts (as defined in Section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a "recognised clearing house" as defined in section 285 of FSMA 2000.

Any contract which would otherwise fall within section 696 CTA 2009 must not be submitted to the Clearing House by SwapClear Participants for clearing nor should any SwapClear Clearing Member knowingly permit any such contract to be submitted by a SwapClear Participant. Should this occur the SwapClear Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that Clearing Member becoming aware of the situation. Having investigated the

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

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

## 2C.20 **DEFAULT MANAGEMENT**

### 2C.20.1 **Portfolio Splitting:**

As part of the Default Management Process, the Clearing House may divide an Auction portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing house will, in consultation with the Default Management Group, seek to create:

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

one or more individual Sub portfolios which are more risk neutral.

### 2C.20.2 **Acceptance of Bids**

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

cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;

cause the Clearing House or its membership any reputational harm;

cause legal action or proceedings to be taken against the Clearing House;

endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

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

### 2C.20.3 Affiliate Bidding

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

A SwapClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where it wishes to do so, the SwapClear Clearing Member should contact the Clearing House's Membership Department [insert details].

### 2C.20.4 Backup SwapClear Clearing Members

SwapClear Clearing Members may nominate a Backup SwapClear Clearing Member in respect of a SwapClear Clearing Client.

Where a SwapClear Clearing Member nominates a Backup SwapClear Clearing Member, the Clearing House is entitled, in accordance with the Default Management Process and following the default of the relevant SwapClear Clearing Member, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that pre-nominated Backup SwapClear Clearing Member; the Clearing House shall not require consent from any person in advance of sending these details.

Note: Nomination of a Backup Clearing Member does not mean that SwapClear Contracts will always be transferred to that Backup Clearing Member. Porting of SwapClear Contracts, following a SwapClear Clearing Member's default is always subject to the Clearing House's receipt of consent from the relevant Backup SwapClear Clearing Member.

A SwapClear Clearing Member that wishes to nominate a Backup SwapClear Clearing Member on behalf of a SwapClear Clearing Client should contact the Clearing House's Membership Department [insert details]

### 2C.20.5 Default Fund: SwapClear Contributions

SwapClear Contributions (as defined in the Default Fund Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the SwapClear Contribution under S2(k) of the Default Fund Rules (each a "SwapClear Reset Day"). SwapClear Contribution requirements will be notified to SwapClear Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Excess SwapClear Contribution amounts due to SwapClear Clearing Members following the adjustment to the SwapClear Contribution will be repaid to SwapClear Clearing Members' PPS accounts on the SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to SwapClear Clearing Members' PPS accounts on the first working day after the SwapClear Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day.

#### 2C.20.6 Quantifying SwapClear Contributions

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for initial margin applied to an SCM shall be determined by reference to the SwapClear Contracts comprising the SwapClear House Business of that SCM only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from 28 September 2012, the average daily requirement for initial margin applied to an SCM for the purposes of such calculation shall be determined by reference to the SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that SCM.

#### 2C.20.7 Outsourcing

Pursuant to Section 1 (Membership) of the Procedures, an SCM may appoint a third party to fulfil one or both of the the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the Default Management Process operated by the Clearing House. Where an SCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

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

- A SwapClear Clearing Member
- An FCM Clearing Member
- An FCM Client or SwapClear Clearing Client
- any other entity that the Clearing House deems appropriate in its sole discretion.

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

- (a) details of the third party entity that the SCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (b) evidence of the existence of a legally binding agreement between the SCM Clearing Member and the third party; and



(c) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

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

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

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

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

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

**The appointment of an LCH Approved Outsourcing Agent does not absolve an SCM of its obligations under the Default Management Process (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Default Management Process on behalf of an SCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that SCM.**

#### 2C.20.8 SwapClear DMG

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

Each SCM who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors

[servicing on the SwapClear DMG complies with Schedule \[ \] covering confidentiality, non-disclosure and other terms.](#)



## APPENDIX 2C.A

**SWAPCLEAR PROCESSING SCHEDULE**

This table outlines the daily processes and timetable of the SwapClear operation. Clearing Members will be informed of changes to this timetable via member circular. All time shown is London time.

<b>SWAPCLEAR PROCESSING SCHEDULE</b>	
<b>Time</b>	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2C.3.4)
16:00	Deadline for PPS calls in London
22:00	SwapClear Closes

**APPENDIX 2C.B**

**INTRA-DAY COLLATERAL LODGEMENT FORM**



Version 1: Oct 2009

LCH.Clearnet Limited Ref No:

XX??

To: LCH.Clearnet Limited (the "Clearing House"), Treasury Department  
(scmcollateral@lchclearnet.com)

From: Clearing Member (full name): .....

**Client Account\*** **Mnemonic:** .....

**We confirm** that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator. and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security (Issue – Coupon – Maturity)

Delivery from: Depository/Agent: .....

(for US Securities, Broker Code) .....

Account Holder .....

Account Number .....

Delivery to (please indicate)

Depository	Euroclear	Euroclear (ITL tax exempt)	CRESTCo	Citibank (US owners)	Citibank (non-US owners)
Clearing House Account No	91205	91737	5165	090401	090372

Signatories for and on behalf

of the Clearing Member:

1. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

2. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

Date: \_\_\_\_\_

To: **THE ABOVE-NAMED CLEARING HOUSE**

We accept the above-mentioned securities for inclusion in The Schedule of "Specified Securities" charged to us under your above-mentioned charge.

For and on behalf of LCH

Clearnet Limited Date: \_\_\_\_\_ Time: \_\_\_\_\_

(Authorised Signatory): .....

**APPENDIX 2C.C**

**INTRA-DAY HOUSE NON-CASH EXCESS TRANSFER FORM**



Version 1: Oct 2009

Completed forms should be sent to the Clearing House Treasury Department  
(scmcollateral@lchclearnet.com)

From: Clearing Member (full name) House Account: \_\_\_\_\_

To: **Client Account** Mnemonic: \_\_\_\_\_

**Lodgment Ref:** \_\_\_\_\_

**We confirm** that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator. and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time

Security Code Number	Settlement Date	Amount/Nominal Value	Description of Security (Issue – Coupon – Maturity)

Signatories for and on behalf

of the Clearing Member: 1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

APPENDIX 2C.D

INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM



Version 1: Oct 2009

Completed forms should be sent to the Clearing House Treasury Department  
(scmcollateral@lchclearnet.com)

From: Clearing Member (full name) House Account: \_\_\_\_\_

To: **Client Account** **Mnemonic:** \_\_\_\_\_

We wish to transfer the following amount of cash collateral from our House account to the Additional Collateral Account as detailed above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.

Amount

Signatories for and on behalf  
of the Clearing Member:

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 2C.E**

**ADDITIONAL COLLATERAL ACCOUNT LODGEMENT FORM**



Version 1: Oct 2009

LCH.Clearnet Limited Ref No: **XX??**

Completed forms should be sent to the Clearing House Treasury Department  
(scmcollateral@lchclearnet.com)

To: LCH.Clearnet Limited (the "Clearing House")

From: Clearing Member (full name): \_\_\_\_\_

**Additional Collateral Account**                      **Mnemonic:** \_\_\_\_\_

*\*Please delete as appropriate*

**We confirm** that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator. and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security (Issue – Coupon – Maturity)

Delivery from: Depository/Agent: .....

(for US Securities, Broker Code) .....

Account Holder \_\_\_\_\_

Account Number \_\_\_\_\_

Delivery to (please indicate)

Depository	Euroclear	Euroclear (ITL tax exempt)	CRESTCo	Citibank (US owners)	Citibank (non-US owners)
Clearing House Account No	91205	91737	5165	090401	090372

Signatories for and on behalf

of the Clearing Member:

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

To: **THE ABOVE-NAMED CLEARING HOUSE**

We accept the above-mentioned securities for inclusion in The Schedule of "Specified Securities" charged to us under your above-mentioned charge.

For and on behalf of LCH

Clearnet Limited Date: \_\_\_\_\_ Time: \_\_\_\_\_

(Authorised Signatory): \_\_\_\_\_





Security Code Number	Settlement Date	Amount/Nominal Value	Description of Security (Issue – Coupon – Maturity)

Signatories for and on behalf  
of the Clearing Member:

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

APPENDIX 2C.G

INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT CASH TRANSFER FORM



Version 1: Oct 2009

Completed forms should be sent to the Clearing House Treasury Department (teamcollateral@lchclearnet.com)

Clearing Member (full name): .....
Mnemonic: .....

Lodgment Ref: .....

From: Additional Collateral Account or Client Account \*Please delete as appropriate

To: Additional Collateral Account or Client Account .....

We wish to transfer the following amount of cash collateral from the account specified above to the account specified above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.

Table with 1 column: Amount

Signatories for and on behalf of the Clearing Member: 1. (Signature) (Print Name) (Position) 2. (Signature) (Print Name) (Position)

Date: \_\_\_\_\_

APPENDIX 2C.H

ADDITIONAL COLLATERAL ACCOUNT SPREADSHEET

Additional Collateral (Client) Account Spreadsheet								Issue Date	04/05/2010						
<b>Example</b>															
Collateral Funded Date	SCM mnemonic	Scmname	Client	Collgroup	Collgroupdescription	Currency	Bankcode	Bankname	Price	Nominal value	Cover value	Value Date	Expiry date	ISIN	
26/10/2009	XXX	XXX Bank	ABC	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	146.80	14,000,000.00	19216120	20/08/2009	27/10/2023	IT0000366655	
27/10/2009	XXX	XXX Bank	ABC	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	114.03	16,000,000.00	17058888	21/04/2009	28/04/2031	IT0001444378	
27/10/2009	XXX	XXX Bank	ABC	CASH	CASH	EUR	870001	XXXX		1,000,000.00					
28/10/2009	XXX	XXX Bank	XYZ	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	103.37	10,000,000.00	9820150	07/05/2009	28/01/2020	IT0003644769	
26/10/2009	XXX	XXX Bank	EFG	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	146.80	14,000,000.00	19216120	20/08/2009	27/10/2023	IT0000366655	
27/10/2009	XXX	XXX Bank	EFG	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	114.03	16,000,000.00	17058888	21/04/2009	28/04/2031	IT0001444378	
27/10/2009	XXX	XXX Bank	EFG	CASH	CASH	GBP	870001	XXXX		5,000,000.00					
<b>Total "A" account holdings</b>						<b>???</b>									
<b>Please fill in the following:</b>															
Collateral Funded Date	SCM mnemonic	Scmname	Client	Collgroup	Collgroupdescription	Currency	Bankcode	Bankname	Price	Nominal value	Cover value	Value Date	Expiry date	ISIN	
<b>Total "A" account holdings</b>						<b>???</b>									

**APPENDIX 2C.1**

**CLEARING DEED OF ASSIGNMENT**

[Insert Date]

**[CLEARING MEMBER]**

and

**[CLIENT]**

and

**LCH.CLEARNET LIMITED**

**DEED OF ASSIGNMENT**

**This Deed** is dated [*Insert Date*] and made between:

- (1) **[CLEARING MEMBER]** in its capacity as assignor (the “**Assignor**”);
- (2) **[CLIENT]** in its capacity as assignee (the “**Assignee**”); and
- (3) **LCH.CLEARNET LIMITED** in its capacity as recipient of the notice of assignment pursuant to Clause 4.2 (“**LCH.Clearnet**”).

## WHEREAS

- (A) ~~(a)~~ In order to facilitate the clearing of certain transactions with LCH.Clearnet, the Assignor and Assignee have entered into the Agreement Relating to LCH Clearing dated [*Insert Date*] (the “**Client Clearing Agreement**”) pursuant to which they will have entered into as of such date the Clearing ISDA Master Agreement (as defined in the Client Clearing Agreement). In addition, the parties have, pursuant to the Client Clearing Agreement, entered into a Credit Support Annex in respect of, and which forms part of, the Clearing ISDA Master Agreement (the Clearing ISDA Master Agreement together with such Credit Support Annex and the Client Clearing Agreement, the “**Swap Agreement**”).
- (B) ~~(b)~~ The Assignor and Assignee, for commercial and economic reasons, desire to maximise the ability to move positions represented by Transactions under the Swap Agreement to a replacement Clearing Member upon an Enforcement Event (defined below) and to deliver certain receivables from LCH.Clearnet to the Assignee directly.
- (C) ~~(c)~~ LCH.Clearnet has agreed to be a party to this Deed solely for the purpose of Clause 4.2 [and Clause 4.4].

**It is agreed** as follows:

### 1 ~~(e)~~ **Definitions and Interpretation**

1.1 ~~(e)~~ **Definitions:** Capitalised terms used but not defined in this Deed shall have the meaning given to them in the Swap Agreement. In addition, the following expressions shall have the following meanings:

“**Assigned Assets**” means the assets subject, or expressed to be subject, to the Assignment or any part of those assets.

“**Assignment**” means the assignment created or expressed to be created by this Deed.

“**Client Clearing Agreement**” has the meaning given to it in Recital (A) to this Deed.

“**Enforcement Event**” means the occurrence of an Early Termination Date under the Swap Agreement as a result of a Clearing Default.

“**Insolvency Act**” means the Insolvency Act 1986.

“**Liabilities**” means all present and future obligations, moneys, debts and liabilities due, owing or incurred by the Assignor to the Assignee under or in connection with the Swap Agreement.

“**LPA**” means the Law of Property Act 1925.

“**Relevant Account Balance**” means the Account Balance (as defined in the LCH Rules) relating to the Assignee and the Associated LCH Transactions determined by LCH.Clearnet following a Clearing Default in accordance with the LCH Rules.

“**Relevant SwapClear Clearing Client Entitlement**” means the SwapClear Clearing Client Entitlement (as defined in the LCH Rules) relating to the Assignee and the Associated LCH Transactions determined by LCH.Clearnet following a Clearing Default in accordance with the LCH Rules.

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Swap Agreement**” has the meaning given to it in Recital (A) to this Deed.

“**Transaction Documents**” means this Deed and the Swap Agreement.

“**UCC**” means the Uniform Commercial Code as in effect in any applicable jurisdiction.

## 1.2 ~~(f)~~ **Construction:**

1.2.1 ~~(g)~~ Unless a contrary indication appears, any reference in this Deed to:

- (i) ~~(h)~~ “**assets**” includes present and future properties, revenues and rights of every description;
- (ii) ~~(i)~~ the “**Assignor**”, the “**Assignee**” or any “**party**” shall be construed so as to include its successors in title and permitted transferees;
- (iii) ~~(j)~~ an agreement, confirmation or instrument is to a reference to that agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced;
- (iv) ~~(k)~~ a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
- (v) ~~(l)~~ a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any



governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and

- (vi) ~~(m)~~ a provision of law is a reference to that provision as amended or re-enacted.

1.2.2 ~~(n)~~ Clause and Schedule headings are for ease of reference only.

## 2 ~~(o)~~ **Undertaking to pay**

The Assignor undertakes to pay each of its Liabilities when due in accordance with its terms.

## 3 ~~(p)~~ **Security**

The Assignor, with full title guarantee [and as security for the payment of all Liabilities]<sup>1</sup>, assigns absolutely to the Assignee all its present and future right, title and interest in and to the Relevant SwapClear Clearing Client Entitlement and the Relevant Account Balance.

## 4 ~~(q)~~ **Restrictions and Further Assurance**

4.1 ~~(r)~~ **Security:** The Assignor agrees that it shall not create or permit to subsist any Security over any Assigned Assets except for the Assignment.

4.2 ~~(s)~~ **Notice of Assignment and Undertaking:** The Assignor hereby gives notice of the Assignment to LCH.Clearnet. LCH.Clearnet hereby acknowledges receipt of such notice and undertakes to the other parties hereto that it shall, following the occurrence of a Clearing Default, act in accordance with the LCH Rules and any other laws and regulations applicable to it in determining how the Assigned Assets are to be distributed.

The parties hereto acknowledge and agree that LCH.Clearnet has agreed to be a party to this Deed solely for the purposes of this Clause 4.2 [and to receive the written evidence referred to in Clause 4.4] and shall have no other obligation or liability save as expressly provided in Clause 4.2 [and Clause 4.4]. In particular, the parties agree that the undertaking given by LCH.Clearnet in this Clause 4.2 shall be without prejudice to any protections afforded to it pursuant to the LCH Rules or any other laws and regulations applicable to it.

4.3 ~~(t)~~ **Margining:** The Assignor agrees that, prior to the operation of Clause 9.1, it shall provide margin in respect of any Associated LCH Transactions to LCH.Clearnet on

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<sup>1</sup> The language in brackets should not be included where the relevant Clearing Member is organised under the laws of Germany.

[an Individual Segregated Account basis]/[an Omnibus Net Segregated Account basis]<sup>2</sup> in accordance with (and as defined in) the LCH Rules.

**4.4** ~~(u)~~ **[UCC Financing Statement:** The Assignor hereby authorises the filing of a financing statement describing the Assigned Assets in the filing office of Assignor's location as determined by Section 9-307 of the UCC and the Assignee hereby agrees to (a) file such financing statement within [10 Business Days] of the date hereof and (b) provide the Assignor and LCH.Clearnet with a copy of the relevant filed Form UCC-1.]<sup>3</sup>

**4.5** ~~(v)~~ **Assignor's Undertaking:** The Assignor undertakes to the Assignee that it shall not, without the prior written consent of the Assignee to such amendment, make any amendment to the SwapClear Default Management Process Agreement to which the Assignor is a party the effect of which amendment would be to (a) amend the terms of the Assigned Assets hereunder or thereunder or (b) amend the terms on which the Assigned Assets may be dealt with following the occurrence of a Clearing Default.

## **5** ~~(w)~~ **Payments**

**5.1** ~~(x)~~ **No Enforcement Event:** Subject as otherwise provided in this Deed, and for so long as no Enforcement Event has occurred, the Assignor shall be entitled to receive and retain all payments or transfers made to it in respect of the relevant [Individual Segregated Account]/[Omnibus Net Segregated Account]<sup>4</sup> in accordance with the LCH Rules. For the avoidance of doubt the Assignor shall not be entitled to deal with the Assigned Assets at any time while the Assignment is in effect.

**5.2** ~~(y)~~ **Post Enforcement Event:** Following the occurrence of an Enforcement Event, the Assignee shall be entitled to receive directly from LCH.Clearnet all Assigned Assets and payments or transfers made in respect of an Assigned Asset.

## **6** ~~(z)~~ **Enforcement and Remedies**

**6.1** ~~(aa)~~ **Enforcement Event:** As between the Assignor and the Assignee, the Security created on the date hereof shall only be enforceable, and the powers conferred by Section 101 of the LPA as varied and extended by this Deed shall only be exercisable, following the occurrence of an Enforcement Event.

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<sup>2</sup> Delete as applicable.

<sup>3</sup> This covenant must be included if the Assignor is organised under the laws of the United States of America or any state thereof or located in any such jurisdiction for purposes of Section 9-307 of the UCC.

<sup>4</sup> Delete as applicable.

**6.2** ~~(bb)~~ **Power of Sale:** The statutory power of sale and the other statutory powers conferred on mortgagees by Section 101 of the LPA as varied and extended by this Deed shall arise on the date of this Deed.

**6.3** ~~(cc)~~ **Section 103 LPA:** Section 103 of the LPA shall not apply to this Deed.

## **7** ~~(dd)~~ **Provisions Relating to Assignee**

**7.1** ~~(ee)~~ **Assignee's Rights:** At any time after the occurrence of an Enforcement Event, the Assignee shall have the rights set out in the Schedule hereto.

**7.2** ~~(ff)~~ **Application of Proceeds:** Subject to Clause 9.1, all amounts or assets received or recovered by the Assignee in the exercise of its rights under this Deed shall be applied in the following order: (i) in or towards the payment of the Liabilities in such order as the Assignee thinks fit, but in any case in good faith and a commercially reasonable manner, and (ii) in payment of any surplus to the Assignor.

**7.3** ~~(gg)~~ **Power of Attorney:** The Assignor by way of security irrevocably appoints the Assignee as its attorney (with full power of substitution), on its behalf and in its name or otherwise, in such manner as the attorney thinks fit, but in any case in good faith and a commercially reasonable manner, to exercise (following the occurrence of an Enforcement Event only) any of the rights conferred on the Assignee in relation to the Assigned Assets or under the LPA or the Insolvency Act. The Assignor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in this Clause 7.3.

## **8** ~~(hh)~~ **Saving Provisions**

**8.1** ~~(ii)~~ **Continuing Security:** Subject to Clause 9, the Assignment is continuing security and will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.

**8.2** ~~(jj)~~ **Reinstatement:** If any discharge, release or arrangement (whether in respect of the obligations of the Assignor or any security for those obligations or otherwise) is made by the Assignee in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation or otherwise, without limitation, then the liability of the Assignor and the Assignment shall continue or be reinstated as if the discharge, release or arrangement had not occurred.

**8.3** ~~(kk)~~ **Waiver of Defences:** Neither the obligations of the Assignor under this Deed nor the Assignment will be affected by an act, omission, matter or thing which, but for this Clause 8, would reduce, release or prejudice any of its obligations under any Transaction Document or the Assignment (without limitation and whether or not known to it or the Assignee) including:

- 8.3.1 ~~(hh)~~ any time, waiver or consent granted to, or composition with, the Assignor or other person;
- 8.3.2 ~~(mm)~~ the release of the Assignor or any other person under the terms of any composition or arrangement with any creditor of any affiliate;
- 8.3.3 ~~(nn)~~ the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Assignor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- 8.3.4 ~~(oo)~~ any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Transaction Document or any other document or security; or
- 8.3.5 ~~(pp)~~ any insolvency or similar proceedings.
- 8.4 ~~(qq)~~ **Immediate Recourse:** The Assignor waives any right it may have of first requiring the Assignee (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Assignor under this Deed. This waiver applies irrespective of any law or any provision of a Transaction Document to the contrary.
- 8.5 ~~(rr)~~ **Additional Security:** The Assignment is in addition to and is not in any way prejudiced by any other guarantees or security now or subsequently held by the Assignee.
- 9 ~~(ss)~~ **Discharge of Security**
- 9.1 ~~(tt)~~ **Final Redemption:** Immediately upon there no longer being any Liabilities remaining (or, if earlier, immediately upon it no longer being possible for an Enforcement Event to occur), the Assignee shall be deemed to have immediately released, reassigned or discharged (as appropriate) the Assigned Assets from the Assignment and therefore:
- 9.1.1 ~~(uu)~~ the Assignor may retain for its own account; and
- 9.1.2 ~~(vv)~~ the Assignee shall therefore promptly pay or transfer to the Assignor, any amounts or other assets received by such party from LCH.Clearnet in respect of the Assigned Assets. For the avoidance of doubt, it is acknowledged that the Assignor's rights under this Clause 9 shall constitute an equity of redemption (and therefore a proprietary interest to the extent of such equity of redemption) in the Assigned Assets and any amounts or other assets the subject of such rights shall be returned by the Assignee to the Assignor.
- 9.2 ~~(ww)~~ **Consolidation:** Section 93 of the LPA shall not apply to the Assignment.

**10** ~~(xx)~~ **Miscellaneous Provisions**

**10.1** ~~(yy)~~ **Payments:** All payments by the Assignor under this Deed (including damages for its breach) shall be made to such account, with such financial institution and in such other manner as the Assignee may direct.

**10.2** ~~(zz)~~ **Remedies and Waivers:** No failure to exercise, nor any delay in exercising, on the part of the Assignee any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.

**10.3** ~~(aaa)~~ **Amendments and Waivers:** Any term of this Deed may be amended or waived only with the consent of the Assignee and the Assignor.

**10.4** ~~(bbb)~~ **Assignment:** Subject to the extent permitted by applicable law, neither this Deed nor any interest or obligation in or under it may be assigned or otherwise transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party.

**10.5** ~~(ccc)~~ **Partial Invalidity:** If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

**10.6** ~~(ddd)~~ **Third Party Rights:** A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.

**10.7** ~~(eee)~~ **Counterparts:** This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

**10.8** ~~(fff)~~ **Governing Law:** This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

**10.9** ~~(ggg)~~ **Jurisdiction:** In relation to any proceedings, each party to this Deed irrevocably submits to the exclusive jurisdiction of the courts of England and waives any objection to proceedings in such courts on the grounds of venue or on the grounds that the proceedings have been brought in an inconvenient forum. Each such submission is made for the benefit of the other party and shall not affect the right of any party to take proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any court of competent jurisdiction preclude any party from taking proceedings in any other court of competent jurisdiction (whether concurrently or not) unless precluded by law.

**10.10** ~~(hh)~~ **[Agent for Service of Process; Assignor:** The Assignor hereby irrevocably appoints [*Name of Agent*] of [*Address in England*] to receive service of process on its behalf as its authorised agent for service of process in England. If for any reason such agent ceases to be such agent for service of process, the Assignor shall forthwith appoint a new agent for service of process in England and deliver to the Assignee a copy of the new agent's acceptance of appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other matter permitted by law.]

**10.11** ~~(iii)~~ **[Agent for Service of Process; Assignee:** The Assignee hereby irrevocably appoints [*Name of Agent*] of [*Address in England*] to receive service of process on its behalf as its authorised agent for service of process in England. If for any reason such agent ceases to be such agent for service of process, the Assignee shall forthwith appoint a new agent for service of process in England and deliver to the Assignor a copy of the new agent's acceptance of appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other matter permitted by law.]

## Schedule Rights of Assignee

Following the occurrence of an Enforcement Event, the Assignee shall have the right, either in its own name or in the name of the Assignor or otherwise and in such manner and upon such terms and conditions as the Assignee thinks fit, but in any case, in good faith and a commercially reasonable manner, and either alone or jointly with any other person:

- 1 ~~(a)~~ **Take possession:** to take possession of, get in and collect the Assigned Assets and to require payment to it of revenues deriving therefrom;
- 2 ~~(b)~~ **Deal with Assigned Assets:** to sell, transfer, assign, exchange or otherwise dispose of or realise the Assigned Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);
- 3 ~~(c)~~ **Borrow money:** to borrow or raise money either unsecured or on the security of the Assigned Assets (either in priority to the Assignment or otherwise);
- 4 ~~(d)~~ **Rights of ownership:** to manage and use the Assigned Assets and to exercise and do (or permit the Assignor or any nominee of it to exercise and do) all such rights and things as the Assignee would be capable of exercising or doing if it were the absolute beneficial owner of the Assigned Assets;
- 5 ~~(e)~~ **Claims:** to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person relating to the Assigned Assets;
- 6 ~~(f)~~ **Legal actions:** to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Assigned Assets;
- 7 ~~(g)~~ **Redemption of Security:** to redeem any Security (whether or not having priority to the Assignment) over the Assigned Assets and to settle the accounts of any person with an interest in the Assigned Assets; and
- 8 ~~(h)~~ **Other powers:** to do anything else it may think fit for the realisation of the Assigned Assets or incidental to the exercise of any of the rights conferred on the Assignee under or by virtue of any Transaction Document, the LPA or the Insolvency Act.

**This Deed** has been delivered on the date stated at the beginning of this Deed.

**[ASSIGNOR]**

[INSERT APPROPRIATE SIGNATURE BLOCK]<sup>5</sup>

**[ASSIGNEE]**

[INSERT APPROPRIATE SIGNATURE BLOCK]<sup>5</sup>

[Executed as a deed by  
**LCH.CLEARNET LIMITED**

By: [*Director*]

By: [*Director/Company Secretary*]<sup>7</sup>

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5 Parties should ensure that suitable signature blocks are inserted, which will depend on the legal identity, jurisdiction of incorporation and constitutional documents relating to the parties.

7. Use if LCH.Clearnet intend to execute the Deed themselves.



**APPENDIX 2C.J**

**DEED OF ASSIGNMENT**

[Insert Date]

**[CLEARING MEMBER**

and

**LCH.CLEARNET LIMITED**

**DEED OF ASSIGNMENT**

This Deed is dated [Insert Date] and made between:

- (1) [CLEARING MEMBER] in its capacity as assignor (the "Assignor"); and
- (2) LCH.CLEARNET LIMITED in its capacity as the clearing house (in such capacity, the "Clearing House") and in its capacity as the assignee and security trustee under this Deed (in such capacity, the "Security Trustee").

WHEREAS

- (A) In order to facilitate the clearing of certain transactions with the Clearing House, the Assignor has entered into agreements with one or more of its clients (each a "Client" and each such agreement a "Client Clearing Agreement") pursuant to which the Assignor and the relevant Client will have entered into as of the date of such Client Clearing Agreement a Clearing ISDA Master Agreement (as defined in the relevant Client Clearing Agreement). In addition, the Assignor and the relevant Client have, pursuant to the relevant Client Clearing Agreement, entered into a Credit Support Annex in respect of, and which forms part of, the relevant Clearing ISDA Master Agreement (each such Clearing ISDA Master Agreement together with the related Credit Support Annex and the related Client Clearing Agreement, a "Swap Agreement").
- (B) The Assignor and each Client, for commercial and economic reasons, desire to maximise the ability to move cleared positions representing Transactions under the relevant Swap Agreement to a Backup SwapClear Clearing Member upon the occurrence of an Enforcement Event (as defined below) or to deliver certain receivables from the Clearing House to the relevant Client directly.
- (C) The Security Trustee has agreed to act as the security trustee in accordance with the provisions of this Deed.

It is agreed as follows:

1. Definitions and Interpretation

1.1. Definitions: Capitalised terms used but not defined in this Deed shall have the meaning given to them in the LCH Rules. In addition, the following expressions shall have the following meanings:

1.1.1.

"Assigned Assets" means the assets subject, or expressed to be subject, to the

Assignment or any part of those assets.

“Assignment” means the assignment created or expressed to be created by this Deed.

“Associated LCH Transaction” means the SwapClear Contract, as defined in the LCH Rules, entered into between the Assignor and the Clearing House.

“Clearing Default” means the Assignor becoming a defaulter for the purposes of Rule 4 of the LCH Default Rules.

“Client” has the meaning given to it in Recital (A) to this Deed, save that a person shall not be a "Client" for the purposes of this Deed unless the notification provided for in Clause 7.2 has been made and has not been withdrawn.

“Client Clearing Agreement” has the meaning given to it in Recital (A) to this Deed.

“DMPAAA” means the Default Management Process Agreement Amendment Agreement entered into between the Assignor and the Clearing House in relation to the provision by the Assignor of SwapClear client clearing services.

“Enforcement Event” means the occurrence of a Clearing Default in relation to the Assignor in accordance with the LCH Rules.

“Insolvency Act” means the Insolvency Act 1986.

“Liabilities” means all present and future obligations, moneys, debts and liabilities due, owing or incurred by the Assignor to the Secured Parties under or in connection with the Transaction Documents.

“LCH Rules” means the rules, regulations, procedures or agreements (including the LCH General Regulations and the LCH Default Rules), applicable to the Assignor and/or an Associated LCH Transaction, in each case as published by the Clearing House and as the same may be amended from time to time.

“LPA” means the Law of Property Act 1925.

“Relevant Account Balance” means the Account Balance relating to a Client and the relevant Associated LCH Transactions as calculated by the Clearing House in accordance with the terms of the DMPAAA following an Enforcement Event.

“Relevant SwapClear Clearing Client Entitlement” means the SwapClear Clearing Client Entitlement relating to a Client and the relevant Associated LCH Transactions

as calculated by the Clearing House in accordance with the terms of the DMPAAA following an Enforcement Event.

“Secured Parties” means the Security Trustee and each Client from time to time.

“Security” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“Swap Agreement” has the meaning given to it in Recital (A) to this Deed.

“Transaction Documents” means this Deed and each Swap Agreement outstanding from time to time.

“UCC” means the Uniform Commercial Code as in effect in any applicable jurisdiction.

## 1.2. Construction:

### 1.2.1. Unless a contrary indication appears, any reference in this Deed to:

- (i) “assets” includes present and future properties, revenues and rights of every description;
- (ii) the “Assignor”, the “Security Trustee” or any “party” shall be construed so as to include its successors in title and permitted transferees;
- (iii) an agreement, confirmation or instrument is to a reference to that agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced;
- (iv) a “person” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
- (v) a “regulation” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority

or organisation; and

(vi) a provision of law is a reference to that provision as amended or re-enacted.

1.2.2. Clause and Schedule headings are for ease of reference only.

## 2. Undertaking to pay

The Assignor undertakes to pay each of its Liabilities when due in accordance with its terms.

## 3. Security

The Assignor, with full title guarantee [and as security for the payment of all Liabilities]<sup>1</sup>, assigns absolutely to the Security Trustee all its present and future right, title and interest in and to each Relevant SwapClear Clearing Client Entitlement and each Relevant Account Balance. The Security Trustee shall hold the benefit of the Assignment on trust for the Secured Parties on the terms of this Deed.

## 4. Restrictions and Further Assurance

### 4.1. Security:

4.2. The Assignor agrees that it shall not create or permit to subsist any Security over any Assigned Assets except for the Assignment.

4.3. Notice of Assignment and Undertaking: The Assignor hereby gives notice of the Assignment to the Clearing House. The Clearing House hereby acknowledges receipt of such notice and undertakes to the Security Trustee (on behalf of the Secured Parties) that it shall, following the occurrence of a Clearing Default, act in accordance with the LCH Rules and any other laws and regulations applicable to it in determining how the Assigned Assets are to be distributed. The parties hereto acknowledge and agree that the Clearing House (acting in such capacity and not in its capacity as Security Trustee) has agreed to be a party to this Deed solely for the purposes of this Clause 4.3 [and to receive the written evidence referred to in

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<sup>1</sup> The language in brackets should not be included where the relevant Clearing Member is organised under the laws of Germany.

Clause 4.4] and shall have no other obligation or liability save as expressly provided in this Clause 4.3 [and Clause 4.4]. In particular, the parties agree that the undertaking given by the Clearing House in this Clause 4.3 shall be without prejudice to any protections afforded to it pursuant to the LCH Rules or any other laws and regulations applicable to it.

4.4. Margining: The Assignor agrees that, prior to the operation of Clause 9.1, it shall provide margin in respect of any Associated LCH Transactions to the Clearing House on an Individual Segregated Account basis or, as may be agreed between the Assignor and the relevant Client, an Omnibus Net Segregated Account basis in accordance with the LCH Rules.

4.5. [UCC Financing Statement: The Assignor hereby authorises the filing of a financing statement describing the Assigned Assets in the filing office of the Assignor's location as determined by Section 9-307 of the UCC and hereby agrees to (a) file such financing statement within [10 Business Days] of the date hereof and (b) provide the Security Trustee and the Clearing House with a copy of the relevant filed Form UCC-1.]<sup>2</sup>

4.6. Assignor's Undertaking: The Assignor undertakes to the Security Trustee that it shall not, without the prior written consent of the Security Trustee (acting upon the instructions of the relevant Client) to such amendment, make any amendment to the SwapClear Default Management Process Agreement to which the Assignor is a party the effect of which amendment would be to (a) amend the terms of the Assigned Assets hereunder or thereunder or (b) amend the terms on which the Assigned Assets may be dealt with following the occurrence of a Clearing Default, unless such amendment is of a formal, minor or technical nature or, in the reasonable opinion of the Security Trustee, is not materially prejudicial to the interests of any Secured Party.

5. Payments

5.1. No Enforcement Event: Subject as otherwise provided in this Deed, and for so long as no Enforcement Event has occurred, the Assignor shall be entitled to receive and

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<sup>2</sup> This covenant must be included if the Assignor is organised under the laws of the United States of America or any state thereof or located in any such jurisdiction for purposes of Section 9-307 of the UCC.

retain all payments or transfers made to it in respect of each Individual Segregated Account and each Omnibus Net Segregated Account relating to each Client from time to time in accordance with the LCH Rules. For the avoidance of doubt the Assignor shall not be entitled to deal with the Assigned Assets at any time while the Assignment is in effect.

5.2. Post Enforcement Event: Following the occurrence of an Enforcement Event, the Security Trustee shall be entitled to receive directly from the Clearing House all Assigned Assets and payments or transfers made in respect of such Assigned Assets.

## 6. Enforcement and Remedies

6.1. Enforcement Event: The Security created on the date hereof shall only be enforceable, and the powers conferred by Section 101 of the LPA as varied and extended by this Deed shall only be exercisable, following the occurrence of an Enforcement Event.

6.2. Power of Sale: The statutory power of sale and the other statutory powers conferred on mortgagees by Section 101 of the LPA as varied and extended by this Deed shall arise on the date of this Deed.

6.3. Section 103 LPA: Section 103 of the LPA shall not apply to this Deed.

## 7. Declaration of Trust

7.1. The Security Trustee declares that it shall hold the benefit of this Deed and the Assignment on trust for the Secured Parties on the terms set out herein. The parties agree that the provisions set out in Schedule 1 hereto shall apply to the appointment of the Security Trustee.

7.2. The Assignor shall notify the Security Trustee of the identity of each person with whom it has entered into a Client Clearing Agreement, and whom it is intended shall take the benefit of this Deed ( which includes, without limitation, the declaration of trust at Clause 7) and the Security Trustee shall, on request, confirm to such person or to the Assignor that it has received such notification. Such notification, once given, may be withdrawn at any time, but any such withdrawal shall take effect only when notification of withdrawal is received by the Security Trustee.

## 8. Saving Provisions

8.1. Continuing Security: Subject to Clause 9, the Assignment is continuing security and

will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.

8.2. Reinstatement: If any discharge, release or arrangement (whether in respect of the obligations of the Assignor or any security for those obligations or otherwise) is made by any Secured Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation or otherwise, without limitation, then the liability of the Assignor and the Assignment shall continue or be reinstated as if the discharge, release or arrangement had not occurred.

8.3. Waiver of Defences: Neither the obligations of the Assignor under this Deed nor the Assignment will be affected by an act, omission, matter or thing which, but for this Clause 8, would reduce, release or prejudice any of its obligations under any Transaction Document or the Assignment (without limitation and whether or not known to it or any Secured Party) including:

8.3.1. any time, waiver or consent granted to, or composition with, the Assignor or other person;

8.3.2. the release of the Assignor or any other person under the terms of any composition or arrangement with any creditor of any affiliate;

8.3.3. the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Assignor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

8.3.4. any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Transaction Document or any other document or security; or

8.3.5. any insolvency or similar proceedings.

8.4. Immediate Recourse: The Assignor waives any right it may have of first requiring a Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Assignor under this Deed. This waiver applies irrespective of any law or any provision of a Transaction Document to the contrary.



8.5. Additional Security: The Assignment is in addition to and is not in any way prejudiced by any other guarantees or security now or subsequently held by any Secured Party.

9. Discharge of Security

9.1. Final Redemption: Immediately upon there no longer being any Liabilities remaining (or, if earlier, immediately upon it no longer being possible for an Enforcement Event to occur), the Security Trustee shall be deemed to have immediately released, reassigned or discharged (as appropriate) the Assigned Assets from the Assignment and therefore:

9.1.1. the Assignor may retain for its own account; and

9.1.2. the Security Trustee shall therefore promptly pay or transfer to the Assignor,

any amounts or other assets received by such party from the Clearing House in respect of the Assigned Assets. For the avoidance of doubt, it is acknowledged that the Assignor's rights under this Clause 9 shall constitute an equity of redemption (and therefore a proprietary interest to the extent of such equity of redemption) in the Assigned Assets and any amounts or other assets the subject of such rights shall be returned by the Security Trustee to the Assignor.

9.2. Consolidation: Section 93 of the LPA shall not apply to the Assignment.

10. Miscellaneous Provisions

10.1. Payments: All payments by the Assignor under this Deed (including damages for its breach) shall be made to such account, with such financial institution and in such other manner as the Security Trustee may direct.

10.2. Remedies and Waivers: No failure to exercise, nor any delay in exercising, on the part of the Security Trustee any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.

10.3. Amendments and Waivers: Any term of this Deed may be amended or waived only with the consent of the Security Trustee and the Assignor.

- [10.4.](#) Assignment: Subject to the extent permitted by applicable law, neither this Deed nor any interest or obligation in or under it may be assigned or otherwise transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party.
- [10.5.](#) Disclosure to Clients: The Clearing House agrees that the Assignor may provide a copy of this Deed to any Client or prospective Client.
- [10.6.](#) Partial Invalidity: If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.
- [10.7.](#) Third Party Rights: A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.
- [10.8.](#) Counterparts: This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.
- [10.9.](#) Governing Law: This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.
- [10.10.](#) Jurisdiction: In relation to any proceedings, each party to this Deed irrevocably submits to the exclusive jurisdiction of the courts of England and waives any objection to proceedings in such courts on the grounds of venue or on the grounds that the proceedings have been brought in an inconvenient forum. Each such submission is made for the benefit of the other party and shall not affect the right of any party to take proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any court of competent jurisdiction preclude any party from taking proceedings in any other court of competent jurisdiction (whether concurrently or not) unless precluded by law.
- [10.11.](#) [Agent for Service of Process: The Assignor hereby irrevocably appoints [Name of Agent] of [Address in England] to receive service of process on its behalf as its authorised agent for service of process in England. If for any reason such agent ceases to be such agent for service of process, the Assignor shall forthwith appoint a new agent for service of process in England and deliver to the Security Trustee a copy of the new agent's acceptance of appointment within 30 days. Nothing in this

Deed shall affect the right to serve process in any other matter permitted by law.]

## Schedule 1

## Provisions relating to the appointment of the Security Trustee

## 1. Trust

The Security Trustee declares that it shall hold the benefit of this Deed and the Assignment on trust for the Secured Parties on the terms contained in this Deed. All moneys from time to time received or recovered by the Security Trustee in connection with the realisation or enforcement of all or any part of the Assignment shall be held by the Security Trustee on trust to apply them as soon as reasonably practicable, to the extent permitted by applicable law and subject to the provisions of this Deed in the following order of priority:

- 1.1. in discharging any sums owing to the Security Trustee (in its capacity as trustee) pursuant to this Deed;

- 1.1.1.

- 1.2. in payment to each Client of all sums due and payable by the Assignor to such Client in respect of Liabilities, provided that where the moneys available to the Security Trustee for distribution among all Clients under this paragraph 1.2 are less than the aggregate of all Liabilities then due and payable by the Assignor to all Clients, each Client shall be paid a pro rata proportion of such moneys available to the Security Trustee determined as being equal to (a) the Relevant SwapClear Clearing Client Entitlement or, as the case may be, the Relevant Account Balance relating to such Client divided by (b) the aggregate of all Relevant SwapClear Clearing Client Entitlement or, as the case may be, Relevant Account Balances relating to all Clients, but subject always to a maximum amount payable to any Client equal to the Relevant SwapClear Clearing Client Entitlement or, as the case may be, the Relevant Account Balance; and
- 1.3. the balance, if any, in payment to the Assignor.

## 2. No Independent Power

The Secured Parties other than the Security Trustee shall not have any independent power to enforce, or have recourse to, any of the Assigned Assets or to exercise any rights or powers arising under this Deed.

## 3. Security Trustee's Actions

- 3.1. The Security Trustee shall have only those duties, obligations and responsibilities

- expressly specified in this Deed (and no others shall be implied). Subject to the other provisions of this Deed, the Security Trustee may take such action in the exercise of any of its powers and duties under this Deed which in its absolute discretion it considers to be for the protection and benefit of all the Secured Parties.
- 3.2. The duties, obligations and responsibilities of the Security Trustee specified in this Deed shall be subject to the duties, obligations and responsibilities, imposed from time to time by or pursuant to any law or instrument made thereunder, to which the Security Trustee is subject when it acts in its capacity as clearing house ("RCH Duty").
- 3.3. The Security Trustee may exercise any right, power or discretion in the discharge of any RCH Duty, whether under its default rules or otherwise, independently of its obligations as Security Trustee under this Deed ("RCH Power"). The exercise of any RCH Power shall take precedence over any duty, obligation or responsibility of the Security Trustee specified in this Deed. The Security Trustee shall not be liable to any person as a result of its proper exercise of (or proper omission to exercise) any RCH Power, including where the exercise of such power has the effect of varying the amount to which any beneficiary would otherwise be entitled under this Deed.
- 3.4. The Assignor shall, notwithstanding any release or discharge of all or any part of the Assignment, indemnify the Security Trustee against all charges and expenses, and any action, proceeding, claims, losses, liabilities and costs ("Loss") properly incurred by it, or which it may sustain as a consequence of any breach by the Assignor of the provisions of this Deed, or in the proper exercise or purported exercise of any of the rights and powers conferred on the Security Trustee by, or in respect of any matter or thing properly done or omitted in any respect in connection with, this Deed or otherwise relating to the Assigned Assets, but only to the extent that such Loss has not been incurred by any fraud, wilful default or gross negligence of the Security Trustee or, in the case of the exercise of an RCH Power, any act or omission in respect of which it would not be subject to the exemption from liability in section 291 of the Financial Services and Markets Act 2000 or any other statutory exclusion of liability enacted from time to time.
4. Security Trustee's Discretions
- 4.1. The Security Trustee may assume (unless it has actual knowledge to the contrary or has received express notice to the contrary from any other Secured Party) that:
- (a) the Assignor is not in breach of its obligations under Clause 2 of this Deed; and
  - (b) any right, power, authority or discretion vested in any person has not been

exercised.

- 4.2. The Security Trustee may engage, pay for and rely in good faith on the advice or services of any lawyers, accountants, or other experts (whether obtained by the Security Trustee or by any other Secured Party) in connection with the performance of its obligations under this Deed.
- 4.3. The Security Trustee may rely upon any communication or document reasonably believed by it to be genuine and, as to any matters of fact which might reasonably be expected to be within the knowledge of a Secured Party or the Assignor, upon a certificate signed by or on behalf of that person.

## 5. Security Trustee's Rights and Obligations

- 5.1. At any time after the occurrence of an Enforcement Event, the Security Trustee shall have the rights set out in Schedule 2 to this Deed.
- 5.2. The Security Trustee shall promptly inform the other Secured Parties of (a) the contents of any notice or document received by it in its capacity as Security Trustee from the Assignor; and (b) the occurrence of any breach of any term of this Deed of which the Security Trustee has received notice from any other Secured Party.

## 6. Excluded Obligations

The Security Trustee shall not:

- 6.1. be bound to enquire as to the occurrence or otherwise of any breach by the Assignor of any of its obligations under this Deed;
- 6.2. be bound to account to any other Secured Party for any sum or the profit element of any sum received by it for its own account;
- 6.3. be bound to disclose to any other person (including any Secured Party):
  - 6.3.1. any confidential information, or
  - 6.3.2. any other information if disclosure would constitute a breach of any law or be a breach of fiduciary duty;
- 6.4. be under any obligation, the discharge of which would constitute a breach of any RCH Duty;
- 6.5. be under any obligation other than those which are specifically provided for in this

Deed; or

- 6.6. have or be deemed to have any duty, obligation or responsibility to, or relationship of trust or agency with, the Assignor.

7. Exclusion of Liability

Unless caused directly by its own fraud, wilful default or gross negligence, the Security Trustee shall not accept responsibility or be liable for:

- 7.1. the proper exercise of (or proper omission to exercise) any RCH Power;
- 7.2. the adequacy, accuracy and/or completeness of any information supplied by the Security Trustee or any other person in connection with this Deed, or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with this Deed;
- 7.3. the legality, validity, effectiveness, adequacy or enforceability of this Deed or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with this Deed;
- 7.4. any losses to any person or any liability arising as a result of taking or refraining from taking any action in relation to this Deed or otherwise;
- 7.5. the exercise of, or the failure to exercise, any judgment, discretion or power given to it by or in connection with this Deed or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with this Deed; or
- 7.6. any shortfall which arises on the enforcement of the Assignment.

8. No Proceedings

No Secured Party or party to this Deed (other than the Security Trustee) may take any proceedings against any officer, employee or agent of the Security Trustee in respect of any claim it might have against the Security Trustee or in respect of any act or omission of any kind by that officer, employee or agent in relation to this Deed and any officer, employee or agent of the Security Trustee may rely on this Clause.

9. No responsibility to perfect Assignment

The Security Trustee shall have no obligation to, and shall not be liable for any failure to:

- 9.1. require the deposit with it of any deed or document certifying, representing or constituting the title of the Assignor to any of the Assigned Assets;



- 9.2. obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any of this Deed or the Assignment;
- 9.3. register, file or record or otherwise protect the Assignment (or the priority of the Assignment) under any applicable laws in any jurisdiction or to give notice to any person of the execution of this Deed or of the Assignment;
- 9.4. take, or to require the Assignor to take, any steps to perfect its title to any of the Assigned Assets or to render the Assignment effective or to secure the creation of any ancillary security under the laws of any jurisdiction; or
- 9.5. require any further assurances in relation to this Deed.

#### 10. Insurance by Security Trustee

The Security Trustee shall be under no obligation to insure any of the Assigned Assets or to require any other person to maintain any insurance. The Security Trustee shall not be responsible for any loss which may be suffered by any person solely as a result of the lack of or inadequacy of any such insurance.

#### 11. Acceptance of Title

The Security Trustee shall be entitled to accept without enquiry, and shall not be obliged to investigate, such right and title as the Assignor may have to any of the Assigned Assets and shall not be liable for or bound to require the Assignor to remedy any defect in its right or title.

#### 12. Refrain from Illegality

The Security Trustee may refrain from doing anything which in its reasonable opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction which would or might otherwise render it liable to any person, and may do anything which is, in its reasonable opinion, necessary to comply with any law, directive or regulation.

#### 13. Business with the Assignor

The Security Trustee may

provide clearing services to the Assignor both for itself and on account of any other person and do all things incidental to the provision of clearing services as they

involve the Assignor in whatever capacity; and

deal with, accept deposits from, lend money to, and generally engage in any kind of treasury or other business with the Assignor.

14. Authorisation of Release

Upon a disposal of any of the Assigned Assets pursuant to the enforcement of the Assignment by the Security Trustee, the Security Trustee is authorised to execute, without the need for any further authority from the Secured Parties, any release of the Assignment or other claim over that part of the Assigned Assets.

15. Winding up of Trust

After the Security Trustee, with the approval of the Secured Parties, has determined that all of the Liabilities and all other obligations secured by this Deed have been fully and finally discharged, and all relevant certifications and other documents have been transferred to the Assignor, the trusts set out in this Deed shall be wound up.

16. Perpetuity Period

The perpetuity period under the rule against perpetuities, if applicable to this Deed, shall be the period of eighty years from the date of this Deed.

17. Powers Supplemental

The rights, powers and discretions conferred upon the Security Trustee by this Deed shall be supplemental to the Trustee Acts 1925 and 2000 and in addition to any which may be vested in the Security Trustee by general law or otherwise.

## 18. Disapplication

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Trustee in relation to the trusts constituted by this Deed. Where there are any inconsistencies between the Trustee Acts 1925 and 2000 and the provisions of this Deed, the provisions of this Deed shall, to the extent allowed by law, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Deed shall constitute a restriction or exclusion for the purposes of that Act.

## 19. Resignation of Security Trustee

### 19.1. Where:

19.1.1. the Security Trustee so agrees with the other Secured Parties or

19.1.2. without prejudice to the generality of Clause 12 of this Schedule One, the Security Trustee is required to resign as a result of a change in its exempt status, its regulatory status or it otherwise becoming unable to exercise its duties and functions as Security Trustee because of a change in any law, regulation, rule or other regulatory measure

the Security Trustee may resign by giving such notice to the Assignor as is reasonable in the circumstances giving rise to the resignation.

19.2. Where the Security Trustee gives notice of its resignation, it may together with the other Secured Parties, appoint a successor Security Trustee, unless any change in its exempt status, its regulatory status, law, regulation rule, or other regulatory measure prevents the Security Trustee from taking any step to appoint a successor Security Trustee, in which case the Secured Parties may themselves appoint such successor Security Trustee, subject to any regulatory requirement to do so in consultation or after consultation with any relevant regulatory, governmental or similar authority.

19.3. The retiring Security Trustee shall, at its own cost, make available to the successor Security Trustee such documents and records and provide such assistance as the successor Security Trustee may reasonably request and any regulation rule, or other regulatory measure permits for the purposes of performing its functions as Security Trustee under this Deed.

19.4. The Security Trustee's resignation notice shall only take effect upon the appointment of a successor. Upon the appointment of a successor, the retiring

Security Trustee shall be discharged from any further obligation in respect of this Deed but shall remain entitled to the benefit of this Schedule. Its successor and each of the other parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original party.

20. Power of Attorney

The Assignor by way of security irrevocably appoints the Security Trustee as its attorney (with full power of substitution), on its behalf and in its name or otherwise, in such manner as the attorney thinks fit, but in any case in good faith and in a commercially reasonable manner, to exercise (following the occurrence of an enforcement event only) any of the rights conferred on the Security Trustee in relation to the Assigned Assets or under the LPA or the Insolvency Act. The Assignor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of this power of attorney.

Schedule 2  
Rights of the Security Trustee

Following the occurrence of an Enforcement Event, the Security Trustee shall have the right, either in its own name or in the name of the Assignor or otherwise and in such manner and upon such terms and conditions as the Security Trustee thinks fit, but in any case, in good faith and a commercially reasonable manner, and either alone or jointly with any other person:

1. Take possession: to take possession of, get in and collect the Assigned Assets and to require payment to it of revenues deriving therefrom;
2. Deal with Assigned Assets: to sell, transfer, assign, exchange or otherwise dispose of or realise the Assigned Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);
3. Borrow money: to borrow or raise money either unsecured or on the security of the Assigned Assets (either in priority to the Assignment or otherwise);
4. Rights of ownership: to manage and use the Assigned Assets and to exercise and do (or permit the Assignor or any nominee of it to exercise and do) all such rights and things as the Security Trustee would be capable of exercising or doing if it were the absolute beneficial owner of the Assigned Assets;
5. Claims: to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person relating to the Assigned Assets;
6. Legal actions: to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Assigned Assets;
7. Redemption of Security: to redeem any Security (whether or not having priority to the Assignment) over the Assigned Assets and to settle the accounts of any person with an interest in the Assigned Assets; and
8. Other powers: to do anything else it may think fit for the realisation of the Assigned Assets or incidental to the exercise of any of the rights conferred on the Assignee under or by virtue of any Transaction Document, the LPA or the Insolvency Act.

This Deed has been delivered on the date stated at the beginning of this Deed.

[ASSIGNOR]

[INSERT APPROPRIATE SIGNATURE BLOCK]

[Executed as a deed by  
LCH.CLEARNET LIMITED

By: [Director]

By: [Director/Company Secretary]

## APPENDIX 2C.K

## FORM OF GIVE UP AGREEMENT

Give Up Agreement between:

[●] (the “Clearing Broker”)

[●] (the “Executing Broker”)

Date: [●]

This is a Give Up Agreement for the purposes of the SwapClear Client Clearing Give Up Standard Terms (the “Give Up Standard Terms”). The Give Up Standard Terms are incorporated into this Give Up Agreement and modified, amended or supplemented as set out below, and terms used herein and not otherwise defined shall have the respective meanings given to them in the Give Up Standard Terms.

1 ~~(A)~~ Certain Elections

The following amendments and elections shall apply to the Give Up Standard Terms. References to Sections, Exhibits, or Paragraphs shall be references to the sections, exhibits or paragraphs of the Give Up Standard Terms.

**GENERAL:**

Section 2.2: [●] [*Events of Default and Termination Events*] under the ISDA Master Agreement fall outside the meaning of “ordinary course of business” in Section 2.2 of the Give Up Standard Terms.

Section 3.2: [promptly]/[within thirty minutes]

Section 3.3: [one hour after receipt of a Communication]/[ as of the Modification Time]

Section 4: [[●] one hour after receipt of such termination notice]/[[●] as of the Modification Time]

Section 5: [Applicable [*insert electronic messaging system or email details*]]/[Not Applicable. [A Trade Notice and a Problem Transaction Notice shall be effective:

(i) ~~4.~~ if delivered in accordance with the rules of the Electronic Messaging

System specified below; and

(ii) ~~2.~~—[immediately]/[within [●] minutes of transmission].]

Section 6: [English law]/[The laws of the State of New York (without reference to choice of law doctrine)].

Section 8 (ISDA Master Agreement): The ISDA Master Agreement (including the related schedule and any related Credit Support Annex) between Clearing Broker and Executing Broker dated as of [●] and as amended from time to time.

Section 8 (Modification Time): For Trading Limits and Transaction Type:  
[[●] hour[s] after receipt of such Communication]/[as of the opening of business on the day on which commercial banks are open for general business in the recipient's location following the date of receipt of such Communication].

For termination notices:

[[●] hour[s] after receipt of such termination notice]/[as of the opening of business on the day on which commercial banks are open for general business in the recipient's location following the date of receipt of such termination notice].

**EXHIBIT B:**

Paragraph 1: [Procedure A]/[Procedure B]/[Neither. *[Specify]*]

Paragraph 2: [Applicable]/[Not applicable]

**IN WITNESS** whereof the parties have executed this Give Up Agreement on the date stated at the beginning.

**Signed for and on behalf of [CLEARING BROKER]**

[INSERT APPROPRIATE SIGNATURE BLOCK]

**Signed for and on behalf of [EXECUTING BROKER]**

[INSERT APPROPRIATE SIGNATURE BLOCK]



## APPENDIX 2C.L

## CLEARING HOUSE PRESCRIBED LANGUAGE

Capitalised terms used in this Annex and shall have the meaning specified in the LCH Rules.

[SwapClear Clearing Client] hereby acknowledges and agrees that:

- (a) ~~1.~~ the services provided by the Clearing House with regard to the SwapClear Clearing Services will be subject to and governed by the rules in the Clearing House's Rulebook and the Default Management Process Amendment Agreement between the Clearing House and the relevant SwapClear Clearing Member (the "**DMP Amendment Agreement**"), and the SwapClear Clearing Client will not act so as to cause – whether directly or indirectly – any breach of such rules or agreement by any person. The provisions of the amended text of Regulation 39 (Exclusion of Liability) of the Clearing House's Rulebook set out below shall apply *mutatis mutandis* as though entered into by the SwapClear Clearing Client directly with the Clearing House;
- (b) ~~1.~~ in the event that the SwapClear Clearing Client has failed to appoint a Backup SwapClear Clearing Member or the Clearing House does not receive the necessary confirmation from the SwapClear Clearing Client of its wish to have its positions transferred (including by way of termination, close-out and establishment of new replacement transactions to replicate such positions) or the Backup SwapClear Clearing Member declines to act as such, on the default of the relevant SwapClear Clearing Member, the Clearing House will close out and terminate the SwapClear Contracts entered into by that SwapClear Clearing Member in respect of the SwapClear Clearing Client and will not transfer or otherwise re-establish such positions;
- (c) ~~2.~~ the SwapClear Clearing Client will not be entitled to instruct the Clearing House to act or omit to act in any manner at any time prior to the default of the relevant SwapClear Clearing Member but the Clearing House shall accept instructions from the SwapClear Clearing Client following a default of the relevant SwapClear Clearing Member, provided that such instructions are in accordance with the rules of the Clearing House's Rulebook and/or the DMP Amendment Agreement;
- (d) ~~3.~~ the SwapClear Clearing Client will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time prior to the default of the relevant SwapClear Clearing Member but the Clearing House shall provide such information to the SwapClear Clearing Client following a default of the relevant SwapClear Clearing Member;
- (e) ~~4.~~ the Clearing House will not hold any assets transferred to it on trust for any person; and

- (f) ~~5.~~—where the SwapClear Clearing Member provides securities to the Clearing House as collateral (the “**Securities**”), the SwapClear Clearing Client will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a claim would delay or inhibit the disposal by the Clearing House of such Securities and/or the application of the proceeds of sale of such Securities in accordance with the rules of the Clearing House’s Rulebook and/or the DMP Amendment Agreement.

### **Regulation 39 Exclusion of Liability**

*(This has been extracted from the Clearing House’s Rulebook)*

- (a) ~~4.~~—Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, any SwapClear Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a SwapClear Clearing Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of any market, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or a SwapClear Clearing Member to supply each other with data or information in accordance with arrangements from time to time established between such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, a SwapClear Clearing Member or other relevant person; any event which is outside the control of the Clearing House; any act or omission of a SwapClear Clearing Member in connection with the provision of SwapClear Clearing Services or the entering into of SwapClear Contracts, including, without limitation, any error in the establishment of a price; any act or omission of the Clearing House; or any determination made in connection with SwapClear Clearing Services or SwapClear Contracts.
- (b) ~~6.~~—Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in respect of any dispute arising from or in relation to any SwapClear Contract including, but not limited to, any dispute as to the validity or otherwise of such transaction, the terms of such transaction, or whether any alleged agreement or arrangement constitutes a SwapClear Contract.
- (c) ~~7.~~—Without prejudice to the provisions of Regulation 1 and Regulation 39(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, a SwapClear Clearing Client) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever

nature suffered or incurred as a result of any suspension of any service, a step taken by the Clearing House under Regulations 26, 27, 47(f), 54(f) or 67, or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.

- (d) ~~8.~~ Without prejudice to Regulation 39(c) and 39(e), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), be liable to any SwapClear Clearing Member or any SwapClear Clearing Client for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such SwapClear Clearing Member or SwapClear Clearing Client and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (e) ~~9.~~ Nothing in this Regulation 39 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.
- (f) ~~10.~~ Without prejudice to the provisions of Regulations 1 and 22 and 39(a) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, any SwapClear Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a SwapClear Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of any technology supplier in supplying any services to the Clearing House with regard to the Clearing House services or as a result of or in connection with any inconsistency or conflict between any provision contained in any Default Management Process Amendment Agreement or other agreement related to SwapClear between the Clearing House and a SwapClear Clearing Member on the one hand and any provision of the Clearing House

Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.

(g) ~~41.~~ For the purposes of the Contracts (Rights of Third Parties) Act 1999, save: (i) as is expressly set out herein; and/or (ii) for rights conveyed to any SwapClear Clearing Client under a Deed of Assignment, these Regulations, Default Rules and Procedures do not create any rights in any persons who are not SwapClear Clearing Member

(h) ~~42.~~

**APPENDIX 2C.M**

**CLEARED TRADE REMOVAL AGREEMENT**

**Removal of registered SwapClear Contracts**

SCM's Requested Removal Date: DD/MM/YYYY

**BETWEEN**

**LCH.Clearnet Limited ("the Clearing House")**

whose registered office is Aldgate House, 33 Aldgate High Street, London EC3N 1EA

**and**

**{SwapClear Clearing Member}**

**("SCM")**

Each a "Party" and jointly the "Parties"

**WHEREAS**

- (A) The Clearing House, a Recognised Clearing House under the Financial Services and Markets Act 2000 runs a service known as SwapClear for the clearing of certain OTC derivatives transactions.
- (B) SCM is a member of the Clearing House authorised by the Clearing House to participate in the SwapClear service as a SwapClear Clearing Member.
- (C) SCM wishes to withdraw certain SwapClear Contracts from the SwapClear Service which were previously registered by the Clearing House .
- (D) The Clearing House agrees to remove from the service certain SwapClear Contracts subject to and in accordance with the terms and conditions of this Agreement.
- (E) The Parties acknowledge that the removal of a trade from clearing pursuant to this Agreement (and the Clearing House Rulebook) is primarily for the removal of trades that were originally submitted from SWIFT and in respect of which automated trade deletion and termination is no longer available

The Parties agree as follows:

## Definitions

Words and phrases not otherwise defined in this Agreement shall have the same meaning as in the General Regulations, Default Rules and Procedures of the Clearing House ("the "Clearing House Rulebook")

### 1. **Contracts for removal from service**

SCM requests that the SwapClear Contract(s), particulars of which are set out in Schedule A hereto, registered by the Clearing House on the date(s) set out in that Schedule, and to which SCM and the Clearing House are party (the "Registered SwapClear Contract(s)"), be removed from service by mutual consent in accordance with the provisions of this Agreement and the Clearing House Rulebook.

### 2. **Contingent event**

The removal of service of the Registered SwapClear Contract(s) requested herein is contingent, inter alia, upon the simultaneous removal (such time being the time set by the Clearing House in its absolute discretion) of each of the SwapClear Contract(s) which relate to the same SwapClear Transaction which was submitted to the Clearing House for clearing as two SwapClear Contracts ("the "Offsetting Contract(s)") to which the Clearing House is party together with the corresponding SwapClear Clearing Members (the "Counterparty SCMs").

### 3. **Administrative and other arrangements**

3.1 In order to facilitate the requested removal of service of the Registered SwapClear Contract(s) and the Offsetting Contract(s) the Clearing House may:

3.1.1 Make whatever changes, adjustments and alterations to information and records relating to the SCM and the Counterparty SCM(s) held by the Clearing House on its internal systems (other than data constituting the economic terms of any such Registered SwapClear Contract or Offsetting Contract) and to the Clearing House's normal processes and procedures as the Clearing House in its sole discretion considers necessary; and

3.1.2 Take whatever other steps and actions as the Clearing House in its sole discretion determines as necessary and appropriate.

### 4. **Margin**

4.1 In accordance with the Clearing House Rulebook, the Clearing House may, for so long as the Clearing House deems appropriate, retain all margin or cover for margin or other sums that the Clearing House may hold in connection with the Registered SwapClear Contract(s) or Offsetting Contract(s), and any cash or collateral provided

to the Clearing House by or on behalf of SCM in respect of that SCM's margin obligations to the Clearing House in connection with the Registered SwapClear Contract(s) shall be available to the Clearing House to meet any obligations or liabilities whatsoever which are or which may become due to the Clearing House, notwithstanding any administrative change(s) that may have been made or administrative action that may have been taken by the Clearing House.

4.2 SCM agrees to advise its relevant PPS Bank of any additional margin requirements, in line with the Clearing House Rulebook, which may arise as a result of the requested termination and deletion and shall ensure that the Clearing House is sufficiently funded in order to meet any additional margin requirements.

## 5. **Costs and expenses**

Unless agreed otherwise by the Clearing House, the SCM shall be responsible for and agrees to pay all costs and expenses associated with the requested removal from service

## 6. **Provision of particulars**

If so requested by the Clearing House, SCM shall promptly provide to the Clearing House such reasonable particulars in respect of any or all of the registered SwapClear Contracts as the Clearing House may request, in such electronic form as the Clearing House may require.

## 7. **Time and date of termination**

7.1 Unless specified otherwise by the Clearing House, the date of termination of each registered SwapClear Contract shall be the date set out at the head of this Agreement as the "Requested Removal Date" ("Removal Date"), unless the Parties otherwise agree, provided always that the Clearing House may amend the Removal Date by notice to the SCM.

7.2 SCM acknowledges and accepts that the time of removal on the Removal Date of the registered SwapClear Contract(s) shall not in any circumstances be the time at which the Clearing House effects any administrative change(s) or administrative action(s) but shall instead be the time which the Clearing House notifies SCM as being the time when removal has taken place.

7.3 The termination of any registered SwapClear Contract shall have no effect upon accrued rights and obligations of the SCM in respect of that registered SwapClear Contract, which rights and obligations shall survive termination.

7.4 the Clearing House may, by notice to the SCM given at any time up to the Removal Date, revoke its agreement to the removal of service of any registered SwapClear Contract in the event that:

7.4.1 the Counterparty SCM has not consented or has withdrawn its consent to the re of the Offsetting Contract: or

7.4.2 The Clearing House takes the view that to terminate that registered SwapClear Contract(s) would adversely and materially adversely affect its risk or the risk of the market as a whole.

7.5 SCM or any Counterparty SCM may, at any time up to the start of the day which is one clear London Business Day prior to the Removal Date, by notice in writing to the Clearing House and the Counterparty SCM, withdraw its agreement for the trade removal of any of the Registered SwapClear Contracts or Offsetting Contract (as the case may be) and the Clearing House shall use its reasonable endeavours to ensure that the Registered SwapClear Contract(s) and/or the Offsetting Contract is not removed from service.

## 8. **Moneys due to the Clearing House**

SCM acknowledges and agrees that the Clearing House may in its sole discretion debit the relevant PPS account in respect of any moneys due from SCM to the Clearing House in connection with the requested removal.

## 9. **Agreement to prevail**

In the event of any inconsistency between the provisions of this Agreement and the Clearing House Rulebook, the provisions of the Clearing House Rulebook shall prevail.

## 10. **Confirmation of consents etc.**

SCM confirms that all requisite consents and approvals, regulatory or otherwise, have been obtained in connection with the removal from service requested herein.

## 11. **Law and jurisdiction**

This Agreement shall be governed by English law and the Parties irrevocably submit to the exclusive jurisdiction of the English courts.

## 12. **Liability**

All matters of liability arising in connection with this Agreement shall be determined in accordance with the provisions of the Clearing House Rulebook as if the terms of this Agreement formed part of the Clearing House Rulebook.

## **For and on behalf of SCM**



.....

.....

Authorised Signatory

Authorised Signatory

Name .....

Name .....

**For and on behalf of the Clearing House**

.....

Signatory

Name .....

**Schedule A**

**The Registered SwapClear Contracts**

Contract parties: {SwapClear Clearing Member} and LCH.Clearnet Limited ("the Clearing House")

<b>Contract LCH reference</b>	<b>Contract SCM reference</b>	<b>Date of registration</b>
-------------------------------	-------------------------------	-----------------------------

**Exhibit A-5**  
**FCM Procedures**

See Attached

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## FCM PROCEDURES

Except where the context otherwise requires, defined terms used herein have the meaning ascribed to them in the FCM Regulations or in other portions of the FCM Rulebook.

### **1. FCM CLEARING MEMBER STATUS**

#### **1.1 FCM Clearing Member Application Procedure**

- (a) Application Procedure: An application for FCM Clearing Member status of the Clearing House must be made on the appropriate form which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where required and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for FCM Clearing Member status ("Approved Applicants") must, within three months of notification of their approval as an applicant, fulfil all conditions attached to their approval. If an Approved Applicant does not fulfil all such conditions within these three months, the Clearing House may, at its sole discretion, require that an Approved Applicant re-apply for FCM Clearing Member status.

Approved Applicants will become FCM Clearing Members with the right to clear FCM SwapClear Contracts. Please note that FCM Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

- (b) FCM Clearing Member Status: The terms and conditions binding on each FCM Clearing Member are set out in the FCM Rulebook (which includes these FCM Procedures), the FCM Clearing Membership Agreement, the FCM Default Management Process Agreement and the FCM Default Fund Agreement, each as amended from time to time. Two copies of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement will be provided to the applicant who must sign both copies of each (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for FCM Clearing Member status and is non-refundable.

If and when FCM Clearing Member status is granted, new FCM Clearing Members will receive a duly executed (and dated) copy of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement together with the notification of acceptance and details of any condition(s) attached to FCM Clearing Member status. If granted, FCM Clearing Member status is subject to a Contribution to the Default Fund of the Clearing House (DF), as determined by the Clearing House under the Default Fund Rules.

- (c) Conditions of Application: An applicant for FCM Clearing Member status must accept that the Clearing House:

- (i) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;
- (ii) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;
- (iii) is entitled to provide and/or disclose information to an exchange, governmental department, regulatory organization, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the CEA, any rules made thereunder, or in accordance with any other statutory requirement, and in accordance with the terms of the FCM Clearing Membership Agreement;
- (iv) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and
- (v) will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

### **General**

An applicant must, in accordance with the FCM Regulations satisfy the criteria set out in the FCM Regulations and these FCM Procedures in order to be considered for FCM Clearing Member status. These requirements are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

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

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

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

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

and must execute all necessary PPS mandates for House and Client accounts.

The applicant must maintain a back office:

- ~~(i)~~ remote from the trading desk;
- ~~(ii)~~ with adequate systems (including but not limited to computer and communications systems) and records;



~~(iii)~~—with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the contracts cleared by the Clearing House in which the applicant participates; and

~~(iv)~~—with such technology and connectivity as may be stipulated by the Clearing House.

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

- (d) Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to terminate its FCM Clearing Member status, it may do so by giving notice of not less than three months ahead of its proposed termination date. By the close of business on the termination date, the FCM Clearing Member shall ensure that all registered FCM SwapClear Contracts in its name have been closed-out or transferred so as to ensure that there are no Open Contracts to which it is party to at the termination date. A resigning FCM Clearing Member should note that any and all Executing Parties for which it clears FCM SwapClear Transactions will be required to find alternative clearing arrangements by this date or will be unable to enter into FCM SwapClear Transactions unless such Executing Party already has other clearing arrangements in place. For further information on the resignation process, FCM Clearing Members should contact the Clearing House's Membership Department.

If an FCM Clearing Member has not been active in a market for a continuous period of three months, it will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they may be required to resign their FCM Clearing Member status.

- (e) Guarantees:

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

## 1.2 **Net Capital**

### ~~1.2.1~~—**Net Capital Requirements**

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

### ~~1.2.2~~—**Additional Net Capital Requirements**

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

[The Clearing House shall, on a daily basis, compare the market risk associated with each FCM Clearing Member's FCM SwapClear Contracts with their level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing](#)

House's opinion, such FCM Clearing Member is sufficiently capitalised to support the level of risk associated with the FCM SwapClear Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalised, the Clearing House may also consider:

1. the FCM Clearing Member's internal credit score as determined pursuant to 1.7 below;
2. the ratio of FCM SwapClear Contracts entered into on behalf of an FCM Client compared to those entered for its own account or that of an Affiliate;
3. the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
4. the total amount of cover deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

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

1. require that the relevant FCM Clearing Member furnish the Clearing House with additional cover; or
2. prevent or limit the extent to which an FCM Clearing Member may register additional FCM SwapClear Contracts; or
3. require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

### 1.3 **Calculation Of Net Capital**

Net capital is calculated in line with CFTC Regulation 1.17.

### 1.4 **Financial Reporting**

FCM Clearing Members must provide the ~~financial~~ information detailed below ~~in order to demonstrate that they continue to comply with the Clearing House's Net Capital requirements at all times.~~

#### ~~1.4.1 FCM Clearing Members~~

##### **Provision of Information**

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

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

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

#### **1.4.2—Reduction in Net Capital**

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

- (c) ~~(a)~~ shareholders' funds;
- (d) ~~(b)~~ Net Capital.

### **1.5 Additional Requirements**

#### **1.5.1—Notification of Changes of Ownership**

FCM Clearing Members are required to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). In cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not

known to the Clearing House, FCM Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House (LCH.Clearnet Limited).

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

Pursuant to and in accordance with FCM Regulation 10(o), where an FCM Client enters into an FCM SwapClear Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional collateral at a level of 10% above the amount that the Clearing House would normally require for the associated FCM SwapClear Contract.

#### 1.6 **Other Conditions**

The Clearing House may, at any time, impose additional conditions relating to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to deposit additional security in cash or other collateral as determined by the Clearing House.

#### 1.7 **Credit Ratings**

The Clearing House shall, on a daily basis, monitor each FCM Clearing Member's internal member credit score based upon both quantitative and qualitative data and pre-determined tolerance levels.

In the event that the Clearing House considers that the FCM Clearing Member's internal credit member score is insufficient to support the level of risk associated with it, the Clearing House may perform one or more of the following:

- (a) require that the relevant FCM Clearing Member furnish the Clearing House with additional cover; or
- (b) prevent or limit the extent to which an FCM Clearing Member may register additional FCM SwapClear Contracts.

## FCM SWAPCLEAR

### **2. SWAPCLEAR**

#### **2.1 The Clearing Process**

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

Only FCM Clearing Members are authorised by the Clearing House to submit trades for clearing in the FCM SwapClear Service.

##### **2.1.1—FCM SwapClear Service Functions**

The following functions are performed within the FCM SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of Price Alignment Interest;
- (e) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- (f) allocation and designation of trades to a position-keeping account; and
- (g) reporting of registered trades.

FCM SwapClear Transactions submitted via an FCM Approved Trade Source System (i.e. new trades submitted for intra-day registration or existing trades submitted for overnight registration – see sections 2.3.2 and 2.3.3) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see section [2.1.30](#)).

##### **2.1.2—Clearing House System Requirements**

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

##### **2.1.3—SwapClear FCM Clearing Member Reporting**

There are two methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations:

Report 001

Via the FCM Approved Trade Source System.

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

website. These reports are the definitive record as to registration by the Clearing House.

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

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

## 2.2 **Operating Times And Calendars**

### ~~2.2.1~~ **Opening Days**

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

### ~~2.2.2~~ **Opening Hours**

The FCM SwapClear clearing system will be operational during the following hours:

07:30 to 24:00 hours London time (a "Business Day")

### ~~2.2.3~~ **FCM SwapClear Clearing System Calendars**

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see section [2.1.30](#)).

## 2.3 **Registration**

### ~~2.3.1~~ **Submission for Registration**

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bi-laterally agreed by two Executing Parties and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

### ~~2.3.2~~ **Clearing House Notification**

Following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member(s), via member reports, the SwapClear API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the "FCM Notification").

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, the FCM Clearing

Member shall, pursuant to FCM Regulation 5(b), (i) be deemed to have presented the FCM SwapClear Transaction for clearing and (ii) become obligated to pay all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction upon request of the Clearing House.

It is a condition for registration of an FCM SwapClear Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member, such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2.3.4 of these FCM Procedures, it is a condition for registration of an FCM SwapClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM SwapClear Contract prior to registration.

### ~~2.3.3~~ **SwapClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source Systems designated by the Clearing House for SwapClear are [MarkitWire, Bloomberg and Tradeweb]. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions submitted through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.



FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorised personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorised acceptance of an FCM Notification.

#### **2.3.4—Registration of New Trades**

New trades are registered on an intra-day basis. Following acceptance by an FCM Clearing Member, the FCM SwapClear Clearing System will respond, after processing, with a message either confirming the registration or giving a reason for rejection (see section 2.3.7). The registration notification or rejection message will be sent via the originating FCM Approved Trade Source System, the SwapClear API or otherwise. The definitive report of a registered FCM SwapClear Contract will be shown on Reporting (see section 2.1.3) on the FCM Clearing Member reporting account in the FCM SwapClear clearing system.

The Clearing House will require an FCM Clearing Member in whose name an open contract is to be registered to provide it with cover for initial and variation margin prior to registration. In accordance with FCM Regulation 5(b), an FCM Clearing Member becomes obligated to pay such cover to the Clearing House upon the FCM Clearing Member's acceptance for registration of an FCM SwapClear Transaction and the FCM Clearing Member shall pay such cover prior to registration upon request of the Clearing House. Variation margin can be covered intra-day in non-cash collateral.

FCM SwapClear Transactions that are submitted for registration after 14:30 are registered the following morning subject to the normal requirements for margin (unless the FCM Clearing Member has provided excess cover).

#### **2.3.5—Backloading of Existing Trades**

The Clearing House provides the facility for FCM Clearing Members to load eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System [(currently only MarkitWire)]. Where the Clearing House approves additional FCM Approved Trade Source Systems for this purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as an SCM SwapClear Contract, the UK General Regulations will apply with respect to such registration of an SCM SwapClear Contract.

The Clearing House will, in the case of FCM SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the FCM SwapClear Transaction overnight for registration the following day. For backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see section 2.1.3). It is a pre-condition of registration that sufficient cover for initial and variation margin is provided.



**2.3.6—Notification**

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see section 2.1.30) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

**2.3.7—Rejected Trades**

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data will be rejected. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

**2.4 Position Accounts****2.4.1—FCM Accounts**

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

**2.4.2—Position-Keeping Accounts**

FCM Clearing Member Accounts

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus OTC Client Account with LCH). An FCM Clearing Member's FCM SwapClear Contract positions are also recorded within the FCM SwapClear clearing system in SwapClear Accounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via FCM SwapClear Reporting (see section 2.1.3). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows FCM Clearing Members to identify all FCM SwapClear Contracts registered in their name.

**2.5 Financial Accounts**

FCM Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

**2.5.1—Relationship with Position-Keeping Accounts**

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH OTC Client Segregated Depository Account

**2.5.2—Other Financial Accounts**

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Buffer accounts (House), used for holding additional cash in relation to Proprietary business	B
Buffer account (Client), used for holding additional cash in relation to FCM Client Business	E

**2.5.3—Default Fund (DF) Account**

Each FCM's Default Fund Contribution is held in a separate financial account. The DF account code is "F".

**2.6 FCM SwapClear Contract Valuation****2.6.1—Net Present Value**

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each FCM SwapClear Transaction.

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 12(d). The Net Present Value so determined must, subject to Intra-day Registration (see section 2.3.4), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

**2.6.2—Zero Coupon Yield Curve Construction**

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from the Clearing House Risk Management Department at +44 (0)20 7426 7549, but may be subject to change without prior notification.

**2.6.3—Official Quotations**

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted, are London time.

AUD	12:00
CAD	20:00

CHF LIBOR & OIS	16:15
CZK	16:15
DKK	16:15
EURO LIBOR	16:15
GBP LIBOR	16:15
HKD	12:00
HUF	16:15
JPY	12:00
NOK	16:15
NKD	12:00
PLN	16:15
SEK	16:15
SGD	12:00
USD	
LIBOR & OIS	20:00
ZAR	16:15
EURO OIS	18:15
GBP OIS	17:15

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website after the end of each Business Day.

#### ~~2.6.4~~ Variation Margin

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be credited to or debited from the applicable FCM Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be credited to or debited from such FCM Clearing Member's financial accounts in cash in denomination currency.

#### ~~2.6.5~~ Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for FCM SwapClear Transactions cleared through the Clearing House, the Clearing House will

for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

## 2.7 **Coupon Payments**

### ~~2.7.1~~ **Calendars and Coupons**

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see section 2.2.3). Changes to the calendar that affect FCM SwapClear Contracts will be published and made available to FCM Clearing Members by the Clearing House in an FCM Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between FCM Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the FCM SwapClear Contract Terms.

### ~~2.7.2~~ **Calculation of Fixed Amount**

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (a) if an amount is specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (b) if an amount is not specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

### ~~2.7.3~~ —

### **Calculation of Floating Amount**

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction} \\ (+/- \text{ Spread})$$

### ~~2.7.4~~ —

### **OIS Coupon Calculation**

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 definitions. The formula for these calculations is given below.

#### USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{FEDFUND}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

“FEDFUND<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption “EFFECT”, as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in respect of any day “i”, the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

“n<sub>i</sub>” is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUND<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

#### CHF-TOIS-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

“TOIS<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

“n<sub>i</sub>” is the number of calendar days in the relevant Calculation Period on which the rate is TOIS<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

#### GBP-WMBA-SONIA-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

“d0” for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

“SONIA<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers’ Association and appearing on the Reuters Screen SONIA Page in respect of that day;

“n<sub>i</sub>” is the number of calendar days in the relevant Calculation Period on which the rate is SONIA<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

#### EUR-EONIA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

“EONIA<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

“n<sub>i</sub>” is the number of calendar days in the relevant Calculation Period on which the rate is EONIA<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

#### ~~2.7.5~~ Calculation of Compounded Amount

Depending on whether the FCM SwapClear Contract is submitted under ISDA 2000 or ISDA 2006 Definitions, the Clearing House will calculate the compounded floating

amount payable by an FCM Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

#### ~~2.7.6~~ **Business Day and Business Day Convention**

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centres specified in the matched FCM SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched FCM SwapClear Transaction message.

#### ~~2.7.7~~ **Payment of Coupons**

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit FCM Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next Business Day following the Coupon Payment Date.

#### ~~2.7.8~~ **Calculation Periods**

In respect of any Calculation Period that is not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

#### ~~2.7.9~~ **Day Count Fractions: ISDA 2000**

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

Where the FCM SwapClear Transaction is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (c) ~~(a)~~ if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (d) ~~(b)~~ if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (e) ~~(c)~~ if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (f) ~~(d)~~ if "30/360", "360/360", "Bond Basis", "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

$$((Y2 - Y1) * 360) + ((M2 - M1) * 30) + (D2 - D1)$$

where D1, M1 and Y1 are the day, month and year respectively on which the period begins and D2, M2 and Y2 are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

(i) if “30/360”, “360/360” or “Bond Basis” is specified the Clearing House will

if D1 is 31 amend it to 30,

if D2 is 31 amend it to 30 only if D1 is 30 or 31; or

(ii) if “30E/360” or “Eurobond Basis” is specified the Clearing House will

if D1 is 31 then amend it to 30

if D2 is 31 then amend it to 30.

(g) ~~(e)~~ For Actual/Actual (ISMA): “The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after December 31, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond”.

#### **2.7.10 Day Count Fractions: ISDA 2006**

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

Where the FCM SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

(h) ~~(a)~~ if “Actual/Actual”, Actual/Actual (ISDA), “Act/Act”, or “Act/Act-(ISDA)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(i) ~~(b)~~ if “Actual/365 (Fixed)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;

(j) ~~(c)~~ if “Actual/360” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

(k) ~~(d)~~ “30/360”, “360/360” or “Bond Basis” is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$



where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

(l) ~~(e)~~ if “30/E60” or “Eurobond basis is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: “Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

(m) ~~(f)~~ if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: "Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

- (n) ~~(e)~~ If "Actual/Actual" (ICMA) or "Act/Act" (ICMA) is specified, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "ICMA Rule Book"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US Dollar denominated straight and convertible bonds issued after December 21, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

#### ~~2.7.11~~ Reset Rates

Reset Rates will be published by the Clearing House via the Rate Reset reports.

The Clearing House will apply the following principles in calculating Reset Rates:

- (o) ~~(a)~~ "GBP-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.
- (p) ~~(b)~~ "USD--LIBOR-BBA" the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (q) ~~(c)~~ "Euro-LIBOR-BBA" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.

- (r) ~~(d)~~ “Euro-EURIBOR-Telerate (ISDA2000) / “Euro-EURIBOR-Reuters” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (s) ~~(e)~~ “JPY-LIBOR-BBA” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (t) ~~(f)~~ “CHF-LIBOR-BBA” means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (u) ~~(g)~~ “AUD-BBR-BBSW” means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.
- (v) ~~(h)~~ “AUD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (w) ~~(i)~~ “CAD-BA-CDOR” means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.
- (x) ~~(j)~~ “CAD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (y) ~~(k)~~ “CZK-PRIBOR-PRBO” means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.
- (z) ~~(l)~~ “DKK-CIBOR-DKNA13” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.
- (aa) ~~(m)~~ “DKK-CIBOR2-DKNA13” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.
- (bb) ~~(n)~~ “HKD-HIBOR-HIBOR=” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen

HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption "FIXING@11:00" as of 11:00 hours, Hong Kong time, on that Reset Date.

- (cc) ~~(c)~~ "HKD-HIBOR-HKAB" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.
- (dd) ~~(d)~~ "HKD-HIBOR-ISDC" (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.
- (ee) ~~(e)~~ "HUF-BUBOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.
- (ff) ~~(f)~~ "NOK-NIBOR-NIBR" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.
- (gg) ~~(g)~~ "NZD-BBR-Telerate" (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.
- (hh) ~~(h)~~ "NZD-BBR-FRA" means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of "FRA" as of 11:00 hours, Wellington time, on that Reset Date.
- (ii) ~~(i)~~ "SEK-STIBOR-SIDE" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption "FIXINGS" as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.
- (jj) ~~(j)~~ "SGD-SOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.
- (kk) ~~(k)~~ "PLN-WIBOR-WIBO" means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption "FIXINGS" as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.
- (ll) ~~(l)~~ "ZAR-JIBAR-SAFEX" means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEX page under

the caption "YIELD" as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified "ZAR-JIBAR-Reference Banks" as the applicable Floating Rate Option.

(mm) ~~(y)~~ "CHF-TOIS-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).

(nn) ~~(z)~~ "GBP-WMBA-SONIA-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).

(oo) ~~(aa)~~ "USD-Federal Funds-H.15-OIS-Compound" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

(pp) ~~(bb)~~ "EUR-EONIA-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

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

#### **2.7.12 Applying Reset Rate**

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

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

#### **2.7.13 Negative Interest Rate Method**

FCM Clearing Member should note the provisions of section 3.3 of Part A of the Schedule to the FCM Regulations regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

### **2.8 Initial Margin**

The Clearing House will require FCM Clearing Members to post initial margin. This amount will be determined by the prevailing market conditions and the expected time

to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for FCM SwapClear Contracts.

Separate initial margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts.

The Clearing House reserves the right to require additional amounts of cover from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 10.

#### **2.8.1—Liquidity Multiplier**

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis.

#### **2.8.2—Intra-day Margin Calls**

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see section 3.2.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

#### **2.8.3—Calculation of Initial Margin**

##### **(a) Portfolio Approach to Interest Rate Scenarios (PAIRS)**

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the initial margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 7428.

## **2.9 Intra-Day Margin Call: Collateral Management**

### **2.9.1—General – Intra-day Margining**

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FCM Clearing Member's PPS account to cover that intra-day margin call.



Cash payments in respect of intra-day cover are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

## 2.10 **Declearing and Compression**

Pursuant to FCM Regulation 5(n), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

- (a) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member by 19:00 New York City time on each applicable day) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts.
- (b) An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 New York City time on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to declare an FCM SwapClear Contract, an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

The Clearing House shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 New York City time shortly after 18:00 New York City time and shall notify the applicable FCM Clearing Member by 19:00 New York City time of the result of such compression procedure. A notification received after 18:00 shall be treated as if such notification was submitted on the following day prior to 18:00 New York City time, and as such shall be considered shortly after 18:00 New York City time on such following day and the results notified to the applicable FCM Clearing Member by 19:00 on such following day.

Following the compression process described above and as further set out in FCM Regulation 5(n), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

## 2.11 **Affiliate Clearing**

Under FCM Regulation 4(c), FCM Clearing Members are permitted to clear for Affiliates through their Proprietary accounts.

## 2.12 **Transfer of FCM Clients**

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation 9(b) or 9(c).

### **2.12.1 Partial Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2B), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Procedure 2.12.4.

In the event that any of the conditions set forth in FCM Regulation 9(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts.

### **2.12.2 Full Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2C), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM SwapClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM SwapClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Procedure 2.12.4.

In the event that any of the conditions set forth in FCM Regulation 9(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM SwapClear Contracts on behalf of the FCM Client whose FCM SwapClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.



### 2.12.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2D) which cover is attributable to the transferring FCM Client and the associated FCM SwapClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus OTC Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 9(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM SwapClear Contracts.

### 2.12.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
	it intends to transfer certain FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.  Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.
Day 2: 09:00 to 10:00		LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred.  Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).	

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 2: 14:30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 03:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM SwapClear Contracts.	Clearing House transfers FCM SwapClear Contracts and associated collateral.	Clearing House transfers FCM SwapClear Contracts.

### 2.13 **Proprietary Account Position Transfers**

The FCM SwapClear clearing system provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM SwapClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM SwapClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

### **2.13.1 Legal Documentation**

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.

### **2.13.2 Position Transfer Notice Period**

The Clearing House will usually require five Business Days notice ahead of an intended transfer.

## **2.14 Amendment of Trade References**

Sometimes FCM Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements including under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

### **2.14.1 Trade Reference Amendment Request Form**

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any FCM Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the FCM Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the FCM Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days ("the Trade Reference Amendment Notice Period") after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House's records and FCM SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the FCM Clearing Member will be advised in due course of the date set by the Clearing House.

### **2.14.2 Multi-trade Amendments**

If an FCM Clearing Member requests amendment to several trades it must (in addition to providing the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +44 (0) 20 7426 7697). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the FCM Clearing Member will be advised accordingly.

### **2.14.3 Processing**

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- it is not made in accordance with these FCM Procedures;
- any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the FCM Clearing Member's trade reference which the Clearing House has recorded;
- the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the FCM SwapClear clearing system;
- any trade referred to in the Trade Reference Amendment Request Form is not already registered in the FCM SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment; or
- it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the FCM Clearing Member and process the amendment as soon as reasonably practicable thereafter.

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

### **2.14.4 Legal Documentation**

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

### **2.14.5 Notification**

Subject to the requesting FCM Clearing Member meeting all the Clearing House's requirements (including completion and submission of all documentation and such other additional requirements as the Clearing House may be set by the Clearing

House in its discretion), the Clearing House will notify the FCM Clearing Member of its agreement to the amendment of its records of the FCM Clearing Member trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and advise of the anticipated date of amendment (“the anticipated date of amendment”).

## 2.15 **Default Management**

In performing its rights and obligations under the Default Management Process Agreement, the Clearing House undertakes that, in any allocation of Allocation Units amongst Currency Participants that are part of the same Group pursuant to clause 4.1.5 and 4.1.3 of the Default Management Process Agreement, the Clearing House shall, if such Group consists of one or more FCM Clearing Members and one or more SwapClear Clearing Members and one or more of such SwapClear Clearing Members is/are a US FDIC-insured bank, the Clearing House will make such allocations in accordance with the instructions of the Bank(s) provided that such instructions are received in a timely manner. In the event that the Bank(s) does not provide the Clearing House with instructions in a timely manner, the Clearing House will make the allocations pro-rata between the members of the Group in accordance with the market risk associated with those members’ open positions at the time of the clearing member default. A member of the Group shall be responsible solely for the allocations made to it and shall not be responsible or liable for allocations made to any other member of the Group pursuant hereto.

### **Portfolio Splitting:**

As part of the Default Management Process, the Clearing House may divide an Auction portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing house will, in consultation with the Default Management Group, seek to create:

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

### **Acceptance of Bids**

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

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

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

### **Affiliate Bidding**

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

A SwapClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where it wishes to do so, the SwapClear Clearing Member should contact the Clearing House's Membership Department [insert details].

### **Outsourcing**

Pursuant to FCM Regulation 3(c)(vi) and 3(c)(vii), an FCM Clearing Member may appoint a third party to fulfil one or both of the the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the Default Management Process operated by the Clearing House. Where an FCM Clearing Member chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

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

- A SwapClear Clearing Member
- An FCM Clearing Member
- An FCM Client
- any other entity that the Clearing House deems appropriate in its sole discretion.

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

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



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

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

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

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

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

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

**The appointment of an LCH Approved Outsourcing Agent does not absolve an FCM Clearing Member of its obligations under the Default Management Process (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Default Management Process on behalf of an FCM Clearing Member, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FCM Clearing Member.**

### **SwapClear DMG**

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



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

## 2.16 **Payment of Stamp Tax**

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

## 2.17 **Section 168, Finance Act 1994**

[Under section 696 Corporation Tax Act 2009 ("CTA 2009"), net payments in relation to certain derivative contracts (as defined in Section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a "recognised clearing house" as defined in section 285 of FSMA 2000.

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any FCM Clearing Member knowingly permit any such contract to be submitted by a SwapClear Participant. Should this occur the SwapClear FCM Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any Executing [Dealer][Party] submitting such a contract for registration from the Register of Executing [Dealers][Parties]. The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear FCM Clearing Member as it deems fit in accordance with the Regulations. The SwapClear FCM Clearing Member shall

indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

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

## APPENDIX 2A


**SWAPCLEAR PROCESSING SCHEDULE**

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a "Business Day" for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2.3.5)
16:00	Deadline for PPS calls in London
24:00	SwapClear Closes

APPENDIX 2B

FCM CLIENT – PARTIAL TRANSFER FORM

		<b>FCM CLIENT - PARTIAL TRANSFER FORM</b>	
		<u>V.1.0:</u> <b>November 2011</b>	
<u>Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein</u>			
<b>To:</b>	LCH.Clearnet Limited		
<b>From:</b>	Receiving FCM Clearing Member		
<b>Date:</b>			

We, ..... [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 9(c) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM SwapClear Contracts, using the Schedule below:

\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM SwapClear Contracts.

\*\*Please append a list of additional FCM SwapClear Contracts to this form, if required

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>

**Signatories for and on behalf of the Receiving FCM Clearing Member:**

We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving FCM Clearing Member

	<b>FCM CLIENT – PARTIAL TRANSFER FORM</b>

<i>Terms used in this form are as defined in LCH.Clearent Limited's FCM Rulebook unless defined herein</i>			
<b>To:</b>	LCH.Clearent Limited		
<b>From:</b>	Receiving FCM Clearing Member		
<b>Date:</b>			

We, ..... [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 9(c) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM SwapClear Contracts, using the Schedule below:

*\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM SwapClear Contracts.*

*\*\*Please append a list of additional FCM SwapClear Contracts to this form, if required*

LCH Trade ID	ATS Trade ID

**Signatories for and on behalf of the Receiving FCM Clearing Member:**

~~We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving FCM~~

**Clearing Member**

1.					
	(Authorised Signatory)	Name	Position		Date
2.					
	(Authorised Signatory)	Name	Position		Date

**Signatories for and on behalf of the transferring FCM Client:**

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed above;
- ii. that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iii. that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- iv. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- v. that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates; and
- vi. that we are authorised to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authorised signatory	Authorised signatory
Date	Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)


Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

SwapClear Client Services	SwapClear Client Services
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Aldgate House 33 Aldgate High Street London EC3N 1EA	Suite 4G 14 Wall Street New York NY 10005	
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APPENDIX 2C

FCM CLIENT – FULL TRANSFER FORM

	<b>FCM CLIENT - FULL TRANSFER FORM</b>
<b>V.1.0: November 2011</b>	
<i>Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein</i>	
<b>To:</b>	LCH.Clearnet Limited
<b>From:</b>	Receiving FCM Clearing Member
<b>Date:</b>	

We, .....[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from SwapClear Contracts as identified below pursuant to FCM Regulation 9(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:  
 .....

OR

ii. the LCH trade IDs of the transferring FCM SwapClear Contracts (using the Schedule on the next page).

**In** order to enable LCH.Clearnet to identify the relevant FCM SwapClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets in accordance with FCM Regulations 9(d).

<input type="checkbox"/>	The FCM Client wishes to transfer Account Assets
<input type="checkbox"/>	The FCM Client does NOT wish to transfer Account Assets

**Signatories for and on behalf of the Receiving FCM Clearing Member:**

We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving FCM Clearing Member

1.					
	(Authorised Signatory)	Name	Position	Date <u>date</u>	
2.					
	(Authorised Signatory)	Name	Position	Date <u>date</u>	



**Signatories for and on behalf of the transferring FCM Client:**

**To:** Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed herein;
- ii. that we will be unable to submit further FCM SwapClear Contracts through our Carrying FCM Clearing Member from the date that this form is received by LCH.Clearnet until the transfer has been effected;
- iii. that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iv. that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- v. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above) even where Account Assets are transferred, and that LCH.Clearnet is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of Account Assets, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet to identify the correct Account Assets to be transferred, and (y) while LCH.Clearnet will attempt to transfer the specified Account Assets to the Receiving FCM Clearing Member, LCH.Clearnet is permitted to transfer alternative collateral as it deems appropriate in accordance with the FCM Rulebook;
- vii. that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates
- viii. that we are authorised to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authorised signatory		Authorised signatory
Date		Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Insert email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Insert telephone number: +44 (0) 207 426 7651

SwapClear Client Services Aldgate House 33 Aldgate High Street London EC3N 1EA UNITED KINGDOM	SwapClear Client Services Suite 4G 14 Wall Street New York NY 10005 USA
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**Schedule of transferring FCM SwapClear Contracts:**

**\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM SwapClear Contracts in order that LCH.Clearnet can determine the identity of the relevant Carrying FCM Clearing Member.**

<b>LCH Trade ID</b>	<b>ATS Trade ID</b>

Schedule of transferring FCM SwapClear Contracts:


\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM SwapClear Contracts in order that LCH.Clearnet can determine the identity of the relevant Carrying FCM Clearing Member.

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>



APPENDIX 2D

FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM

		<b>FCM CLIENT TRANSFER – CARRYING FCM CLEARING MEMBER RESPONSE FORM</b>	
		V.1.0: November 2011	
<i>Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein</i>			
<b>To:</b>	LCH.Clearnet Limited		
<b>From:</b>	Carrying FCM Clearing Member		
<b>Date:</b>			

We, ..... [insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet Limited in relation to .....’s [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its\*] portfolio of FCM SwapClear Contracts held by us. We are writing to inform you that:

\* Delete as appropriate

(Please tick if applicable) The transferring FCM Client has become insolvent and its FCM SwapClear Contracts should therefore not be transferred in accordance with FCM Regulation 9(b)(i) or FCM Regulation 9(c)(i), as applicable.

(Please tick if applicable) The transferring FCM Client has outstanding obligations that are due and payable to us and/or our Affiliates and therefore its FCM SwapClear Contracts should not be transferred in accordance with FCM Regulation 9(b)(v) or FCM Regulation 9(c)(v), as applicable.

(Please tick if applicable) The transferring FCM Client has asked that Account Assets be transferred and the relevant Account Assets are described in the schedule below.

**Schedule of Account Assets:**

The Account Assets of the FCM Client consist solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

[The Account Assets of the FCM Client consist of the following cash and non-cash collateral:](#)

CASH AMOUNT & CURRENCY

The Account Assets of the FCM Client consist of the following cash and non-cash collateral:

**CASH AMOUNT & CURRENCY**

ISIN	Notional Value

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

Fax: +1 212 513 8290

SwapClear Client Services Aldgate House 33 Aldgate High Street London EC3N 1EA UNITED KINGDOM	SwapClear Client Services Suite 4G 14 Wall Street New York NY 10005 USA
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**Signatories for and on behalf of the Carrying FCM Clearing Member:**

We acknowledge and confirm the above and that we are authorised to sign for and on behalf of the Carrying FCM Clearing Member:

1.					
	(Authorised Signatory)	Name	Position	Date	
2.					

	(Authorised Signatory)	Name	Position	Date

## APPENDIX 2E

### CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP

#### 1. Definitions

- 1.1 "Confidential Material" means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the Default Management Process, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FCM Clearing Member).
- 1.2 "DMG Member" means an individual appointed by a Nominating FCM Clearing Member.
- 1.3 "Nominating FCM Clearing Member" means a SwapClear Member who, through their obligations under the Default Management Agreement, makes available a representative to serve on the DMG.
- 1.4 "Permitted Purpose" means proper fulfilment by the FCM Clearing Member of its duties under the Agreement and includes, after the completion of the Competitive Bidding as outlined in section 3.1.2, the use by the FCM Clearing Member its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Competitive Bidding process or Allocation Units allocated by the Clearing House through the non-Competitive Allocation, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.
- 1.5 References denoting the masculine (including "his" and "he") shall be construed as the feminine if the DMG Member is female.
- 1.6 All other terms have the meaning ascribed to them in the Agreement.

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

#### 2. Confidentiality

- 2.1 The FCM Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to Clause 2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FCM Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :
- 2.1.1 it comes into the public domain other than through a breach by the FCM Clearing Member of this Agreement; or
- 2.1.2 the FCM Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FCM Clearing Member.

2.2 The FCM Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FCM Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Agreement might result in the gaining of an unfair commercial advantage by the FCM Clearing Member over other members of the Clearing House SwapClear Service.

2.3 Subject to paragraph 2.5, the FCM Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

2.4 The FCM Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

2.5 This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FCM Clearing Member.

### 3. **Secrecy**

3.1 Except in accordance with the terms of this Annex, the FCM Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

3.1.1 Confidential Material;

3.1.2 the fact that it has received any Confidential Material;

3.1.3 the existence of any discussions or negotiations between the parties in this matter;

3.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FCM Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 2.1.1 and 2.1.2.

3.2 The Clearing House undertakes to ensure that the FCM Clearing Member is fully apprised of information on the Default Management Process that it makes public and which is accordingly of relevance to the FCM Clearing Member's obligations.

### 4. **Property**

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

### 5. **Return of Confidential Material**



5.1 Upon request by the Clearing House, and in any event upon fulfilment of the Permitted Purpose, the FCM Clearing Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FCM Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

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

6.1 Subject to references made in paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Annex by the FCM Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Annex, the FCM Clearing Member's participation in the Default Management Process shall not prevent the FCM Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FCM Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FCM Clearing Member has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FCM Clearing Member or any of its directors, employees or other representatives.

## 7. Liability

7.1 Subject to Clause 9.2 of the Agreement, the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FCM Clearing Member or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or wilful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the DMG, and for the accuracy of the information (confidential material as defined in the Annex to this Agreement) that it distributes to the FCM Clearing Member in connection with the Default Management Process.

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

## 8. Remedies

8.1 Without affecting any other rights or remedies that the Clearing House may have, the FCM Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Agreement and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any

combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

## Confidentiality and non-disclosure and general terms of participation in Default Management Group

### 9. Conflict of interest

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

### 10. Confidentiality

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

10.2 Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the DMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a DMG Member.

10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any SwapClear Clearing Member, the DMG Member may be required by the Nominating FCM Clearing Member and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the DMG with regard to the management of that default.

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

### 11. Warranty and Representation

11.1 The FCM Clearing Member represents and warrants that it will procure that:

11.1.1 the Nominating FCM Clearing Member and the DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

11.1.2 nothing in this Agreement will cause the DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FCM Clearing Member or to his employer, if different, or any other contract counterparty of the DMG Member.

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

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Annex to the Agreement, confining use to the Default Management Process, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organisation.

## 13. Third Party Rights

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

The invoice/credit note displays the type of fee, contract, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to the cover account.

Monthly postings are processed via the cover account at the beginning of the following month, on the third working day. Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant exchange.

### ~~3.7~~ **Participation Monies**

#### 3.7 ~~3.7.1~~ **DF Default Fund: SwapClear Contributions**

~~DF contributions~~ SwapClear Contributions (as defined in the Default Fund Rules) will be called via PPS ~~normally~~ on the fourth working day (~~“Reset Day”~~) ~~of the quarter (i.e. early February, May, August and November)~~ of each month or more frequently pursuant to a determination of the SwapClear Contribution under S2(k) of the Default Fund Rules (each a “SwapClear Reset Day”). SwapClear Contribution requirements will be notified to FCM SwapClear Clearing Members at least two working days prior to each SwapClear Reset Day on the Member Reporting Website. Intranet Report 000032.

Excess ~~DF~~ SwapClear Contribution amounts due to ~~FCM SwapClear~~ Clearing Members following the adjustment to ~~DF accounts and the crediting of interest~~ the SwapClear Contribution will be repaid to ~~FCM SwapClear~~ Clearing Members' PPS accounts on the ~~Reset Days~~ SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to SwapClear Clearing Members' PPS accounts on the first working day after the SwapClear Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day.

### 3.8 **Quantifying SwapClear Contributions**

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for initial margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from 28 September 2012, the average daily requirement for initial margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

## DISCIPLINARY PROCEEDINGS

### 8. DISCIPLINARY PROCEEDINGS

#### 8.1 SCOPE OF THIS PROCEDURE

All FCM Clearing Members are subject to Disciplinary Proceedings pursuant to Section 8 of these FCM Procedures (the “Disciplinary Procedures”).

Any alleged breach by an FCM Clearing Member of an obligation set out in the FCM Rulebook (the “Alleged Breach”) may be dealt with in accordance with the provisions of these Disciplinary Procedures.

These Disciplinary Procedures are without prejudice to:

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

#### 8.2 INVESTIGATION PROCEDURE

Subject to the provisions of Paragraph 8.3, the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this Paragraph 8.2.

##### (a) Opening of the Investigation Procedure

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

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

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

(iv) the FCM Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of Applicable Law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition). The FCM Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, provided that the Clearing House shall not be required to reveal any information which it deems to be confidential;

(v) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the FCM Clearing Member's offices at any time during normal business hours, having provided reasonable notice (being proportionate to the seriousness of the Alleged Breach) to the FCM Clearing Member as part of the investigation procedure. The FCM Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The FCM Clearing Member shall make available all information, records, and documents kept by the FCM Clearing Member, that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and

(vi) the FCM Clearing Member shall exercise best endeavours to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or those of the FCM Clearing Member) in order to answer questions or provide explanations that may be relevant for the examination of the Alleged Breach.

(b) Report

Following the conclusion of the investigation procedure, the Clearing House shall: (i) notify the FCM Clearing Member; and (ii) produce a written report (the "Report") in relation to the Alleged Breach and provide it to the FCM Clearing Member, within no more than 14 days as from the notification by the Clearing House of the conclusion of the investigation procedure.

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

- (i) to proceed with Disciplinary Proceedings, in accordance with these Disciplinary Procedures, if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed;
- (ii) to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the FCM Rulebook if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed but the sanctions set out in Paragraph 8.4 of these Disciplinary Procedures are, in the Clearing House's reasonable opinion, inadequate; or
- (iii) to take no further action.

(c) Disciplinary Committee Formation

Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with Paragraph 8.2(b)(i) above, it will convene a "Disciplinary Committee" consisting of:

- (i) The Chairman of the Risk Committee of the Clearing House, or his representative;
- (ii) The Chief Compliance Officer, or his representative;
- (iii) The Chief Risk Officer, or his representative, and
- (iv) Two members of the Executive Committee of LCH.Clearent Group Limited.

Details of the precise composition of the Disciplinary Committee shall be provided to the FCM Clearing Member as part of the Report, as appropriate.

(d) FCM Clearing Member Response

The FCM Clearing Member shall respond to the Disciplinary Committee, within 14 days of receiving a Report which indicates that the Clearing House intends to proceed with Disciplinary Proceedings, providing a statement of defence responding to the allegations.

If no response has been received by the Disciplinary Committee within 14 days or such extended period as has been agreed between the FCM Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure (as set out in Paragraph 8.2(e) below) and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in Paragraphs 8.2(g) and 8.2(h) below.

(e) Exploratory Meetings

Once the FCM Clearing Member has responded to the Report, either the FCM Clearing Member or the Disciplinary Committee can, within 7 days, request a meeting with the other party to ask further questions and discuss the Alleged Breach (the "Meeting").



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

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

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

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

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

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

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

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

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

(f) Determination

Having considered the Report, the FCM Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with Paragraph 8.2(e) above and conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.



The Disciplinary Committee shall make its determination, in accordance with this Paragraph 8.2(f), by a majority of the attendees, provided that no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

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

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

(i) a relevant Regulatory Body;

(ii) a Governmental Authority; or

(iii) the courts of England and Wales, the State of New York or the United States, in connection with a Dispute.

(g) Recommendation

Within 7 days of the later of:

(i) the FCM Clearing Member's response to the Report; and

(ii) the date of the Meeting, if applicable.

the Disciplinary Committee shall communicate its determination, made in accordance with Paragraph 8.2(f) above, to the Clearing House (the "Recommendation").

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

This Paragraph 8.2(g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rules if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in Paragraph 8.4 of these Disciplinary Procedures are, in the Disciplinary Committee's reasonable opinion, inadequate.

(h) Decision Notice

Following receipt of a Recommendation, pursuant to Paragraph 8.2(g) above, the Clearing House must decide whether or not to sanction the FCM Clearing Member in accordance with Paragraph 8.4 of these Disciplinary Procedures or otherwise in accordance with the provisions of the Rules.

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

A decision by the Clearing House in accordance with this Paragraph 8.2(h) will be made by the Chief Executive Officer of the Clearing House or another suitably senior executive of the Clearing House.

Within 14 days of receiving a Recommendation, the Clearing House must notify the FCM Clearing Member of its decision by registered mail to the address notified to the Clearing House in its admission application (the "Decision Notice").

A Decision Notice shall include details of the grounds on which the Clearing House has come to its decision and the sanction(s), if any, to be imposed against the FCM Clearing Member by the Clearing House pursuant to Paragraph 8.4 below or otherwise in accordance with the provisions of the Rules.

(i) Action

Notwithstanding any decision by the Clearing House to convene a Disciplinary Committee and proceed with Disciplinary Proceedings in accordance with Paragraphs 8.2(c) to 8.2(i) above, the Clearing House may at any time choose to:

(i) discontinue the Disciplinary Proceedings;

(ii) determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant FCM Clearing Member pursuant to Paragraph 8.4 below or otherwise in accordance with the provisions of the Rules;

(iii) take alternative action in accordance with the provisions of the Rules (including, without limitation, suspension or termination of the FCM Clearing Member's membership of the Clearing House pursuant to the FCM Rulebook and/or the issuance of a Default Notice in respect of such FCM Clearing Member in respect of the FCM Clearing Member pursuant to the Default Rules), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or

(iv) amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add, delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this Paragraph 8.2 will apply (and, unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, any timing specified in this Paragraph 8.2 will restart) in respect of the amended Report.

### 8.3 IMMEDIATE MEASURE

Where the Alleged Breach comprises a breach of:

(a) any of an FCM Clearing Member's obligations set out in the FCM Rulebook when such breach constitutes a threat to the integrity or safety of the Clearing House or increases the risk exposure of the Clearing House or other FCM Clearing Members;

- (b) an FCM Clearing Member's obligation to satisfy the relevant membership criteria pursuant to Section 1 of the FCM Procedures;
- (c) an FCM Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section 1 of the FCM Procedures;
- (d) an FCM Clearing Member's obligations to submit its clearing activity to audits and inspections pursuant to Section 1 of the FCM Procedures;
- (e) an FCM Clearing Member's obligations to satisfy its record keeping requirements pursuant to Section 1 of the FCM Procedures;
- (f) an FCM Clearing Member's obligation to furnish the Clearing House with Margin by the required time in accordance with FCM Regulation 10 and Section 3 of the FCM Procedures.

the Chief Executive Officer of the Clearing House or the Chief Compliance Officer shall be entitled at their sole discretion to, (a) issue a letter to the relevant FCM Clearing Member, reminding such member of their obligations under the FCM Rulebook or (b) impose a fine on the FCM Clearing Member in accordance with Paragraph 8.4, without being required to follow the procedure set out in Paragraph 8.2 above. In such circumstances the Clearing House must notify the FCM Clearing Member of its decision and the sanction that is to be imposed by way of a Decision Notice.

#### 8.4 SANCTIONS

The Clearing House shall be entitled, in its absolute discretion, to impose the following sanctions against an FCM Clearing Member, pursuant to these Disciplinary Procedures, provided that any such sanction is proportionate and commensurate with the seriousness of the Alleged Breach:

- (a) to impose a fine or require the FCM Clearing Member to make any other form of payment in an amount which it considers appropriate;
- (b) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the Website;
- (c) suspension for a fixed period, as determined by LCH.Clearnet Limited in its sole discretion from anyone or all of the clearing services offered by the Clearing House;
- (d) issuance of a private warning or reprimand;
- (e) termination of the FCM Clearing Membership Agreement; and/or
- (f) any combination of the above.

#### 8.5 DISPUTING A DECISION

Where an FCM Clearing Member wishes to dispute the Clearing House's decision to impose sanctions listed in Paragraph 8.3 or 8.4, an FCM Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer may, at their discretion, direct) of receiving the Decision Notice in accordance with Paragraph 8.2(h) or 8.3, file an Appeal in accordance with

Section 6 of the FCM Procedures. In the event that the FCM Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the FCM Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

#### 8.6 REPORTING AND PUBLICATION

The Clearing House shall:

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

#### 8.7 INFRINGEMENT OF APPLICABLE LAW

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

**Exhibit A-6  
FCM Regulations**

See Attached

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## **LCH.CLEARNET LIMITED**

### **FCM REGULATIONS OF THE CLEARING HOUSE**

#### **Scope**

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM SwapClear Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited nor do they cover clearing services provided by LCH.Clearnet SA which are governed by a separate set of rules.

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



**Definitions**

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

- Account Assets* - Means all cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to the Clearing House by an FCM Clearing Member in connection with an account carried by such FCM Clearing Member on behalf of an FCM Client, as cover for and in respect of the clearing of FCM SwapClear Contracts for such FCM Client.
- Affiliate* - Means, with respect to an FCM Clearing Member, any entity that controls, is controlled by or is under common control with such FCM Clearing Member, and the account of which, when carried by the FCM Clearing Member, would be considered a proprietary account pursuant to CFTC Regulation 1.3(y) (or any such successor or replacement regulation).
- [Auction Portfolio](#) = [Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules](#)
- Business Day* - Means in respect of an FCM SwapClear Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
- Carrying FCM Clearing Member* - Means an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM SwapClear Contracts and Account Assets held in such account may be transferred to a Receiving FCM Clearing Member pursuant to [FCM](#) Regulation 9 of these FCM Regulations and in accordance with the FCM Procedures.
- CEA* - Means the U.S. Commodity Exchange Act.
- CFTC* - Means the U.S. Commodity Futures Trading Commission.
- CFTC Regulations* - Means the rules and regulations promulgated by the CFTC.
- Clearing House* - Means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
- Closing-out Contract* - Means for the purposes of these FCM Regulations, an FCM SwapClear Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM SwapClear Contract on the same terms (except as to price) as an Open Contract

in the FCM Clearing Member's name, save that where the Clearing House is paying Rate X under the terms of such open FCM SwapClear Contract, the Clearing House shall pay Rate Y under the terms of such closing-out FCM SwapClear Contract, and vice-versa.

- Contribution* - Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
- cover* - Means an amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the FCM Procedures.
- defaulter* - Has the meaning attributed to it in rule 4 of the Default Rules.
- Default Fund Rules* - Means the Clearing House's Default Fund Rules from time to time in force.
- Default Rules* - Means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.
- Economic Terms* - Means that part of the FCM SwapClear Contract Terms designated as Economic Terms by the Clearing House from time to time.
- Excess Margin* - Means cover delivered to the Clearing House by an FCM Clearing Member in respect of its FCM SwapClear Contracts which is in excess of the Required Margin in respect of such FCM SwapClear Contracts.
- Executing Party* - Means any party to a swap transaction with respect to which at least one party to such transaction applies to have its side of such transaction registered with the Clearing House (through its FCM Clearing Member or on its own behalf as an FCM Clearing Member, as applicable) as an FCM SwapClear Contract, and the other party to such transaction applies to have its side of such transaction registered with the Clearing House either as an FCM SwapClear Contract (through its FCM Clearing Member or on its own behalf as an FCM Clearing Member, as applicable) or as an SCM SwapClear Contract (through its SwapClear Clearing Member or on its own behalf as a SwapClear Clearing Member, as applicable), as the case may be.
- FCM* - Means a futures commission merchant, as defined under the CEA that is registered in such capacity with the CFTC.
- FCM Approved Trade Source System* - Means a system approved for executing FCM SwapClear Transactions by the Clearing House.

- FCM Clearing Member* - Means an FCM that has been approved by the Clearing House for the clearing of FCM SwapClear Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "Clearing Member" for all purposes under the Default Rules, the Default Fund Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
- FCM Clearing Membership Agreement* - Means the agreement so designated under which, inter alia, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM SwapClear Contracts together with any ancillary agreements.
- FCM Client* - Means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in the Cleared OTC Derivatives Account Class (as that term is defined in CFTC Regulation 190.01(o)), including FCM SwapClear Contracts, on behalf of which the FCM Clearing Member provides FCM SwapClear Clearing Services and clears FCM SwapClear Contracts; provided that any such client is only an FCM Client with respect to its positions in cleared OTC derivatives (as that term is defined in CFTC Regulation 190.01(o)).
- FCM Client Business* - Means the provision of FCM SwapClear Clearing Services by an FCM Clearing Member to its FCM Clients.
- FCM Default Fund Agreement* - Means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the Clearing House's default fund.
- FCM Default Management Process Agreement* - Means an agreement entered into between the Clearing House and an FCM Clearing Member, pertaining to the Clearing House's default management process in the case of a default of an FCM Clearing Member or a SwapClear Clearing Member.
- FCM Omnibus OTC Client Account with LCH* - Means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated cover and other payments and deliveries, will be reflected on the books of the Clearing House.
- FCM OTC Client Segregated Depository Account* - Means an omnibus account located in the United States and maintained by an FCM Clearing Member for its FCM Clients with a ~~depository~~ Permitted Depository, which is segregated in accordance with the CEA and regulations of the CFTC and contains ~~cover~~ the Account Assets deposited by such FCM Clients in connection with FCM SwapClear Contracts cleared for such FCM Clients by

- such FCM Clearing Member.
- FCM Procedures* - Means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House.
- FCM Regulations* - Means these FCM Regulations entitled as such, relating to FCM SwapClear Contracts and the clearing of FCM SwapClear Contracts only, from time to time in force.
- FCM Rulebook* - Means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM SwapClear Clearing Services, as published and amended from time to time.
- FCM Segregated Accounts* - Means, with respect to each FCM Clearing Member, its FCM OTC Client Segregated Depository Accounts and its PPS Accounts in which the FCM Clearing Member holds funds of its FCM Clients.
- FCM SwapClear Clearing End-User Notice* - Means the “FCM SwapClear Clearing End-User Notice” as specified by the Clearing House from time to time and as published by the Clearing House on its website or otherwise.
- FCM SwapClear Clearing Services* - Means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
- FCM SwapClear Contract* - Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
- FCM SwapClear Contract Terms* - Means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Regulations.
- FCM SwapClear Transaction* - Means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM SwapClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM SwapClear Contract or an SCM SwapClear Contract.
- Initial Margin* - Means an amount determined and published from time to time by the Clearing House with regard to each category of FCM SwapClear Contract, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures as a

condition of registration of an FCM SwapClear Contract by the Clearing House and otherwise in respect of all FCM SwapClear Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.

*LCH.Clearnet Group* - Means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a “member” of LCH.Clearnet Group within these FCM Regulations is to be construed accordingly).

*LCH Approved Outsourcing Party* = Means a party approved for these purposes by the Clearing House, as set out in the FCM Procedures.

*LCH OTC Client Segregated Depository Account* - Means the omnibus account (which will consist of one or more accounts at one or more depositories which are commingled for purposes of the applicable provisions of the CEA and regulations of the CFTC) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a depository, which is segregated in accordance with the CEA and regulations of the CFTC, is part of the **Cleared** OTC Derivatives Account Class under Part 190 of the CFTC’s regulations and contains the cover deposited by such FCM Clearing Members on behalf of their FCM Clients in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Members.

*Official Quotation* - Means a price determined by the Clearing House under FCM Regulation 11.

*“Open Contract” or “open contract”* - Means an FCM SwapClear Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms “Open Contract” and “open contract” shall not include a Closing-out Contract.

*Other Specific Regulations* - Means the Clearing House’s Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.

*Portfolios* = Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules

*Price* - Means, in the case of an FCM SwapClear Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.

*Proprietary Account* - Means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM SwapClear Contracts made by the FCM Clearing Member for its own account or accounts of its

Affiliates (but never accounts of its FCM Clients) are registered and to which monies in respect of such FCM SwapClear Contracts are credited.

- PPS Account(s)* - Means the Protected Payments System (PPS) bank account(s) established by FCM Clearing Members and by LCH, as described in the FCM Procedures.
- Receiving FCM Clearing Member* - Means an FCM Clearing Member receiving the transfer of part or all of the FCM SwapClear Contracts and Account Assets of an FCM Client from a Carrying FCM Clearing Member that previously carried such account, pursuant to Regulation 9 of these FCM Regulations and in accordance with the FCM Procedures.
- Reference Price* - Means a price (howsoever called) by reference to which an FCM SwapClear Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.
- Registration Time* - Means, in respect of FCM SwapClear Contracts, the meaning given in FCM Regulation 5(e) or FCM Regulation 5(l) as applicable.
- Regulatory Body* - Means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.
- Required Margin* - Means the cover required by the Clearing House from an FCM Clearing Member from time to time in respect of its FCM SwapClear Contracts.
- [Risk Neutralisation](#) = [Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules](#)
- SCM SwapClear Contract* - Means a "SwapClear Contract" (as such term is defined in the U.K. General Regulations) and which is governed in accordance with the UK General Regulations.
- Settlement Finality Regulations* - Means the Clearing House's Settlement Finality Regulations from time to time in force.
- Settlement Price* - Means in relation to an FCM SwapClear Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
- Standard Terms* - Means that part of the FCM SwapClear Contract Terms designated as Standard Terms by the Clearing House from time to time.



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

*SwapClear DMP* = Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.

*UK General Regulations* - Means the Default Rules, the Default Fund Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.

*Variation Margin* - Means an amount determined by the Clearing House in accordance with the FCM Procedures in respect of original contracts or Open Contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the FCM Procedures) and the value of such contracts at the Reference Price or at such other prices as the Clearing House may determine pursuant to the FCM Procedures, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures.

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

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

Headings are used herein for ease of reference only.

**Regulation 1** Obligations of the Clearing House to each FCM Clearing Member

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open Contracts in accordance with these FCM Regulations. FCM Clearing Members are fully liable to the Clearing House for the performance of all obligations arising in connection with FCM SwapClear Contracts, regardless of whether such FCM SwapClear Contracts are cleared by such FCM Clearing Members as principal for their own accounts, or as agent and guarantor for their respective FCM Clients and Affiliates (as set forth in FCM Regulation 3(b)).
- (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation 1 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation 1 or any of the other FCM Regulations to any person who is not a member.



**Regulation 2** 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 in the manner and form and by such day and time as may be prescribed in these FCM Regulations or the FCM Procedures; provided that where the Economic Terms of an FCM SwapClear Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time.

**Regulation 3** FCM Clearing Member Status of the Clearing House and Application of LCH Regulations

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM SwapClear Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM SwapClear Transactions involving an FCM Client or an Affiliate cleared by an FCM Clearing Member as FCM SwapClear Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients and Affiliates in connection with the clearing of such FCM SwapClear Contracts, provided that each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM SwapClear Contracts.
- (c) Qualification of FCM Clearing Members. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM SwapClear Clearing Services. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
  - (ii) be incorporated or otherwise organized under the laws of a State within the United States;
  - (iii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least ~~\$1,000,000,000 (one billion United States dollars);~~ [RESERVED] ([RESERVED] United States dollars); provided, that (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$[RESERVED]);
  - (iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process FCM SwapClear Transactions through an FCM Approved Trade Source System;

- (v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the Clearing House Default Fund in accordance with the FCM Rulebook;
- ~~(vi) have an Affiliate that is an existing SwapClear Clearing Member for the purposes of performing certain obligations under the FCM Default Management Process Agreement;~~
- ~~(vii) have, or be a member of a corporate group that has, an interest rate swaps portfolio with a minimum notional outstanding principal of US\$1,000 billion (i.e. \$1,000,000,000,000) or equivalent;~~
- (vi) ~~(viii)~~ be able to successfully participate ~~(or demonstrate that it has: (A) an affiliated SwapClear Clearing Member that can successfully participate);~~ or (B) an LCH Approved Outsourcing Party that can successfully participate in a SwapClear “fire drill” run by the Clearing House from time to time which shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant’s FCM Clearing Member application will not be approved;
- (vii) ~~(ix)~~ be able to participate or demonstrate that it has: (A) an affiliated SwapClear Clearing Member that can successfully participate; or (B) an LCH Approved Outsourcing Party that can successfully participate in the Default Management Process operated by ~~the Clearing House and execute an FCM Default Management Process Agreement with~~ the Clearing House;
- (viii) ~~(x)~~ have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union; and
- (ix) ~~(xi)~~ in the event of a default be able to receive from the Clearing House and process FCM SwapClear Contracts and SCM SwapClear Contracts, and any associated hedge trades, in FPML ~~format or, separated value electronic~~ format;

provided that, in the event that an FCM Clearing Member is not in satisfaction of the requirements set forth above in clause (iii), the Clearing House may, at its discretion, deem the net capital requirement set out in clause (iii) above to be met by the provision to the Clearing House of an unconditional guarantee covering all of such applicant’s (or current FCM Clearing Member’s) obligations to the Clearing House (in a form acceptable to the Clearing House) from the applicant’s (or current FCM Clearing Member’s) parent company or from another member in the applicant’s (or current FCM Clearing Member’s) corporate group (not including a

subsidiary of the applicant or current FCM Clearing Member) provided that the guarantor itself meets those criteria or is a guarantor for another FCM Clearing Member or SwapClear Clearing Member in its corporate group (and met the criteria mentioned above at the time of provision of that guarantee).

(d) Each FCM Clearing Member shall at all times continue to comply with and satisfy the qualifications and requirements set forth in FCM Regulation 3(c) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

(e) ~~(d)~~ Notwithstanding anything else contained in this FCM Regulation 3 or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

**Regulation 4** FCM Client Business and Proprietary Account Trading

- (a) Subject to the provisions of these FCM Regulations, FCM SwapClear Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client, provided, however, that each FCM Clearing Member shall, before providing FCM SwapClear Clearing Services to any FCM Client, ensure that:
- (i) it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House; and
  - (ii) the FCM Client has been provided with or has been directed to a copy of the FCM SwapClear Clearing End-User Notice and that the FCM Clearing Member confirms to the Clearing House in writing that it has done so.
- (b) FCM SwapClear Clearing Services may be provided by an FCM Clearing Member to its FCM Clients, and FCM SwapClear Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only through an FCM Omnibus OTC Client Account with LCH maintained by the Clearing House in the name of the FCM Clearing Member for the benefit of its FCM Clients.
- (c) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to enter into and clear FCM SwapClear Contracts for their own account or accounts of their Affiliates, in each case through their Proprietary Accounts. An FCM Clearing Member wishing to provide FCM SwapClear Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. An FCM Clearing Member providing FCM SwapClear Clearing Services to its Affiliates shall notify the Clearing House of any Affiliates for which it provides such FCM SwapClear Clearing Services.
- (d) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its FCM Clients and any Affiliates for which it provides FCM SwapClear Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the FCM SwapClear Contracts cleared for such FCM Clients, Affiliates, or on its own behalf, and the cover held in respect of such cleared FCM SwapClear Contracts, subject to the provisions of the following paragraph (e).
- (e) Each FCM Clearing Member shall establish and maintain an FCM OTC Client Segregated Depository Account on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and regulations of the CFTC, including but not limited to Part 1 and Part 190 of such regulations, and as further set forth in FCM Regulation 29. The FCM OTC Client Segregated Depository Account shall be maintained with a depository in accordance with the CEA and CFTC Regulations and the FCM Clearing Member may commingle assets of all of its FCM Clients in such [FCM OTC Client Segregated Depository](#) Account in a single omnibus account established and maintained in accordance with CFTC Regulations. The FCM OTC Client Segregated Depository Account maintained by each FCM Clearing Member shall be designated as part of the Cleared OTC Derivatives Account Class for [the](#) purposes of Part 190 of the CFTC's regulations and Section 2(h) of the CEA.

- (f) The Clearing House shall establish and maintain an LCH OTC Client Segregated Depository Account on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and regulations of the CFTC, including but not limited to Part 1 and Part 190 of such regulations. The LCH OTC Client Segregated Depository Account shall be maintained with a depository in accordance with the CEA and CFTC Regulations and the Clearing House may commingle assets of all of the FCM Clients ~~in such~~ Account in a single omnibus account established and maintained in accordance with CFTC Regulations. All cover deposited by FCM Clearing Members in connection with FCM SwapClear Contracts cleared on behalf of FCM Clients shall be held in such LCH OTC Client Segregated Depository Account. The LCH OTC Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members, or any other assets that the Clearing House is holding for clients (other than FCM Clients) and shall contain no assets other than cover deposited by FCM Clearing Members in connection with the clearing of FCM SwapClear Contracts on behalf of their FCM Clients. The LCH OTC Client Segregated Depository Account maintained by the Clearing House shall be designated as part of the Cleared OTC Derivatives Account Class for the purposes of Part 190 of the CFTC's regulations.
- (g) The Required Margin relating to FCM SwapClear Contracts cleared by an FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf, will be calculated by the Clearing House, and discharged by the FCM Clearing Member in respect of all such FCM SwapClear Contracts, by:
- (i) if and to the extent that there is Excess Margin available, deduction by the Clearing House of amounts from such Excess Margin, provided that, in accordance with these FCM Regulations, including without limitation FCM Regulation 29, in no event shall Excess Margin attributable to FCM Clients be available to satisfy Required Margin requirements relating to Proprietary Accounts;
  - (ii) otherwise, delivery by the FCM Clearing Member to the Clearing House of cover with a value which is at least sufficient to discharge the relevant requirement.

FCM Clients and FCM SwapClear Contract positions established for FCM Clients shall be subject to gross margin requirements on all such positions, and FCM Clearing Members shall require its FCM Clients to satisfy such gross margin requirements. FCM SwapClear Contract positions established in an FCM Clearing Member's Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM SwapClear Contract positions of itself and its Affiliates. An FCM Clearing Member may impose margin requirements on its Affiliates for which it provides FCM SwapClear Clearing Services on a net basis, netting the positions and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or an FCM Clearing Member may impose such margin requirements on a gross basis.

- (h) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding the FCM SwapClear Contracts and Account Assets held by such FCM Clearing Member for each of its FCM Clients at such times and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member, as soon as reasonably practicable following a request

from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients or Affiliates of the FCM Clearing Member, or the clearing of FCM SwapClear Contracts by such FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf.

- (i) No FCM Clearing Member may withdraw any amount from its FCM Omnibus OTC Client Account with LCH or its Proprietary Account if such withdrawal would cause the account balance to be less than the Required Margin then attributable to such FCM Omnibus OTC Client Account with LCH or Proprietary Account, as applicable, determined by the Clearing House in accordance with the provisions of the FCM Rulebook.



**Regulation 5** Registration of **FCM SwapClear Contracts; Novation and Post-Novation Compression**

- (a) In order for an FCM to submit an FCM SwapClear Transaction for registration as an FCM SwapClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as FCM SwapClear Contracts in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM SwapClear Contract that both sides of the underlying FCM SwapClear Transaction be presented for clearing (as one FCM SwapClear Contract and one SCM SwapClear Contract, or as two FCM SwapClear Contracts, as the case may be).
- (b) Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, (i) the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance with, these FCM Regulations and the FCM Procedures and (ii) such FCM Clearing Member shall be obligated to pay, upon request of the Clearing House, all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction.
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 5, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or SwapClear Clearing Member, as applicable.
- (d) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 5, an FCM SwapClear Transaction, particulars of which are submitted for registration as FCM SwapClear Contracts, must meet the eligibility criteria prescribed in these FCM Regulations and the FCM Procedures at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as FCM SwapClear Contracts, at which time the FCM SwapClear Contracts shall replace and supersede such corresponding FCM SwapClear Transaction.
- (e) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 5 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures ("Registration Time"). At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the



relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.

- (f) If at any time after registration of FCM SwapClear Contracts, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as FCM SwapClear Contracts pursuant to the FCM Rulebook, the Clearing House shall, as soon as practicable thereafter, set aside such FCM SwapClear Contracts. Upon the FCM SwapClear Contracts being set aside under this FCM Regulation 5, the particulars of the corresponding FCM SwapClear Transaction in question shall be deemed never to have been submitted to the Clearing House. Any payment made under, or in respect of, an FCM SwapClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 26 and its obligations under this FCM Regulation 5, the Clearing House (and each other member of the LCH.Clearent Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM SwapClear Contract.
- (g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Transactions are to be registered to furnish it with cover as a condition of registration of such FCM SwapClear Transaction(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable provisions in the FCM Rulebook.
- (h) The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, provided that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.
- (i) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one SCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear

Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the SCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or

- (ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client or Affiliate.

- (j) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 5(i) above:
  - (i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and SCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;
  - (ii) each FCM SwapClear Contract registered under FCM Regulation 5(i) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
  - (iii) subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
  - (iv) subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (3) and (4) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM

SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (k) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 5 or any other applicable provision of the FCM Rulebook.
- (l) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 5 shall take effect.
- (m) An FCM Clearing Member may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.
- (n) Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, (ii) registered on behalf of the same FCM Client or (iii) registered on behalf of the same Affiliate, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 5(n), two or more FCM SwapClear 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 fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 5(n) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 5(n) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear

Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and provided that in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

**Regulation 6**      Treatment of Accounts at LCH

- (a) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to LCH for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with FCM Client Business.
- (c) This paragraph applies to an FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH. Unless the FCM Rulebook provides otherwise, in the event that more than one FCM Omnibus OTC Client Account with LCH is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of such FCM Omnibus OTC Client Accounts (within the same account class for purposes of Part 190 of the CFTC Regulations) with LCH of an FCM Clearing Member, treat all such accounts as a single account and set off any amount or amounts standing to the credit of any one or more of such FCM Omnibus OTC Client Accounts with LCH of an FCM Clearing Member in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such FCM Omnibus OTC Client Accounts with LCH.
- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules) be paid on amounts standing to the credit of any of the FCM Clearing Member's accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.
- (h) Subject to the provisions of the Default Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration

shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.

- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 26A, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member, provided that in accordance with these FCM Regulations, including without limitation FCM Regulation 29, an FCM Clearing Member's obligations to the Clearing House (other than solely in respect of the obligations of its FCM Clients) may never be set off with amounts in FCM OTC Client Segregated Depository Accounts.

**Regulation 7**      Designation

An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM SwapClear Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, determine in which account of the FCM Clearing Member the FCM SwapClear Contract shall be entered.

**Regulation 8** Trading Information

The Clearing House shall make available to an FCM Clearing Member in the manner and by the time prescribed by the FCM Procedures, such details of original contracts presented for registration in the name of that FCM Clearing Member, Open Contracts registered in that FCM Clearing Member's name, and cover furnished by that FCM Clearing Member as may be prescribed in the FCM Procedures.



**Regulation 9**      Transfer

- (a) Other than in the event that an FCM Clearing Member is a defaulter, Open Contracts in such FCM Clearing Member's name shall not be allocated or transferred except as provided in this FCM Regulation 9.
- (b) Upon the instruction or at the request of an FCM Client, via a Receiving FCM Clearing Member (as set out in the FCM Procedures), to transfer that FCM Client's entire portfolio (and not less than an entire portfolio) of FCM SwapClear Contracts from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) all FCM SwapClear Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client, as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the FCM SwapClear Contracts to be transferred (such transfer to occur by novation of such FCM SwapClear Contracts rather than by closeout and rebooking of new FCM SwapClear Contracts); and (y) upon request, if any, of the Receiving FCM Clearing Member on behalf of the relevant FCM Client, all Account Assets deposited with or transferred to the Clearing House by a Carrying FCM Clearing Member and held by the Clearing House in respect of the FCM SwapClear Contracts that are being transferred to a Receiving FCM Clearing Member designated by the FCM Client as set out in the FCM Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such Account Assets), provided that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
  - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
  - (iii) the Receiving FCM Clearing Member has consented to such transfer;
  - (iv) the Clearing House considers that it has received sufficient cover from the Receiving FCM Clearing Member in order to enable the transfer; and
  - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM SwapClear Contracts being transferred or the FCM Client's related collateral.

- (c) Upon the instruction or at the request of an FCM Client via a Receiving FCM Clearing Member (as set out in the FCM Procedures) to transfer a portion of that FCM Client's portfolio of FCM SwapClear Contracts from a Carrying FCM Clearing Member, (the "Porting FCM SwapClear Contracts"), the Clearing House shall transfer (such transfer to occur by novation of such Porting FCM SwapClear Contracts rather than by closeout and rebooking of new FCM SwapClear Contracts) the Porting FCM SwapClear Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client to a Receiving FCM Clearing Member, designated by the FCM Client as set out in the FCM Procedures, provided that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
  - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
  - (iii) the Receiving FCM Clearing Member has consented to such transfer;
  - (iv) the Receiving FCM Clearing Member has provided sufficient cover to the Clearing House in respect of its current FCM SwapClear Contracts and the Porting FCM SwapClear Contracts in order to enable the transfer;
  - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and
  - (vi) in the event that the transfer will lead to an increased cover requirement from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient cover to the Clearing House in respect of such increased cover requirement.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM SwapClear Contracts being transferred or the FCM Client's related collateral.

- (d) Upon request from the Clearing House, and in order to facilitate a transfer pursuant to FCM Regulation 9(b), the Carrying FCM Clearing Member shall notify the Clearing House of the Account Assets which are attributable to the transferring FCM Client and, along with the Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the Account Assets that are attributable to the relevant FCM Client, the Clearing House shall transfer such collateral as it deems appropriate and as set out in the FCM Procedures.

- (e) (i) By notifying the Clearing House of a request to accept a transfer of FCM SwapClear Contracts of an FCM Client, and the related Account Assets if applicable, pursuant to FCM Regulation 9(b) or 9(c), the Receiving FCM Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions set forth herein and in the FCM Procedures to the transfer of the account of the FCM Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under these FCM Regulations or the FCM Procedures, the Clearing House shall transfer the FCM SwapClear Contract(s) into the name of the Receiving FCM Clearing Member as agent for the relevant FCM Client.
- (ii) In the case where a transfer pursuant to FCM Regulation 9(b) will include the transfer of the related Account Assets in addition to the transfer of FCM SwapClear Contracts:
- (A) Upon completion of the transfer, the Account Assets deposited with or transferred to the Clearing House by the Carrying FCM Clearing Member and held by the Clearing House in respect of the FCM SwapClear Contracts that are being transferred shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to the Clearing House and subject to the security interest granted by the Receiving FCM Clearing Member pursuant to FCM Regulation 10(n). Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Account Assets transferred.
- (B) The transfer of the FCM SwapClear Contracts and related Account Assets shall be deemed to occur simultaneously, and the transfer of the FCM SwapClear Contracts shall be conditioned on the transfer of the related Account Assets, and vice versa.
- (C) If the transfer of all such FCM SwapClear Contracts and related Account Assets is not completed for any reason, then any actual transfer of Account Assets or FCM SwapClear Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Account Assets or FCM SwapClear Contracts that has occurred shall be immediately unwound.
- (f) Rights under an Open Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation 9, shall be void.
- (g) If an FCM Clearing Member is a defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules [\(including the SwapClear DMP Annex\)](#), and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM SwapClear Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default

Rules, the Clearing House shall undertake to dispose of open FCM SwapClear Contracts held by FCM Clients of the defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM SwapClear Contracts or by transferring such FCM SwapClear Contracts to the FCM Clearing Member designated by such FCM Clients, provided that the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM SwapClear Contracts and, provided further, that the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM SwapClear Contracts of FCM Clients of the defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open Contracts of FCM Clients of the defaulter that it determines to be appropriate in its sole discretion. which may include as part of the SwapClear DMP including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, provided that the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts shall be conducted in accordance with the provisions of the SwapClear DMP Annex.

- (h) If and to the extent permitted under the FCM Procedures, an FCM Clearing Member may transfer Open Contracts between its Proprietary Account and accounts of its FCM Clients, and vice versa, upon a client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets, and in accordance with the FCM Procedures.
- (i) Notwithstanding anything to the contrary in these FCM Regulations, in making any transfer of an FCM Client account (and the related FCM SwapClear Contracts and Account Assets) pursuant to this FCM Regulation 9, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including ensuring that the transfer is properly authorized, and that the appropriate account, FCM SwapClear Contracts and Account Assets have been identified, and the Clearing House shall have no responsibility or liability therefor.

**Regulation 10** Margin and Cover for Margin; Other Obligations

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with cover, and to keep the Clearing House furnished with sufficient cover at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM SwapClear Contracts from time to time to be registered in its name as Open Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish cover to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the FCM Clearing Member to furnish cover to the Clearing House pursuant to these FCM Regulations.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any security deposited by an FCM Clearing Member as cover is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such cover as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation 5 or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all securities and other assets furnished or deposited by an FCM Clearing Member to or with the Clearing House as cover pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish or deposit securities or other assets to or with the Clearing House as cover otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish or deposit to or with the Clearing House as cover for the purposes of these FCM Regulations any securities or other assets of such person in the FCM Clearing Member's possession.
- (ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes or deposits securities or other assets to or with the Clearing House as cover pursuant to these FCM Regulations (A) that such FCM Clearing Member is the sole legal and beneficial owner of those securities or other assets or, as the case may be, those securities or other assets are so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such securities or other assets pursuant to these FCM Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.
- (iii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish or deposit other securities or assets to or with the Clearing House in substitution of any securities or



assets deposited with the Clearing House pursuant to this FCM Regulation 10.

- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM SwapClear Contract or to call for larger or additional amounts of cover for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any cover called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate provision of cover from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such cover by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the member is party. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as cover in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept cover in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of cover in accordance with its standard risk management procedures and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (h) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to the settlement of any other obligations of an FCM Clearing Member to the Clearing House: (i) an FCM Clearing Member may request the return of any Excess Margin at any time; and (ii) upon the close-out or termination of an FCM SwapClear Contract in accordance with the FCM Rulebook, the Clearing House shall return all Initial Margin attributable to such FCM SwapClear Contract to the respective FCM Clearing Member, provided that no portion of such Initial Margin is required as cover or otherwise required by the FCM Rulebook for any other positions established by the FCM Clearing Member with respect to its Proprietary Account (with respect to Initial Margin to be released in connection with positions for the Proprietary Account) or any of its FCM Segregated Accounts (with respect to Initial Margin to be released in connection with positions for the FCM Segregated Accounts).

- (i) If, in the opinion of the Clearing House, any security which has been furnished to it by an FCM Clearing Member as cover pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of cover from such FCM Clearing Member. Such cover shall be furnished by such FCM Clearing Member on demand in a form prescribed by the FCM Procedures, provided that at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with cover in a specified form and to demand that the FCM Clearing Member replace the whole or part of any security furnished by an FCM Clearing Member pursuant to these FCM Regulations by cover in the form of cash.
- (j) If, in respect of Open Contracts in an FCM Clearing Member's name, Official Quotations indicate that Excess Margin is maintained with the Clearing House by such FCM Clearing Member in respect of such contracts, the Clearing House may, or at the FCM Clearing Member's request in accordance with FCM Regulation 10(h) shall, release the Excess Margin.
- (k) If the Clearing House takes any step or steps under the Default Rules in relation to an FCM Clearing Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as cover, provided that under no circumstances will any assets in the FCM Omnibus OTC Client Accounts with LCH be applied to the satisfaction of proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's FCM Client Business.
- (l) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 3(c), shall be obligated to perform all of their respective obligations (including without limitation to pay all amounts due) as required pursuant to the FCM Regulations, the Default Rules, the Default Fund Rules and the FCM Default Management Process Agreement, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 3(c), shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations, the Default Rules, the Default Fund Rules and the FCM Default Management Process Agreement, as applicable.
- (m) Unless the Clearing House otherwise agrees in writing, cover provided to the Clearing House by way of cash shall not be capable of assignment by any person. Any purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of cash cover provided to the Clearing House shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any cash cover provided to the Clearing House.
- (n) Each FCM Clearing Member hereby grants the Clearing House a first security interest in and a first priority and unencumbered first lien upon any and all cover, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including without limitation all property deposited in the Default Fund, a Proprietary Account or in an FCM Omnibus OTC Client Account with LCH, or any amounts owing to an FCM Clearing Member in the Default Fund or a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any FCM SwapClear Contracts cleared for such FCM

Clearing Member, its Affiliates, or its FCM Clients ~~or Affiliates~~, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House. The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in an FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH be exercised to satisfy any obligations or liabilities of such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH.

- (o) Each FCM Clearing Member shall ensure that where it has entered into an FCM SwapClear Transaction which results in an FCM SwapClear Contract that is of a non-hedging nature, it shall collect additional cover from the relevant FCM Client in respect of such non-hedging FCM SwapClear Contract in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time.
  
- (p) Each FCM Clearing Member shall ensure that no FCM Client withdraws cover from the FCM OTC Client Segregated Depository Account unless the net liquidating value (as that term is used in the CFTC Regulations) plus the cover remaining in that FCM OTC Client Segregated Account after such withdrawal is sufficient to meet the level of Required Margin, as calculated by the Clearing House in respect of all FCM SwapClear Contracts entered into on behalf of that FCM Client.



**Regulation 11** Official Quotations and Reference Price

- (a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price determined by a third party or any Reference Price.

**Regulation 12** Daily Marking to Market

- (a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each FCM SwapClear Contract in an FCM Clearing Member's name, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.
- (b) The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.
- (c) For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.
- (d) The net present value of each FCM SwapClear Contract shall be calculated by the Clearing House in accordance with paragraphs (a) and (b) of this FCM Regulation 12, in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash cover for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.
- (e) In respect of a portfolio of FCM SwapClear Contracts and each payment date for coupon payments (in accordance with the FCM Procedures), the Clearing House shall net:
- (i) the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date; and
  - (ii) the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this FCM Regulation 12 shall be automatically satisfied and discharged on payment by the applicable party of the excess. All netting in respect of a portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in an FCM Clearing Member's Proprietary Account and with respect to FCM SwapClear Contracts held on behalf of FCM Clients.

**Regulation 13** Market Disorders, Impossibility of Performance, Trade Emergency

(a) If the Clearing House, in relation to FCM SwapClear Contracts, determines that one of the following conditions exists, namely:

- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM SwapClear Contract; or
- (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM SwapClear Contract; or
- (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM SwapClear Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such Open Contracts which are FCM SwapClear Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM SwapClear Contracts in accordance with FCM Regulation 15 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM SwapClear Contracts. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing Member who is a party to Open Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

**Regulation 14** Force Majeure

- (a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM SwapClear Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 13(a)(i), (ii) or (iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other in respect of affected FCM SwapClear Contracts, the Clearing House shall be entitled to require any of the affected FCM SwapClear Contracts to be performed in accordance with directions issued by the Clearing House, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM SwapClear Contracts.

**Regulation 15** Invoicing Back

- (a) Invoicing back of an FCM Clearing Member's FCM SwapClear Contracts pursuant to FCM Regulation 13 or FCM Regulation 14 or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM SwapClear Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of Open Contracts in their names on the same FCM SwapClear Contract Terms as the FCM SwapClear Contracts invoiced back under paragraph (a) above.
- (c) Where Open Contracts are invoiced back pursuant to FCM Regulation 13 or FCM Regulation 14 the Clearing House shall make up the accounts of any FCM Clearing Member affected by such invoicing back in accordance with FCM Regulation 13 or FCM Regulation 14, as applicable.
- (d) Opposite FCM SwapClear Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation 13, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation 15:
- (i) "net position" means: in respect of Open Contracts, one or more of such FCM SwapClear Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM SwapClear Contracts on the same Economic Terms;
- (ii) "opposite contract" means an FCM SwapClear Contract on the same terms (except as to price), as the FCM SwapClear Contract to be invoiced back in accordance with this FCM Regulation 15, but where an FCM Clearing Member is a floating rate payer, in respect of an FCM SwapClear Contract to be invoiced back, such FCM Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa.

**Regulation 16**      Currency Conversion

For the purpose of exercising any rights under these FCM Regulations, the Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of an FCM Clearing Member's accounts (including FCM OTC Client Segregated Depository Accounts) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the FCM Procedures.

**Regulation 17** Disclosure

- (a) The Clearing House shall have authority to supply any information whatsoever concerning an FCM Clearing Member and its trading to (a) any Regulatory Body which is entitled to receive or request any such details or information, (b) LCH.Clearnet Group Limited, (c) LCH.Clearnet SA or (d) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same.
  
- (b) The Clearing House shall also be entitled to supply any information whatsoever concerning an FCM Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.

**Regulation 18** Fees and Other Charges

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such FCM Clearing Members, by such times, and in such manner as may be prescribed by the FCM Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to FCM Regulation 10(e) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.



**Regulation 19**      Records

An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation 8, FCM Regulation 9 and FCM Regulation 12.

**Regulation 20** FCM Procedures

The FCM Procedures shall take effect and shall be binding on FCM Clearing Members as if they formed part of these FCM Regulations save that, in the event of any conflict between the provisions of these FCM Regulations and the FCM Procedures, the provisions of these FCM Regulations shall prevail.

**Regulation 21** Alteration of FCM Regulations and the FCM Procedures

- (a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to FCM Clearing Members, amend or extend these FCM Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these FCM Regulations may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.
- (b) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the FCM Procedures by notice to such FCM Clearing Members as may be affected.
- (c) The accidental omission to give notice under this FCM Regulation 21 to, or the non-receipt of notice under this FCM Regulation 21 by, any FCM Clearing Member shall not invalidate the amendment or extension with which the notice is concerned.

**Regulation 22** Interpretation of these FCM Regulations

- (a) In the event of inconsistency between the provisions of these FCM Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these FCM Regulations shall prevail.
- (b) The headings to these FCM Regulations are for convenience only and shall not affect their interpretation.

**Regulation 23** Waiver

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these FCM Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

**Regulation 24**      Validity of FCM Regulations and Action

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

**Regulation 25** Governing Law and Jurisdiction

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

**Regulation 26** Exclusion of Liability

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM SwapClear Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM SwapClear Contract, the terms of such FCM SwapClear Contract or whether any alleged agreement or arrangement constitutes an FCM SwapClear Contract.
- (b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 13, 14 or 5(g) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 26(b) and FCM Regulation 26(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation 26 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.
- (e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.



**Regulation 26A      Netting**

- (a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a defaulter, under an FCM SwapClear Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.
- (c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM SwapClear Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM SwapClear Contract between them which would, but for this FCM Regulation 26A, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
  - (ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM SwapClear Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM SwapClear Contract where agreed by the Clearing House and the FCM Clearing Member (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM SwapClear Contract; and
  - (iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").

- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM OTC Client Segregated Depository Accounts:
  - (1) the FCM Clearing Member shall determine two net amounts under paragraph (d)(iii); one net amount in respect of gains and losses arising on FCM SwapClear Contracts registered in the FCM Clearing Member's FCM OTC Client Segregated Depository Account (or in its multiple FCM OTC Client Segregated Depository Accounts as combined, if applicable) and a second net amount in respect of gains and losses arising on all other FCM SwapClear Contracts; and
  - (2) the two net amounts determined under paragraph (iv)(1) shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall be paid in the Base Currency by the close of business on the Business Day following notification pursuant to paragraph (v) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the FCM Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.
- (vii) For the purposes of any calculation required to be made under this FCM Regulation 26A, the FCM Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The FCM Clearing Member's rights under this FCM Regulation 26A shall be in addition to, and not in limitation or exclusion of, any other rights which the FCM Clearing Member may have (whether by agreement, operation of law or otherwise, including its rights under FCM Regulation 6(i)).

**Regulation 26B Distribution of Assets**

- (a) Where (after the netting and set-off provided for in FCM Regulation 26A and FCM Regulation 6(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation 26A and General Regulation 39A) in full, the claims of the Clearing Members shall be met first to those Clearing Members who are FCM Clearing Members and SwapClear Clearing Members in an amount equal to the outstanding SwapClear Contributions of such FCM Clearing Members and SwapClear Clearing Members and, thereafter, pro rata to each Clearing Member's respective claim (and in respect of FCM Clearing Members and SwapClear Clearing Members who have received an amount relating to their outstanding SwapClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each FCM Clearing Member and SwapClear Clearing Member the amount equal to its outstanding SwapClear Contribution, the Clearing House shall distribute the assets available to it to each such FCM Clearing Member and SwapClear Clearing Member in an amount equal to the proportion that the outstanding SwapClear Contribution of the relevant FCM Clearing Member or SwapClear Clearing Member bears to the sum of the outstanding SwapClear Contributions of all FCM Clearing Members and SwapClear Clearing Members.
- (b) Notwithstanding anything to the contrary in this FCM Rulebook, this FCM Regulation 26B shall be governed by and construed in accordance with the governing law provided for in paragraph (a) of General Regulation 38.

For the purposes of this FCM Regulation 26B, the term "Clearing Member" shall include FCM Clearing Members and all other Clearing Members (as defined in General Regulations) of the Clearing House.

**Regulation 27**      The reset rate for, and the net present value of, an FCM SwapClear Contract

The Clearing House may determine the reset rate for, and the net present value of, an FCM SwapClear Contract for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

**Regulation 28**      Withdrawal of the SwapClear Service by the Clearing House

- (a)      If at any time the Clearing House decides to withdraw the FCM SwapClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members of the date on which the service will be withdrawn ("the SwapClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this FCM Regulation 28 to, or the non-receipt of notice under this FCM Regulation 28 by, one or more FCM Clearing Members shall not invalidate the SwapClear Withdrawal Date.
  
- (b)      Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 5(n), register an FCM SwapClear Contract (other than a Closing-out Contract) after notice to withdraw the service has been given under FCM Regulation 28(a).
  
- (c)      If, at the SwapClear Withdrawal Date, an FCM Clearing Member or SwapClear Clearing Member has not closed out all open FCM SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:
  - (i)      liquidate any or all of such FCM SwapClear Contracts and require such FCM SwapClear Contracts to be cash settled at a price determined by the Clearing House; or
  
  - (ii)      postpone the SwapClear Withdrawal Date until such time as the Clearing House determines.

**Regulation 29**

Rules Relating to FCM OTC Client Segregated Accounts

- (a) Notice of Deficiency in FCM OTC Client Segregated Depository Accounts. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in its FCM Segregated Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.
- (b) Segregation of Funds.
- (i) All FCM Client funds shall be separately accounted for and segregated as belonging to FCM Clients and shall be part of a separate account class, treated as a Cleared OTC Derivatives Account Class, as defined in and for purposes of Part 190 of the CFTC's regulations. Such funds, when deposited with the Clearing House, any bank, trust company or another FCM shall be deposited under an account name which clearly identifies them as such and shows that they are segregated as required by the FCM Rulebook. Each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment from such bank, trust company or FCM, that it was informed that the funds deposited in the FCM Segregated Accounts maintained by such bank, trust company or FCM for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. For the avoidance of doubt, all FCM Segregated Accounts maintained by an FCM Clearing Member shall be treated as segregated accounts and shall be subject to the requirements of the CEA and CFTC Regulations applicable to segregated accounts and to this Regulation 29, regardless of the location of any such account. Without limitation of the foregoing, under no circumstances shall any portion of FCM Client funds held in FCM Segregated Accounts be obligated to the Clearing House, an FCM Clearing Member, any depository, or any other person except to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or transactions of FCM Clients. No person, including the Clearing House or any depository, that has received FCM Client funds for deposit in an FCM Segregated Account, as provided in this rule, may hold, dispose of, or use any such funds as belonging to any person other than the FCM Clients of the FCM Clearing Member which deposited such funds.
- (ii) All FCM Client funds received by the Clearing House from an FCM Clearing Member to purchase, margin, guarantee, secure or settle FCM SwapClear Contracts of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and the Clearing House shall not hold, use or dispose of such FCM Client funds except as belonging to such FCM Clients. Such FCM Client funds, when deposited in a bank or trust company, shall be deposited under an account name which clearly shows

that they are the FCM Client funds of FCM Clearing Members, and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, an acknowledgment from such bank or trust company that it was informed that the funds deposited in any LCH OTC Client Segregated Depository Accounts and any PPS Account(s) maintained by LCH are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

- (iii) Each FCM Clearing Member shall treat and deal with FCM Client funds as belonging to such FCM Clients. All FCM Client funds shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, however, that FCM Client funds of an FCM Clearing Member may for convenience be commingled and deposited in the same account or accounts with any bank or trust company, with another person registered as an FCM Clearing Member, or with the Clearing House, and that such share thereof as in the normal course of business is necessary to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM SwapClear Contracts of such FCM Clients or resulting market positions, with the Clearing House or with any other person registered as an FCM Clearing Member, may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes and other fees and charges, lawfully accruing in connection with such FCM SwapClear Contracts; provided, further, that FCM Client funds may be invested in accordance with FCM Regulation 29(g).
- (iv) In no event may FCM Client funds be held or commingled and deposited with (A) FCM Client funds in the same account or accounts required to be separately accounted for and segregated pursuant to Section 4d of the CEA and the regulations thereunder, or (ii) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.
- (c) Care of Money and Securities Accruing to FCM Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any cleared FCM SwapClear Contracts made by or through such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. Money and securities accruing in connection with FCM Clients' Open Contracts need not be separately credited to individual accounts but may be treated and dealt with as belonging undivided to FCM Clients having open cleared FCM SwapClear Contracts which if closed would result in a credit to such FCM Clients.
- (d) Use of FCM Client Funds Restricted. No FCM Clearing Member shall use, or permit the use of, FCM Client funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other



than its FCM Clients. FCM Client funds shall not be used to carry trades or positions of the same FCM Client other than in connection with FCM SwapClear Contracts or other OTC derivatives cleared through the facilities of a derivatives clearing organization that has established rules or bylaws which require cleared OTC derivatives (as that term is defined in CFTC Regulation 190.01(o)), along with the money, securities and/or other property margining, guaranteeing or securing such derivatives, to be held in a separate account.

- (e) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. FCM Regulation 29(b), which prohibits the commingling of FCM Client funds with the funds of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client funds, segregated as required by the CEA, CFTC Regulations and the FCM Rulebook and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to the segregated FCM Client funds such amount or amounts of money, from its own funds or unencumbered securities from its own inventory, of the type permitted under FCM Regulation 29(g), as it may deem necessary to ensure that its FCM Segregated Accounts hold at all times, at a minimum, an aggregate amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client funds. An FCM Clearing Member may draw upon such FCM Client funds to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in FCM Segregated Accounts held by the Clearing House, a bank, trust company or other FCM Clearing Member, provided that any such withdrawals do not result in any such account holding less in segregated FCM Client assets than such account is required to contain at such time. Such withdrawal shall not result in FCM Client funds being used to purchase, margin or carry the trades, contracts or transactions, or extend the credit of any other FCM Client or other person.
- (f) Funds Held in FCM Segregated Accounts; Exclusions Therefrom. Money held in FCM Segregated Accounts by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM SwapClear Contracts of the FCM Clients of such FCM Clearing Member.
- (g) Investments of FCM Client Funds. An FCM Clearing Member or the Clearing House may invest FCM Client funds subject to the terms and conditions set forth in CFTC Regulation 1.25, which regulation shall apply to such funds in accordance with the provisions of the CEA and CFTC Regulations thereunder related to transactions in the Cleared OTC Derivatives Account Class.
- (h) Deposit of Instruments Purchased with FCM Client Funds.
- (i) Each FCM Clearing Member who invests FCM Client funds in instruments permitted under FCM Regulation 29(g) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients. Such instruments, when deposited with the Clearing House, a bank, trust company or another FCM Clearing Member, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing



Member, upon opening an FCM Segregated Account, shall obtain and retain in its files an acknowledgment from such bank, trust company or other FCM Clearing Member that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such bank, trust company or other FCM Clearing Member shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.

- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 29(g), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients (provided that any such instruments may be held in commingled accounts, on behalf of all FCM Clients of all FCM Clearing Members, at one or more depositories). Such instruments, when deposited with a bank or trust company, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such bank or trust company that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such bank or trust company shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.
- (i) Record of Investments.
- (i) Each FCM Clearing Member that invests FCM Client funds shall keep a record showing the following:
    - (A) The date on which such investments were made;
    - (B) The name of the person through whom such investments were made;
    - (C) The amount of money or current market value of securities so invested;
    - (D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;
    - (E) The identity of the depositories or other places where such instruments are held;
    - (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
    - (G) The name of the person to or through whom such investments were disposed of; and

- (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.
- (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client funds, the Clearing House shall keep a record showing separately for each clearing member the following:
  - (A) The date on which such documents were received from the clearing member;
  - (B) A description of such documents, including the CUSIP or ISIN numbers; and
  - (C) The date on which such documents were returned to the clearing member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under FCM Regulation 29(g).
- (j) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client funds in instruments permitted under FCM Regulation 29(g) shall include such instruments in their FCM Segregated Account records and reports at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (k) Increment or Interest Resulting from Investment of FCM Client Funds. The investment of FCM Client funds in instruments permitted under FCM Regulation 29(g) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (l) FCM Segregated Accounts; Daily Computation and Record.
  - (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Client funds on deposit in its FCM Segregated Accounts on behalf of FCM Clients;
    - (B) the amount of such FCM Client funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Segregated Accounts on behalf of such FCM Clients; and
    - (C) the amount of the FCM Clearing Member's residual interest in such FCM Client funds .

- (ii) In computing the aggregate amount of funds required to be in its FCM Segregated Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with the Clearing House, a bank, trust company or another FCM Clearing Member. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
- (iii) The daily computations required by this FCM Regulation 29 must be completed by the FCM Clearing Member prior to noon on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (m) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM SwapClear Contracts of such FCM Clients. Such record shall show separately for each FCM Client: a description of the securities or property received; the name and address of such FCM Client; the dates when the securities or property were received; the identity of the depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such depositories; and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.
- (n) Change in Law or Regulations. The Clearing House shall enforce the rules set forth in this FCM Regulation 29 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and CFTC Regulations. In the event that a change in law or in CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations and applicable law will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with CFTC Regulations and applicable law.
- (o) Notwithstanding any other provision of these FCM Regulations, any assets held in or credited to an FCM Omnibus OTC Client Account with LCH, an LCH OTC Client Segregated Depository Account or a PPS Account held by LCH shall be treated as segregated assets, to the same extent and with the same force and effect as required with respect to margin held in connection with transactions in futures contracts under the CEA and CFTC Regulations and will, without limitation, be held in trust in accordance with the CEA and CFTC Regulations.

**Regulation 30**

Acknowledgements and Agreements of FCM Clients and Affiliates

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

- (a) the services provided by the Clearing House with regard to the FCM SwapClear Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;
- (b) the FCM Regulations shall govern the registration of FCM SwapClear Contracts and all transactions between an FCM Client or Affiliate and its FCM Clearing Member resulting in the registration of FCM SwapClear Contracts, and at the time of registration of an FCM SwapClear Contract the FCM Client or Affiliate on whose behalf it was registered will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including, without limitation, all applicable terms of the FCM Regulations and Schedule A thereto) automatically and without any further action by such FCM Client or Affiliate or by its FCM Clearing Member, and such FCM Client or Affiliate agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM SwapClear Contracts in all respects;
- (c) the provisions of FCM Regulation 26 (Exclusion of Liability) shall apply to each FCM Client and Affiliate *mutatis mutandis* as though entered into by each FCM Client and Affiliate directly with the Clearing House;
- (d) the Clearing House shall be under no obligation to deal directly with any FCM Client or Affiliate, and the Clearing House may deal exclusively with the FCM Clearing Members;
- (e) the Clearing House shall be under no obligation to deal directly with any FCM Client or Affiliate, and the Clearing House may deal exclusively with the FCM Clearing Members;
- (f) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client or an Affiliate
- (g) where an FCM Clearing Member provides an FCM Client's or Affiliate's securities or other assets to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and applicable law, and FCM Clients and Affiliates shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and applicable law; and
- (h) each FCM Client and Affiliate provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any securities or other assets of such FCM Client or Affiliate in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as cover for the purposes of clearing FCM SwapClear Contracts entered on behalf of the FCM Client or Affiliate.

## SCHEDULE A TO THE FCM REGULATIONS

**Part A****FCM SwapClear Contract Terms**

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

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

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

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

**1. Interpretation**

- 1.1. "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein and "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.
- 1.2. Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the "ISDA 2000 Definitions" or the "ISDA 2006 Definitions" shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply
- 1.3. In the event of an inconsistency between the FCM Regulations and the FCM Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the FCM Regulations and FCM Procedures will prevail.
- 1.4. References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to an "FCM SwapClear Transaction" for the purposes of SwapClear.
- 1.5. Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:
  - (a) in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice

delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;

- (b) any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines;
- (c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## **2. Economic Terms**

- 2.1. The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.
- 2.2. It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that information in respect of (i), (viii) or (ix) (not both) for vanilla interest rate swaps with constant notional principal and variable notational swaps must be provided.
- 2.3. The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:
  - (a) Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>1</sup>;
  - (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
  - (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
  - (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
  - (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);

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



- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);
- (i) Where Fixed Rate – Floating Rate Swap:
  - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
  - (ii) Fixed Rate Payer Payment Dates;
  - (iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction] [or Fixed Rate Payer Schedule]<sup>2</sup>;
  - (iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);
  - (v) Floating Rate Payer Payment Dates;
  - (vi) Floating Rate Payer compounding dates (if applicable);
  - (vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);
  - (viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);  
**(Note:** The details of each such option are as provided in the Procedures).
  - (ix) Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the “Annex to the 2000 ISDA Definitions (June 2000 Version)” for definition);
  - (x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>3</sup>;
  - (xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);

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<sup>2</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.

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

- (xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).
  
- (j) Where Floating Rate – Floating Rate Swap (“basis” swap):
  - (i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
    - (a) Floating Rate Payer Payment Dates;
    - (b) Floating Rate Payer compounding dates (if applicable);
    - (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);  

**(Note:** the details of each such option are as provided in the Procedures)
    - (d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);
    - (e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>4</sup>;
    - (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
    - (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition)
  - (ii) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
    - (a) Floating Rate Payer Payment Dates;
    - (b) Floating Rate Payer compounding dates (if applicable);
    - (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition)  

**(Note:** The details of each such option are as provided in the Procedures)
    - (d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);

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



- (e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>5</sup>;
- (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
- (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition)

#### 2.4. Financial Centers

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

<b>Financial Center</b>	<b>Marketwire/FpML</b>
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Budapest	HUBU
Milan	ITMI
Rome	ITRO

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

<b>Financial Center</b>	<b>Marketwire/FpML</b>
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJO

### **3. Standard Terms**

The following terms are designated as Standard Terms of a registered FCM SwapClear Contract:

#### **3.1. Business Days**

In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to an FCM SwapClear Contract.

#### **3.2. Negative Interest Rates**

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

#### **3.3. Withholding Tax Provisions**

All payments due under an FCM SwapClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received

and so retained had no such deduction or withholding been made or required to be made.

The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

#### **3.4. Payment of Stamp Tax**

Each FCM Clearing Member will pay any stamp tax or duty levied or imposed upon it in respect of any FCM SwapClear Contract to which it is a party by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction, and will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM SwapClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.

#### **3.5. Payments under an FCM SwapClear Contract**

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

#### **3.6. FCM Regulations**

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

#### **3.7. Governing Law**

Each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of law and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM 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 exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the 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 FCM SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM SwapClear Contract are expressly excluded.

**Part B**

**Product Eligibility Criteria for Registration of an FCM SwapClear Contract**

**1. FCM SwapClear Transaction**

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

- (a) the transaction meets the eligibility criteria, set out in paragraph 1.2(A), (B) and 1.3, below for an FCM SwapClear Transaction; and
- (b) each party to the transaction is an Executing Party;

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

**1.2. Product eligibility criteria for an FCM SwapClear Transaction**

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

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>1</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed	Single currency	18,275 days	0.01-
			vs. Floating	Single currency	736 days	
	US Dollar (USD)	USD-LIBOR-BBA	Fixed	Single currency	18,275 days	0.01-
			vs. Floating	Single currency	18,275 days	
		See Article 7.1w (vii) for definition	Floating vs. Floating		99,999,999,999.99	
		See Article 7.1(ab) (xxii) for definition	Floating vs. Floating		99,999,999,999.99	

<sup>1</sup> References in this column are to the 2006 ISDA Definitions

Instrument	Acceptable Currencies	Acceptable Indices <sup>1</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999,999.99
		EUR-EURIBOR-Telerate				
		See article 7.1 (f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	736 days		
		See Article 7.1(f) (viii) for definition				
	Australian Dollar (AUD)	AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(a) (iv) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices <sup>1</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Canadian Dollar (CAD)	AUD-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(a) (viii) for definition				
	Czech Koruna (CZK)	See Article 7.1(b) (ii) for definition	Floating vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		CAD-LIBOR-BBA				
	Danish Krone (DKK)	See Article 7.1(b) (viii) for definition	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		CZK-PRIBOR-PRBO				
Danish Krone (DKK)	See Article 7.1r(i) for definition	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99	
	DKK-CIBOR-DKNA13					
Danish Krone (DKK)	See Article 7.1(e) (i) for definition	Floating vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99	
	DKK-CIBOR2-					

Instrument	Acceptable Currencies	Acceptable Indices <sup>1</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint (HUF)	HUF-BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	10970 days	1-10,000,000,000,000
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices <sup>1</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(l) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Singapore Dolar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99



Instrument	Acceptable Currencies	Acceptable Indices <sup>1</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty(PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

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

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

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

**2. [ Intentionally Omitted ]**

**3. Additional Criteria for an FCM SwapClear Transaction**

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

(a) Day Count Fractions

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

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

**Day Count Fractions using the ISDA 2000 Definitions**

<b>Day Count Fraction</b>	<b>MarkitWire/FpML Code</b>
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/365 (or Actual/Actual)	ACT/365.ISDA
Actual/Actual (ISMA)	ACT/ACT.ISMA

**Day Count Fractions using the ISDA 2006 Definitions:**

<b>Day Count Fraction</b>	<b>MarkitWire/FpML Code</b>
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/Actual	ACT/ACT.ISDA
30E/360 (ISDA)	30E/360.ISDA
Actual/Actual (ICMA)	ACT/ACT.ICMA

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

(b) Business Day Conventions

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

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

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

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

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

- (i) fixed period end dates and the termination date
- (ii) float period end dates and the termination date
- (c) Minimum and Maximum Residual Term of the Trade (Termination date – Today)

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

Minimum Residual Term of trade:

Termination date - Today  $\geq$  1 + currency settlement lag

where currency settlement lag is:

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

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

- (d) Designated Maturity

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

- (e) Calculation Periods

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

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

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

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified

designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

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

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

**Exhibit A-7**  
**General Regulations**

See Attached

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<u><a href="#">Regulation 100</a></u>	<u><a href="#">RESERVED</a></u>	<u><a href="#">324</a></u>
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## LCH.CLEARNET LIMITED

### GENERAL REGULATIONS OF THE CLEARING HOUSE

#### Scope

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

For the purposes of these Regulations, LCH.Clearnet Limited is referred to as “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.Clearnet Limited (see “Definitions”). They do not mean “shareholder” of LCH.Clearnet Limited or of any other undertaking in the LCH.Clearnet Group.

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.

The Link Regulations set out in Regulations 40 to 44 apply only to Contracts on the terms of a Linked Exchange Contract as further provided in Regulation 40.

The SwapClear Regulations set out in Regulations 46 to 52 apply only to SwapClear Contracts. Save as provided in Regulation 46, the provisions of Regulations 1 to 39A shall not apply to SwapClear Contracts.

The RepoClear Regulations set out in Regulations 53 to 60 apply only to RepoClear Contracts. Save as provided in Regulation 53, the provisions of Regulations 1 to 39A shall not apply to RepoClear Contracts.

The EquityClear Regulations set out in Regulations 61 to 67 apply only to EquityClear Contracts. Save as provided in Regulation 61, the provisions of Regulation 1 to 39A shall not apply to EquityClear Contracts.

LCH EnClear OTC Regulations set out in Regulation 68 and Regulations 73A to 73D respectively apply only to LCH EnClear OTC Contracts. Save as provided in Regulation 68, the provisions of Regulation 1 to 39A shall not apply to LCH EnClear OTC Contracts.

The Turquoise Derivatives Regulations set out in Regulations 74 to 87 apply only to Turquoise Derivatives Cleared Exchange Contracts which are eligible for clearing pursuant to these Regulations and the Turquoise Derivatives Rules.

The HKMEx Regulations set out in Regulations 88 to 91 apply only to HKMEx Contracts.

The Nodal Regulations set out in Regulations 92 to 95 apply only to Nodal Contracts.

The ForexClear Regulations set out in Regulations 103 to 109 apply only to ForexClear Contracts. Save as provided in Regulation 103, the provisions of Regulations 1 to 39A shall not apply to ForexClear Contracts.

## Definitions

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

- Account Balance* - Means, in relation to the SwapClear Clearing Client Business of a defaulter, an Individual Segregated Account Balance or an Omnibus Net Segregated Account Balance.
- Additional Collateral* - Means, in relation to SwapClear Clearing Client Business, collateral delivered by a SwapClear Clearing Member to the Clearing House in respect of a SwapClear Clearing Client which is in excess of the Required Collateral relating to the SwapClear Clearing Client Business undertaken by the relevant SwapClear Clearing Member in respect of the relevant SwapClear Clearing Client and which has been designated by that SwapClear Clearing Member as being Additional Collateral to be held in the Additional Collateral Account held in respect of that SwapClear Clearing Client.
- Additional Collateral Account* - Means, in relation to SwapClear Clearing Client Business, a sub-account opened by a SwapClear Clearing Member with the Clearing House in respect of a SwapClear Clearing Client for the purposes of holding Additional Collateral.
- approved agent* - A person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP.
- Approved Broker* - A person authorised by the Clearing House to participate as a broker in the LCH EnClear OTC service.
- Approved Turquoise Derivatives Settlement Provider* - 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 Turquoise Derivatives Service.
- Approved EquityClear Clearing Agreement* - An agreement prescribed as such by the Clearing House from time to time between an EquityClear Clearing Member, an EquityClear NCM and the Clearing House.
- Approved EquityClear Settlement Provider ("ASP")* - 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")* - Any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service.
- Associated Clearing House* - 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.
- ATP Market Rules* - The rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House.

<a href="#"><u>Auction Portfolio</u></a>	: <a href="#"><u>Has the meaning assigned to it in the Default Rules.</u></a>
<i>Automated Trading System</i>	- An automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures.
<i>Backup SwapClear Clearing Member</i>	- Means, in relation to SwapClear Clearing Client Business, the SwapClear Clearing Member(s) indicated by a SwapClear Clearing Client as acting as such and notified to the Clearing House from time to time.
<i>Board</i>	- The board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
<i>Bond Trade</i>	- A trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues.
<i>business day</i>	- In respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear OTC Contract (except where specified otherwise in the LCH EnClear OTC Contract Terms), and an EquityClear Contract a day on which the Clearing House is open for business.
<i>buyer</i>	- 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, an Turquoise Derivatives 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, EquityClear (ccCFD) ATP Match or an Eligible OTC Trade, as the case may be.
<a href="#"><u>CEA</u></a>	: <a href="#"><u>Has the meaning assigned to it in the Default Rules.</u></a>
<a href="#"><u>CFTC</u></a>	: <a href="#"><u>Has the meaning assigned to it in the Default Rules.</u></a>
<i>Cleared Exchange Contract</i>	- A Contract entered into by the Clearing House on the terms of an exchange contract.
<i>Clearing House</i>	- LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
<i>Clearing House Prescribed Language</i>	- Means, in relation to SwapClear Clearing Client Business, the wording prescribed by the Clearing House for inclusion in the SwapClear Clearing Agreements entered into by SwapClear Clearing Members with their clients.
<i>Clearing Membership Agreement</i>	- The agreement so designated under which, inter alia, the Clearing House agrees to make available clearing services in respect of Contracts together with any extension letter or other agreement; in these Regulations and the Procedures the expressions "Clearing Member Agreement", "Member

Agreement” and “Membership Agreement” shall have the same meaning as “Clearing Membership Agreement”; and in the Default Rules and the Default Fund Rules “Clearing Membership Agreement” includes the FCM Clearing Membership Agreement and FCM Default Fund Agreement.

- client account*
- Means a segregated account with the Clearing House opened in the name of a Member in which Contracts relating to contracts made by the Member with one or more segregated clients are registered and to which monies in respect of such Contracts are credited.
- closing-out contract*
- 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.
- Co-operating Clearing House*
- (i) a Co-operating Exchange or Associated Clearing House party to a Link Agreement with the Clearing House; or (ii) a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract and agrees to be bound by these Regulations as a Member to the extent and subject to any variations agreed in such agreement.
- Co-operating Exchange*
- An exchange (which may also act as a central counterparty) which is party to a co-operation agreement with TGHL.
- Combined Turquoise Derivatives Orderbook*
- Means the electronic Orderbook operated by TGHL. and one or more Co-operating Exchanges.
- Commodity*
- Any kind of property, currency, documents, right or interest (including an option) which is the subject matter of an exchange contract or an LCH EnClear OTC Contract.
- confirmed contract*
- An original exchange contract which has been confirmed to the Clearing House by or on behalf of a buyer and a seller pursuant to Regulation 6 or 7 and the Procedures, save that where one or more allocations of an original exchange contract have taken place in accordance with Regulation 7 and the Procedures a “confirmed contract” shall only arise when the last allocation of such original exchange contract has been made and confirmed by a Member pursuant to Regulation 7 and the Procedures.
- Contract*
- (i) A contract subject to the Regulations entered into by the Clearing House with a Member for the purposes of or in connection with the provision of clearing services including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract; and also (ii) in the case of the Default Rules, ~~(including the SwapClear DMP Annex)~~, [\(including the SwapClear DMP Annex\)](#), the Default Fund Rules, the FCM Default Fund

- Agreement, ~~any DMPA~~ and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM SwapClear Contract.
- contract for differences* - A Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, an OTC Contract or an LCH EnClear OTC Contract which is to be performed by cash settlement only.
- Contribution* - In relation to the Default Fund Rules, has the meaning assigned to it in rule 17 of the Default Fund Rules.
- cover* - An amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the Procedures.
- Cross-Border Transfers* - The automatic transfers of Turquoise Derivatives Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House.
- Cross-Margining Affiliate* - A Member or a member of a Cross-Margining Exchange who has been accepted as eligible to be a Cross-Margining Participant by the Clearing House or the Cross-Margining Exchange, as the case may be, and who is an affiliate (as defined in a Cross-Margining Agreement) of a Cross-Margining Participant of the other exchange or clearing organisation.
- Cross-Margining Agreement* - An agreement entered into between the Clearing House and a Cross-Margining Exchange (together or with other parties, as the case may be) pursuant to which the Clearing House agrees to take into account, in calculating cover for initial margin to be furnished to the Clearing House by a Member who is a Cross-Margining Participant, contracts entered into between the Cross Margining Exchange and the Cross-Margining Participant or his Cross-Margining Affiliate and pursuant to which the Clearing House is liable to make payments to the Cross-Margining Exchange (and, as the case may be, the Cross-Margining Exchange is liable to make payments to the Clearing House) of amounts calculated in accordance with the terms of the loss-sharing arrangements set forth in such Cross-Margining Agreement.
- Cross-Margining Exchange* - An exchange, clearing house or organisation party to a Cross-Margining Agreement with the Clearing House.
- Cross-Margining Participant* - A Member or a member of a Cross-Margining Exchange, which the Clearing House or the Cross-Margining Exchange, as the case may be, has accepted may participate in the cross-margining arrangements set forth in the Cross-Margining Agreement as a Cross-Margining Participant or Cross-Margining Affiliate.
- daily settlement amounts* - 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 15 or Regulation 73c, and the Procedures.

*Day Position Balances*

- For the purposes of the Link Regulations, the meaning attributed to it in the Procedures in respect of Contracts on the terms of a Linked Exchange Contract referred to in Regulation 41(b) or, in respect of contracts on the terms of a Participating Exchange Contract referred to in Regulation 41A, the meaning attributed to it in the relevant Link Agreement.

*Deed of Assignment*

- Means a deed of assignment entered into between a SwapClear Clearing Member and a SwapClear Clearing Client (or, notwithstanding any description to the contrary, such SwapClear Clearing Client's security trustee) in respect of a SwapClear Clearing Agreement. For this purpose, where the Deed of Assignment is entered into with the Clearing House acting as security trustee for the benefit of a SwapClear Clearing Client, any reference to the exercise of rights by a SwapClear Clearing Client pursuant to such Deed of Assignment shall be a reference to the Clearing House exercising such rights in its capacity as a security trustee for the benefit of the SwapClear Clearing Client

*defaulter*

- ~~The~~Has the meaning ~~attributed~~assigned to it in rule 4 of the Default Rules.

*Default Fund Rules*

- The Clearing House's Default Fund Rules from time to time in force which, for the avoidance of doubt, form part of the General Regulations and of the Default Rules.

*Default Rules*

- The Clearing House's Default Rules from time to time in force pursuant to Part IV of The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which, for the avoidance of doubt, form a part of these General Regulations.

*Defaulting SCM*

- = Has the meaning assigned to it in the Default Fund Rules.

*delivery contract*

- A Cleared Exchange Contract or Turquoise Derivatives Cleared Exchange Contract between the Clearing House and a Member:
  - (i) for the immediate sale and purchase of a commodity arising on the exercise of an option pursuant to these Regulations; or
  - (ii) for the sale and purchase of a commodity for delivery on the date specified in the contract or on the date agreed between the parties, in either case being an open contract under which tender is not required to be given.

*delivery month*

- In respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract or, in respect of an LCH EnClear OTC Contract, the meaning ascribed to it in the LCH EnClear OTC Procedures, or in respect of a Turquoise Derivatives Cleared Exchange

	Contract, an expiration month as defined in the Turquoise Derivatives Rules.
<del>DMPA</del>	<del>- A default management process agreement in force between the Clearing House and a SwapClear Clearing Member, which for the avoidance of doubt includes any FCM Clearing Member, as amended from time to time.</del>
<i>Economic Terms</i>	- That part of the SwapClear Contract Terms, RepoClear Contract Terms, RepoClear GC Contract Terms, EquityClear Contract Terms, LCH EnClear OTC Contract Terms, or ForexClear Contract Terms as the case may require, designated as Economic Terms by the Clearing House from time to time.
<i>Eligibility Criteria</i>	- With regard to an EquityClear Open Offer, the conditions set out in Regulation 62A(c) or 62C(c).
<i>Eligible OTC Trade</i>	- A trade eligible for registration in the LCH EnClear OTC Services.
<i>EquityClear ATP Match</i>	- An EquityClear (Equities) ATP Match or EquityClear (ccCFD) ATP Match.
<i>EquityClear Clearing Member</i>	- A Member who is designated by the Clearing House as an EquityClear Clearing Member eligible to clear EquityClear Contracts.
<i>EquityClear(ccCFD) Contract Terms</i>	- 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 Schedule to the EquityClear Regulations or the Procedures.
<i>EquityClear (ccCFD) ATP Match</i>	- An EquityClear ATP Match where the relevant ATP Market Rules permit the matching of Trading Platform Particulars that consist of the sale or purchase of an EquityClear Eligible ccCFD and the corresponding purchase or sale, as the case may be, of an EquityClear Eligible ccCFD.
<i>EquityClear (ccCFD) Open Offer</i>	- The open offer made by the Clearing House in respect of an EquityClear (ccCFD) ATP Match meeting the EquityClear (ccCFD) Open Offer Eligibility Criteria.
<i>EquityClear (ccCFD) Contract</i>	- 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.
<i>EquityClear Clearing Member</i>	- a Member who is designated by the Clearing House as an EquityClear Clearing Member eligible to clear EquityClear Contracts.
<i>EquityClear Contract</i>	- An EquityClear (Equities) Contract and/or an EquityClear (ccCFD) Contract as the case may be.



- EquityClear Contract Terms* - The EquityClear (Equities) Contract Terms and/or the EquityClear (ccCFD) Contract Terms as the case may be.
- EquityClear Eligible ccCFD* - A contract for difference in respect of an EquityClear Eligible Underlying Instrument prescribed by the Clearing House and eligible for those prescribed parts of the EquityClear service and which appear in the list or lists published for this purpose from time to time by the Clearing House.
- EquityClear Eligible ccCFD Underlying Instruments* - The security, index, commodity, currency pair or other asset or product that is the subject matter of an EquityClear (ccCFD) and which appear in the list or lists published for this purpose from time to time by the Clearing House.
- EquityClear Eligible Equities* - Securities prescribed from time to time by the Clearing House which are eligible for any part or parts of the EquityClear service and which appear in the list or lists published from time to time by the Clearing House.
- EquityClear (Equities) ATP Match* - The matched Trading Platform Particulars resulting from the matching on an ATP, in accordance with the relevant ATP Market Rules, of Trading Platform Particulars received from, or on behalf of: (i) two EquityClear Clearing Members (with one as buyer and one as seller); or (ii) one EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller).
- EquityClear (Equities) Contract* - An EquityClear Contract entered into by the Clearing House with an EquityClear Clearing Member on the EquityClear (Equities) Contract Terms or such other terms specified by the relevant ATP.
- EquityClear (Equities) Contract Terms* - The terms applicable to each EquityClear (Equities) Contract, where such terms are not specified by the ATP, as set out from time to time in the Schedule to the EquityClear Regulations or the Procedures.
- EquityClear (Equities) Open Offer* - The open offer made by the Clearing House in respect of an EquityClear (Equities) ATP Match meeting the EquityClear (Equities) Open Offer Eligibility Criteria.
- EquityClear Mixed Member Match* - (i) An ATP Match reflecting two sets of matched Trading Platform Particulars submitted by, or on behalf of, one EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller), or (ii) an EquityClear Novation Transaction between one EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller).
- EquityClear Non-Clearing Member (EquityClear NCM)* - A person who is not a Member but is party to an Approved EquityClear Clearing Agreement with an EquityClear Clearing Member/s and the Clearing House, and is included by the Clearing House on the Register of EquityClear NCMs as eligible to submit Trading Platform Particulars to such one or more Approved EquityClear Trading Platform/s as may be approved by the Clearing House with regard to that person,

and any resulting EquityClear ATP Matches to the Clearing House, on behalf of the relevant EquityClear Clearing Member pursuant to, and in accordance with, such Approved EquityClear Clearing Agreement, the relevant ATP Market Rules, the Regulations and the Procedures.

*EquityClear Novation Transaction*

- The matched Trading Platform Particulars representing a bilateral transaction and either:
  - (i) concluded other than through the orderbook of a relevant ATP which is capable of being cleared in accordance with the relevant ATP Market Rules and the Regulations; or
  - (ii) concluded through an orderbook of an ATP, where the relevant ATP Market Rules specify that transactions executed there will be cleared via novation; and
  - (iii) in either case is submitted 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.

*EquityClear Open Offer*

- An EquityClear (Equities) Open Offer or EquityClear (ccCFD) Open offer

*EquityClear Participants*

- EquityClear Clearing Members and EquityClear NCMs.

*EquityClear Regulations*

- The Clearing House's Regulations, applicable to EquityClear Contracts only, from time to time in force.

*€GC Trade*

- A trading activity in which a RepoClear Participant ("the First Participant") offers to sell (or buy) an agreed value of securities comprised in a €GC Basket, to be allocated in accordance with the RepoClear Procedures applicable to RepoClear €GC Contracts, and another RepoClear Participant ("the Second Participant") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:
  - (i) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear €GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and
  - (ii) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions effected either through CBL's service under the AutoAssign Supplement, Euroclear's AutoSelect service or any other equivalent service provided by a Triparty Agent, as the case may be, as

contemplated by the RepoClear Procedures applicable to RepoClear €GC Contracts,

and a trade subsequently ensues.

- Event Protection Contract* - A Cleared Exchange Contract between the Clearing House and a Member arising in connection with a LIFFE Credit Default Swap Index Contract pursuant to Regulation 18.
- Excess Collateral* - Means, in relation to SwapClear Clearing Client Business, collateral, other than Additional Collateral, delivered to the Clearing House by a SwapClear Clearing Member in respect of its SwapClear Clearing Client Business which is in excess of the Required Collateral in respect of such SwapClear Clearing Client Business.
- Exchange* - An organisation (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides clearing services.
- exchange contract* - A class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations “exchange contract” shall not include any class of contract capable of being made on the London Stock Exchange, or on any ATP.
- Exchange Rules* - The rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by the Board and any procedures, practices and administrative requirements of the Exchange. The term “Exchange Rules” shall include the Turquoise Derivatives Rules, as the case may be, save where the context otherwise requires.
- Executing Party* - Has the meaning assigned to it in the FCM Regulations.
- expiry date or month* - A date or month prescribed by Exchange Rules in respect of an option contract.
- FCM Approved Trade Source System* - Has the meaning assigned to it in the FCM Regulations
- FCM Clearing Member* - Has the meaning assigned to it in the FCM Regulations.
- FCM Clearing Membership Agreement* - Has the meaning assigned to it in the FCM Regulations.
- FCM Client* - Has the meaning assigned to it in the FCM Regulations

<i>FCM Default Fund Agreement</i>	- Has the meaning assigned to it in the FCM Regulations
<i>FCM Omnibus OTC Client Account with LCH</i>	- Has the meaning assigned to it in the FCM Regulations.
<i>FCM Procedures</i>	- Has the meaning assigned to it in the FCM Regulations.
<i>FCM Regulations</i>	- Means the Clearing House's FCM Regulations.
<i>FCM SwapClear Clearing Services</i>	- Has the meaning assigned to it in the FCM Regulations.
<i>FCM SwapClear Contract</i>	- Has the meaning assigned to it in the FCM Regulations.
<i>FCM SwapClear Transaction</i>	- Has the meaning assigned to it in the FCM Regulations.
<i>ForexClear Clearing Member (FXCCM)</i>	- A Member who is designated by the Clearing House as a ForexClear Clearing Member eligible to clear ForexClear Contracts.
<i>ForexClear Contract</i>	- A Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Contract Terms.
<i>ForexClear Contract Terms</i>	- The terms applicable to each ForexClear Contract as set out from time to time in the Schedule to the ForexClear Regulations or the Procedures.
<i>ForexClear Dealer (FXD)</i>	- 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.
<i>ForexClear Dealer Clearing Agreement (FDC Agreement)</i>	A written agreement, in the form and on the terms prescribed by the Clearing House between an FXD, an FXCCM and the Clearing House which has the function, amongst other things, of setting out the terms on which the FXCCM agrees to clear ForexClear Transactions for the ForexClear Dealer.
<i>ForexClear Eligibility Criteria</i>	- With regard to ForexClear Transactions, the product criteria set out in Part B of the Schedule to the ForexClear Regulations.
<i>ForexClear Matcher</i>	A party which has been notified in writing by the Clearing House to ForexClear Participants from time to time as being a matching provider for the ForexClear Service.
<i>ForexClear Participants (FXPs)</i>	- ForexClear Clearing Members, and ForexClear Dealers, and "ForexClear Participant" means either of them.
<i>ForexClear Regulations</i>	- The Regulations entitled as such, applicable to ForexClear Contracts only, from time to time in force.
<i>ForexClear Service</i>	- The service provided by the Clearing House under the ForexClear Regulations.
<i>ForexClear Transaction</i>	- A contract, meeting the ForexClear Eligibility Criteria for registration as a ForexClear Contract, entered into between

	two ForexClear Clearing Members, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations.
<i>Reference Currency Buyer</i>	- Means in relation to ForexClear Contract that is a Non-Deliverable FX Transaction, the party specified as the 'Reference Currency Buyer' in the Economic Terms.
<i>Reference Currency Seller</i>	Means in relation to ForexClear Contract that is a Non-Deliverable FX Transaction, the party specified as the 'Reference Currency Seller' in the Economic Terms.
<i>Register of ForexClear Dealers</i>	- The register which lists ForexClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as ForexClear Contracts by the Clearing House.
<i>GC Trade</i>	- A €GC Trade or a SGC Trade.
<i>HKMEx</i>	- The Hong Kong Mercantile Exchange Limited of 1905 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, and such of its affiliates as may operate the HKMEx Trading System from time to time.
<i>HKMEx Contract</i>	- A Contract entered into by the Clearing House with a HKMEx Service Clearing Member pursuant to the HKMEx Regulations.
<i>HKMEx Contract Terms</i>	- The terms of a HKMEx Contract as set out in the HKMEx contract specification provided in HKMEx's Rules.
<i>HKMEx Eligible Product</i>	- A product prescribed from time to time by the Clearing House as eligible for the HKMEx Service.
<i>HKMEx Non-Clearing Member</i>	- A person other than a HKMEx Service Clearing Member who is party to an agreement with HKMEx allowing such person to be a participant in the HKMEx Trading System and subjecting such person to the provisions of HKMEx's Rules.
<i>HKMEx Participants</i>	- HKMEx Service Clearing Members and HKMEx Non-Clearing Member.
<i>HKMEx Regulations</i>	- The Clearing House's Regulations applicable to HKMEx Contracts from time to time in force.
<i>HKMEx's Rules</i>	- The rules, practices, procedures, trading protocols and arrangements of the HKMEx Trading System as may be prescribed from time to time relating to HKMEx Eligible Products.
<i>HKMEx Service</i>	- The service provided by the Clearing House under the HKMEx Regulations.

- HKMEx Service Clearing Member* - A Member who is designated by the Clearing House as eligible to clear HKMEx Contracts.
- HKMEx Trading System* - The facility, trading system or systems operated directly or indirectly by HKMEx on which HKMEx Eligible Products may be traded.
- HKMEx Transaction* - A contract in a HKMEx Eligible Product between HKMEx Service Clearing Members arising or registered on a HKMEx Trading System meeting the requirements of the Regulations and the Procedures.
- Individual Segregated Account* - Means, in relation to SwapClear Clearing Client Business, a sub-account opened within the Clearing House by a SwapClear Clearing Member in respect of Individual Segregated Account Business.
- Individual Segregated Account Balance* - Means, in respect of an Individual Segregated Account Clearing Client, the sum of (i) the Required Collateral attributed by the Clearing House in accordance with its rules and procedures to that client; (ii) the Excess Collateral attributed by the Clearing House in accordance with its rules and procedures to that client; and (iii) the Additional Collateral held in the Additional Collateral Account in respect of that client.
- Individual Segregated Account Business* - Has the meaning ascribed to such term in sub-paragraph (i) of paragraph (c) of Regulation 52A.
- Individual Segregated Account Clearing Client* - Means, in relation to SwapClear Clearing Client Business, a client in respect of whom a SwapClear Clearing Member engages in Individual Segregated Account Business.
- initial margin* - An amount determined and published from time to time by the Clearing House with regard to each category of contract, in respect of which Members may be required to provide to the Clearing House cover in accordance with these Regulations and the Procedures as a condition of registration of a contract by the Clearing House and otherwise in respect of all Contracts registered with the Clearing House, as prescribed by these Regulations and the Procedures.
- [LCH Approved Outsourcing Party](#) = [Means a party approved for these purposes by the Clearing House, as set out in the FCM Procedures.](#)
- LCH.Clearnet Group* - The group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a “member” of LCH.Clearnet Group within these Regulations is to be construed accordingly).
- LCH EnClear OTC Clearing Member* - A Member who is designated by the Clearing House as an LCH EnClear OTC Clearing Member eligible to clear LCH



	EnClear OTC Contracts.
<i>LCH EnClear OTC Contract</i>	- A Contract entered into by the Clearing House with an LCH EnClear OTC Clearing Member on any applicable set of Contract Terms prescribed in the LCH EnClear OTC Regulations.
<i>LCH EnClear OTC Contract Terms</i>	- The relevant Contract Terms in respect of LCH EnClear OTC Contracts.
<i>LCH EnClear OTC Regulations</i>	- The Clearing House's Regulations, applicable to LCH EnClear OTC Contracts only, from time to time in force.
<i>LCIA Rules</i>	The LCIA Arbitration Rules of The London Court of International Arbitration.
<i>LIFFE</i>	- LIFFE Administration and Management
<i>LIFFE Credit Default Swap Index Contract</i>	- A Cleared Exchange Contract entered into by the Clearing House and a Member on the LIFFE Credit Default Swap Index Contract Terms.
<i>LIFFE Credit Default Swap Index Contract Terms</i>	- The terms of the LIFFE Credit Default Swap Index Contract specification provided in LIFFE Rules.
<i>LIFFE Market</i>	- Any market operated by LIFFE regardless as to whether the market is an exchange, multilateral trading facility, alternative trading system, other platform or an over the counter market but excluding any market outside of the European Union operated by LIFFE.
<i>LIFFE Rules</i>	- The rules adopted by LIFFE in force from time to time and which govern the membership and operation of a LIFFE Market.
<i>Link</i>	- The trading and/or clearing arrangements established by the Clearing House and a Participating Exchange and, as the case may be, an Exchange in respect of either or both of the following: <ul style="list-style-type: none"> <li>(i) one or more exchange contracts;</li> <li>(ii) one or more Participating Exchange Contracts.</li> </ul>
<i>Link Agreement</i>	- An agreement entered into between the Clearing House and a Participating Exchange and, if applicable, an Exchange for the purposes of a Link.
<i>Link Clearing Agreement</i>	- A written agreement in one or more forms and in the terms prescribed by an Exchange, the Clearing House and a Participating Exchange to which, amongst others, a Member is party which has the function, amongst other things, of facilitating the transfer of Contracts on the terms of one or more Linked Exchange Contracts covered by such agreement in accordance with Regulation 41.
<i>Linked Exchange Contract</i>	- An exchange contract which is the subject of a Link.

<i>Linked Member</i>	- A member of a Co-operating Exchange.
<i>Link Regulations</i>	- The Clearing House's Link Regulations from time to time in force.
<i>lot</i>	- The standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an exchange contract; or  - In relation to a contract other than an exchange contract, the standard unit or quantity prescribed by the relevant contract terms.
<i>LSE</i>	- The London Stock Exchange plc or any successor in title.
<i>margin</i>	- Initial margin and/or variation margin.
<i>market</i>	- A futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain participants in that market, to provide clearing services on the terms of these Regulations and the Procedures.
<i>market day</i>	- In respect of a commodity, a day on which the market on which that commodity is dealt in is open for trading.
<i>Member or Clearing Member</i>	- (i) Subject to (ii) means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a Clearing Membership Agreement and the Procedures, a Participating Exchange or a Co-operating Clearing House, where so agreed with the Participating Exchange or the Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms "Member" and "Clearing Member" for the purposes of these Regulations, Default Rules and Procedures, do not mean shareholder of LCH.Clearnet Limited or of any other undertaking in the LCH.Clearnet Group.  - (ii) "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules, <u>(including the SwapClear DMP Annex)</u> , the Default Fund Rules, the FCM Default Fund Agreement, <del>any DMPA</del> and any other document, rule or procedure as specified by the Clearing House from time to time.
<i>Member Link Agreement</i>	- A Link Clearing Agreement or a Trade Allocation Agreement.
<i>Nodal</i>	- Nodal Exchange, LLC of 8065 Leesburg Pike, Suite 700, Vienna, VA 22182, United States of America.
<i>Nodal Contract</i>	- A Contract entered into by the Clearing House with a Nodal Service Clearing Member pursuant to the Nodal Regulations.



<i>Nodal Contract Terms</i>	- The terms of a Nodal Contract as set out in the Nodal contract specification provided in Nodal's Rules.
<i>Nodal Eligible Derivative Product</i>	- A derivative product prescribed from time to time by the Clearing House as eligible for the Nodal Service.
<i>Nodal Non-Clearing Participant</i>	- A person other than a Nodal Service Clearing Member who is party to an agreement with Nodal allowing such person to be a participant in the Nodal Trading Facility and subjecting such person to the provisions of Nodal's Rules.
<i>Nodal Participants</i>	- Nodal Service Clearing Members and Nodal Non-Clearing Participants.
<i>Nodal Reference Price</i>	- A Reference Price in respect of a Nodal Contract.
<i>Nodal Regulations</i>	- The Clearing House's Regulations applicable to Nodal Contracts from time to time in force.
<i>Nodal's Rules</i>	- The rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.
<i>Nodal Service</i>	- The service provided by the Clearing House under the Nodal Regulations.
<i>Nodal Service Clearing Member</i>	- A Member who is designated by the Clearing House as eligible to clear Nodal Contracts.
<i>Nodal Trading Facility</i>	- The facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.
<i>Nodal Transaction</i>	- A contract in a Nodal Eligible Derivative Product between Nodal Service Clearing Members arising or registered on a Nodal Trading Facility meeting the requirements of the Regulations and the Procedures.
<i>Non-Deliverable FX Transaction</i>	- Has the meaning given to it in the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and the Foreign Exchange Committee, or any successor organisations, as amended and updated from time to time.
<i>NYSE Liffe Clearing Contract</i>	- A contract in the terms of a LIFFE exchange contract subject to the LIFFE Rules entered into by LIFFE as central counterparty with a NYSE Liffe Clearing Member including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract.
<i>NYSE Liffe Clearing Member</i>	- A Clearing Member who has been designated by LIFFE to clear NYSE Liffe Clearing Contracts and <i>NYSE Liffe Clearing Membership</i> shall be construed accordingly.
<i>NYSE Liffe Clearing Service</i>	- The central counterparty and ancillary services provided by LIFFE to NYSE Liffe Clearing Members in accordance with

- the LIFFE Rules.
- NYSE Liffe Clearing Membership Agreement* - The tripartite clearing membership agreement relating to the NYSE Liffe Clearing Service between LIFFE, the Clearing House and each NYSE Liffe Clearing Member, as in force from time to time.
- official quotation* - A price determined by the Clearing House under Regulation 14.
- Omnibus Net Segregated Account* - Means, in relation to SwapClear Clearing Client Business, a sub-account opened within the Clearing House by a SwapClear Clearing Member in respect of Omnibus Net Segregated Business.
- Omnibus Net Segregated Account Balance* - Means, in respect of an individual Omnibus Net Segregated Clearing Client, the sum of (i) the Required Collateral attributed by the Clearing House in accordance with its rules and procedures to that client; (ii) the Excess Collateral attributed by the Clearing House in accordance with its rules and procedures to that client; and (iii) the Additional Collateral held in the Additional Collateral Account in respect of that client.
- Omnibus Net Segregated Business* - Has the meaning ascribed to such term in sub-paragraph (ii) of paragraph (c) of Regulation 52A
- Omnibus Net Segregated Clearing Client* - Means, in relation to SwapClear Clearing Client Business, a client in respect of whom a SwapClear Clearing Member engages in Omnibus Net Segregated Business.
- Open Contract or open contract* - A Contract made with a Member on the terms (subject to variation of such terms as provided in the Regulations) of an original contract or a Contract made with a Member on the terms set out in the Regulations and/or any agreement entered into with the Member, which, in either case, has not been closed-out, settled or invoiced back in accordance with the Regulations and the Procedures. The term “open contract” shall include, where relevant, an option contract a delivery contract and an Event Protection Contract, but shall not include a settlement contract, a re-opening contract or a closing-out contract.
- open contract subject to tender* - A Cleared Exchange Contract made with a Member on the terms (unless otherwise provided in the Regulations) of an original exchange contract in respect of which a tender has been given, which has not been closed out, settled or invoiced back in accordance with the Regulations and the Procedures, and shall include, except where the context otherwise requires, a delivery contract.
- Open Offer for Turquoise Derivatives* - The open offer contained in Regulation 75 in relation to Orderbook Matches.
- option* - A right to enter into a contract for the sale and purchase of a commodity for future delivery, a contract for differences, or a delivery contract.

- option contract* - A contract for an option on the terms of an exchange contract; or
- original contract* - An original exchange contract, EquityClear Novation Transaction, Eligible OTC Trade, or an OTC Transaction other than a Repo Trade, Bond Trade or GC Trade.
- original exchange contract* - A contract including, where relevant, an option contract on the terms of an exchange contract which
- (i) has been entered into on a market or otherwise under or in accordance with Exchange Rules and subject to Exchange Rules of which particulars are to be presented to the Clearing House for registration in the name of members in accordance with Exchange Rules, the Regulations or the Procedures; or
  - (ii) arises pursuant to Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link; or
  - (iii) by agreement with a Participating Exchange is to be registered in the name of a Participating Exchange in accordance with the terms of any agreement made with a Participating Exchange.

Where any such contract is for more than one lot there shall be deemed to be a separate contract in respect of each lot and the term “original exchange contract” shall be construed accordingly. The term “original exchange contract” shall include a confirmed contract, except where the context otherwise requires. For the avoidance of doubt, the term “original exchange contract” shall not include any ATP Match made pursuant to the rules of an Approved EquityClear Trading Platform.

- OTC Contract* - A Contract entered into by the Clearing House with a Member on the relevant OTC Contract Terms, as prescribed by the Clearing House from time to time, in accordance with the Regulations and the Procedures and/or any agreement entered into with the Member.
- OTC Contract Terms* - The SwapClear Contract Terms in respect of SwapClear Contracts, the RepoClear Contract Terms in respect of RepoClear Contracts, the RepoClear SGC Contract Terms in respect of RepoClear SGC Contracts and the RepoClear €GC Contract Terms in respect of RepoClear €GC, the ForexClear Contract Terms in respect of ForexClear Contracts..
- OTC market* - Any dealings in an investment (as defined in section 22(1) and Schedule 2 Part II of the Financial Services and Markets Act 2000) which are entered into otherwise than on or subject to the rules of an Exchange.
- OTC Service* - A service provided by the Clearing House for the clearing of a category of OTC Contract.

- OTC Transaction* - A transaction being a SwapClear Transaction, RepoClear Transaction, RepoClear GC Transaction, Repo Trade, Bond Trade or GC Trade, or ForexClear Transaction.
- Participating Exchange* - An organisation (whether an exchange, association, company or otherwise), other than an Exchange, responsible for administering a futures, options, stock or other market which has concluded a Link Agreement with the Clearing House including such an organisation pursuant to which Link Agreement:
- contracts on the terms of one or more Linked Exchange Contracts are to be transferred to, for clearing by, such organisation; or
  - contracts on the terms of one or more Participating Exchange Contracts are to be transferred to, for clearing by, the Clearing House.
- And, for the purposes of these Regulations, the term “Participating Exchange” shall include a Co-operating Clearing House and Co-operating Exchange and any clearing house (other than the Clearing House) which from time to time provides clearing services to such organisation.
- Participating Exchange Contract* - In respect of a Participating Exchange, means a class of contract, the terms of which are published by the Participating Exchange from time to time, permitted to be made by members of the Participating Exchange under Participating Exchange Rules and which is the subject of a Link.
- Participating Exchange Rules* - The provisions of a Participating Exchange’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 Participating Exchange and any amendment, variation or addition thereto.
- [Portfolios](#) = [Has the meaning assigned to it in the Default Rules.](#)
- premium* - The consideration for the selling of an option payable by the buyer in accordance with these Regulations and the Procedures.
- Price* - In the case of:
- (i) a contract on the terms of an exchange contract which is to be performed by delivery of a commodity, the consideration to be paid by the buyer in cash in the currency prescribed by the terms of the exchange contract, and in the case of an exchange contract which is a contract for differences, the valuation quoted as a price under its terms: or
  - (ii) an OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and the

Procedures; or

- (iii) an EquityClear Contract, the consideration to be paid by the buyer in cash in the currency as set out in the ATP Match or ATP Match or EquityClear Novation Transaction information received by the Clearing House or its relevant approved agent; or
- (iv) an LCH EnClear OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and Procedures.

*Procedures*

- One or more documents containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these Regulations, or the procedures for application for and regulation of membership of the Clearing House and in respect of SwapClear Dealers, RepoClear Dealers, EquityClear NCMs, and ForexClear Dealers respectively, for:
  - (i) application for admission to the Register of SwapClear Dealers and regulation of SwapClear Dealers admitted to the Register;
  - (ii) application for admission to the Register of RepoClear Dealers and regulation of RepoClear Dealers;
  - (iii) application for admission to the Register of EquityClear NCMs.
  - (iv) application for admission to the Register of ForexClear Dealers.

and "Procedures" includes FCM Procedures when used in the Default Rules and the Default Fund Rules.

*prompt date*

- In respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract.

*Proprietary Account*

- Means a house account with the Clearing House opened in the name of a Member to which Contracts made by the Member for its own account are registered and to which monies in respect of such Contracts are credited.

*Protest*

- Has the meaning given to it in Exchange Rules.

*Reference Price*

- A price (howsoever called) by reference to which a Contract is settled to market, marked to market, settled or valued in accordance with the Regulations and Procedures.

*Register of EquityClear NCMs*

- The register which lists EquityClear NCMs.

*Register of ForexClear Dealers*

- The register which lists ForexClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as ForexClear Contracts by the Clearing House.

- Register of RepoClear Dealers* - The register which lists RepoClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as RepoClear Contracts or RepoClear GC Contracts by the Clearing House or to deal through one or more Automated Trading Systems specified by the Clearing House in respect of each such RepoClear Dealer pursuant to which the Clearing House becomes a party to RepoClear Contracts or RepoClear GC Contracts, as the case may be, in accordance with the terms of the RepoClear Dealer Clearing Agreement and Regulation 56A.
- Register of SwapClear Dealers* - 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* - In respect of SwapClear Contracts shall have the meaning given in Regulation 47(d) or Regulation 48(d) as applicable; in respect of RepoClear Contracts and RepoClear SGC Contracts, shall have the meaning given in Regulation 54(d) or Regulation 55(d), as applicable; in respect of LCH EnClear OTC Contracts, shall have the meaning given in Regulation 73A, in respect of HKMEx Contracts, shall have the meaning given in Regulation 89(b), in respect of Nodal Contracts, shall have the meaning given in Regulation 93(b), in respect of ForexClear Contracts, shall have the meaning given in Regulation 104(d).
- Regulations* - The Clearing House's General Regulations which include the Link Regulations, Default Rules, Default Fund Rules and Clearing House Settlement Finality Regulations, from time to time in force.
- Regulatory Body* - The Secretary of State, The Financial Services 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 Bank of England, the Commodity Futures Trading Commission of the United States (CFTC) or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.
- [Relevant Contract](#) = [Has the meaning assigned to it Regulation 52B.](#)
- re-opening contract* - A contract arising pursuant to Regulation 20(c) or (d).
- Repo Trade* - A trading activity in which a RepoClear Participant ("the First Participant") offers to sell (or buy) RepoClear Eligible Securities, and another RepoClear Participant ("the Second Participant") offers to buy (or sell, as the case may be) those securities, on condition that, at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) equivalent securities and the First Participant buys (or sells, as the case may be) those equivalent securities, and a trade subsequently ensues.



- RepoClear Clearing Member* - A Member who is designated by the Clearing House as a RepoClear Clearing Member eligible to clear RepoClear Contracts, RepoClear GC Contracts and RepoClear €GC Contract.
- RepoClear Contract* - A Contract entered into by the Clearing House with a RepoClear Clearing Member on the RepoClear Contract Terms.
- RepoClear Contract Terms* - The Terms set out or referred to in Parts A and B of the Schedule to the RepoClear Regulations.
- RepoClear Dealer* - A person admitted by the Clearing House to the Register of RepoClear Dealers and who has not been removed from the Register.
- RepoClear Dealer Clearing Agreement* - A written agreement, in the form and on the terms prescribed by the Clearing House, between a RepoClear Dealer, a RepoClear Clearing Member and the Clearing House which has the function, amongst other things, of setting out the terms on which the RepoClear Clearing Member agrees to clear RepoClear Transactions, RepoClear SGC Transactions, RepoClear €GC Transactions, Repo Trades, Bond Trades, SGC Trades and €GC Trades for the RepoClear Dealer.
- RepoClear Eligibility Criteria* - With regard to RepoClear Transactions, Bond Trades and Repo Trades the product criteria set out in Part B ("Product Criteria for registration as a RepoClear Contract") of the Schedule to the RepoClear Regulations, and with regard to RepoClear SGC Transactions and SGC Trades, the product criteria set out in Part F ("Product Eligibility Criteria for registration as a RepoClear SGC Contract") of the Schedule to the RepoClear Regulations and with regard to RepoClear €GC Transactions and €GC Trades, the product criteria set out in Part H ("Product Eligibility Criteria for the registration of a RepoClear €GC contract") of the Schedule to the RepoClear Regulations.
- RepoClear Eligible Securities* - With regard to RepoClear Transactions, Bond Trades and Repo Trades securities of a type described in Part B to the Schedule to the RepoClear Regulations, and which appear in the list published for this purpose from time to time by the Clearing House.
- RepoClear €GC Contract* - A Contract entered into by the Clearing House with a RepoClear Clearing Member on the RepoClear €GC Contract Terms.
- RepoClear €GC Contract Terms* - The Terms set out or referred to in Parts G and H of the Schedule to the RepoClear Regulations.
- RepoClear €GC Transaction* - A contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear €GC Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House

and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable.

- RepoClear GC Contract* - A RepoClear €GC Contract or a RepoClear SGC Contract.
- RepoClear GC Transaction* - A RepoClear €GC Transaction or a RepoClear SGC Transaction.
- RepoClear Open Offer Eligibility Criteria* - With regard to Bond Trades, Repo Trades and GC Trades, the requirements set out in paragraphs (i) to (v) inclusive of Regulation 56(c) of the Regulations or in sub-paragraphs (i) to (vi) inclusive of Regulation 56A(c) of the Regulations, as applicable;
- RepoClear Participants* - RepoClear Clearing Members and RepoClear Dealers and “RepoClear Participant” means any of them.
- RepoClear Regulations* - The Clearing House’s RepoClear Regulations, applicable to RepoClear Contracts only, from time to time in force.
- RepoClear SGC Contract* - A Contract entered into by the Clearing House with a RepoClear Clearing Member on the RepoClear SGC Contract Terms.
- RepoClear SGC Transaction* - A contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear SGC Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable.
- RepoClear Transaction* - A contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable. A “RepoClear Repo Transaction” is such a contract for the trade of a repo; a “RepoClear Bond Transaction” is such a contract for the trade of bond/s.
- Reported Trade* - A trade, other than a trade resulting in a Turquoise Derivatives Orderbook Match, which is reported to EDX for registration with the Clearing House in accordance with Exchange Rules or the terms of any arrangements entered into between TGHL and a Co-operating Exchange.
- Required Collateral* - Means, in relation to SwapClear Clearing Client Business, the margin required by the Clearing House from a SwapClear Clearing Member from time to time in respect of its SwapClear Client Business.

[Risk Neutralisation](#)

= [Has the meaning assigned to it in the Default Rules.](#)



- Rulebook* - The Regulations, Default Rules, Settlement Finality Regulations, Procedures, and such other rules of the Clearing House, as published and amended from time to time.
- Rules of the Clearing House* - The Rulebook of the Clearing House including the General Regulations, Default Rules, Settlement Finality Rules, Procedures and these NYSE Liffe Clearing Regulations
- SCM Branch* - A branch or part of a SwapClear Clearing Member, not being a different legal person from the SwapClear Clearing Member, which is authorized by the Clearing House to submit to the Clearing House, in the name of that SwapClear Clearing Member, SwapClear Transactions for registration, subject to these Regulations and the Procedures, by the Clearing House as SwapClear Contracts.
- segregated client* - A person whose monies are held by a Member separately from the Member's own monies with whom the Member has agreed (or in respect of which the Member is required) not to use such person's monies for the Member's own account.
- seller* - A Member (or the Clearing House where the context so requires) who is a seller under the terms of an exchange contract, a Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, a RepoClear Transaction, a RepoClear SGC Transaction, a RepoClear SGC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, an EquityClear Contract, or an LCH EnClear OTC Contract, as the case may be.
- Service* = means any one of the services made available by the Clearing House: (i) to an Exchange; (ii) under the SwapClear Regulations and the FCM Regulations; (iii) under the RepoClear Regulations; (iv) under the EquityClear Regulations; (v) under the LCH EnClear OTC Regulations; (vi) under the Turquoise Derivatives Regulations; (vii) under the HKMEx Regulations; (viii) under the Nodal Regulations; (ix) under the NYSE LIFFE Regulations; or (x) under the ForexClear Regulations.
- settlement contract* - A contract between the Clearing House and a Member arising pursuant to Regulation 15(b), Regulation 73C(b) or Regulation 91(b) or 95(b).
- settlement price* - One or more prices determined and issued by an Exchange in accordance with its Exchange Rules in respect of a delivery month or prompt date; or
- In relation to a Contract other than an exchange contract, one or more prices determined in accordance with the Regulations or the Procedures.
- SGC Trade* - A trading activity in which a RepoClear Participant ("the First Participant") offers to sell (or buy) an agreed value of securities comprised in an SGC Basket, to be allocated in accordance with the RepoClear Procedures applicable to

RepoClear SGC Contracts, and another RepoClear Participant (“the Second Participant”) offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:

- (i) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear SGC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and
- (ii) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions effected through Euroclear UK and Ireland delivery by value (DBV) functionality, as contemplated by the RepoClear Procedures applicable to RepoClear SGC Contracts,

and a trade subsequently ensues.

*Special Member*

- (a) An organisation which has the necessary licences, authorisations and approvals to act as a clearing house or otherwise provide clearing services or an organisation which has the necessary licences, authorisations and approvals to administer a futures, options, stock or other market and also to act as a clearing house in respect of such market or markets.
- (b) An organisation carrying on comparable activities as the Clearing House may determine from time to time,

which has concluded a Clearing Membership Agreement with the Clearing House in such form as the parties may agree, pursuant to which such organisation clears specific types of Contract and agrees to be bound by these Regulations as a Member, to the extent and subject to any variations agreed in such Clearing Membership Agreement.

*Standard Terms*

- That part of the SwapClear Contract Terms, the RepoClear Contract Terms, the LCH EnClear OTC Contract Terms, or the ForexClear Contract Terms designated as Standard Terms by the Clearing House from time to time.

*strike price*

- The price specified in an option contract which becomes the price of the commodity under a contract for the future sale and purchase of that commodity for future delivery or, as the case may be, under a delivery contract, in either case on the exercise of the option, the subject of such option contract, in accordance with Exchange Rules, these Regulations and the Procedures.

*SwapClear Clearing Agreement*

- Means the client clearing agreement providing for the creation of a separate ISDA Master Agreement (including any Credit Support Annex and other supplementary agreements) between a SwapClear Clearing Member and a SwapClear Clearing Client in relation to the SwapClear

## Clearing Services.

- SwapClear Clearing Client* - Means an Individual Segregated Account Clearing Client or an Omnibus Net Segregated Clearing Client.
- SwapClear Clearing Client Business* - Means Individual Segregated Account Business and Omnibus Net Segregated Business entered into by a SwapClear Clearing Member in respect of its SwapClear Clearing Clients.
- SwapClear Clearing Client Entitlement* - Has the meaning assigned to it in Regulation 52B.
- SwapClear Clearing End-User Notice* - Means the SwapClear Clearing End-User Notice as specified by the Clearing House from time to time.
- SwapClear Clearing House Business* - Means SwapClear Contracts entered into by a SwapClear Clearing Member with the Clearing House on a proprietary basis and for its own account.
- SwapClear Clearing Member (SCM)* - A Member who is designated by the Clearing House as a SwapClear Clearing Member eligible to clear SwapClear Contracts which includes, in the case of the Default Rules, the Default Fund Rules, (including the SwapClear DMP Annex), the FCM Default Fund Agreement, ~~any DMPA~~ and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member.
- SwapClear Clearing Services* - Means the entering into of SwapClear Contracts by a SwapClear Clearing Member in respect of its Individual Segregated Account Clearing Clients and its Omnibus Net Segregated Clearing Clients.
- SwapClear Clearing Client Entitlement* - Has the meaning assigned to it Regulation 52B.
- SwapClear Contract* - A Contract entered into by the Clearing House with a SwapClear Clearing Member on the SwapClear Contract Terms which includes, in the case of the Default Rules, (including the SwapClear DMP Annex), the Default Fund Rules, the FCM Default Fund Agreement, ~~any DMPA~~ and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM SwapClear Contract.
- SwapClear Contract Terms* - The terms applicable to each SwapClear Contract as set out from time to time in the Schedule to the SwapClear Regulations or the Procedures.
- SwapClear Dealer (SD)* - A person admitted by the Clearing House to the Register of SwapClear Dealers and who has not been removed from the Register.
- SwapClear Dealer Clearing Agreement* - A written agreement, in the form and on the terms prescribed by the Clearing House between a SwapClear Dealer, a SwapClear Clearing Member and the Clearing House which has the function, amongst other things, of

setting out the terms on which the SwapClear Clearing Member agrees to clear SwapClear Transactions for the SwapClear Dealer.

SwapClear DMG

= Has the meaning assigned to it in the Default Rules;

SwapClear DMP

= Has the meaning assigned to it in the Default Rules;

*SwapClear Participants*

- *SwapClear Clearing Members, SCM Branches and SwapClear Dealers, and "SwapClear Participant" means any of them.*

*SwapClear Regulations*

- The Regulations entitled as such, applicable to SwapClear Contracts only, from time to time in force.

*SwapClear Transaction*

- A contract, meeting the eligibility criteria for registration as a SwapClear Contract, entered into between two SwapClear Participants, of which particulars are presented to the Clearing House for registration in the name of SwapClear Clearing Members in accordance with the Regulations and the terms of any agreement entered into between the Clearing House and each such SwapClear Dealer. In addition, a SwapClear Transaction shall include an FCM SwapClear Transaction where the relevant SwapClear Clearing member is an Executing Party.

*SWORD*

- The system operated by the Clearing House for, inter alia, facilitating the issue, recording and electronic transfer of London Metal Exchange warrants.

*tender*

- A notice in writing, given by or on behalf of a seller (or buyer where Exchange Rules so require) pursuant to Exchange Rules these Regulations and the Procedures, of an intention to make (or take) delivery of a commodity.

*The Clearing House Turquoise Derivatives Services -*

- The services provided by the Clearing House pursuant to the Turquoise Derivatives Regulations.

*TGHL.*

- Turquoise Global Holding London Limited whose registered office is at 10 Paternoster Square, London EC4M 7LS.

*Turquoise Derivatives Account*

- An account maintained in the name of TGHL. by the Clearing House pursuant to Regulation 5 in which Turquoise Derivatives Cleared Exchange Contracts may be registered pursuant to Regulation 75, 80 or in such other circumstances as may be agreed between TGHL. and the Clearing House from time to time.

*Turquoise Derivatives Cleared Exchange Contract*

- A Contract entered into by the Clearing House in accordance with the Turquoise Derivatives Regulations.

*Turquoise Derivatives Contract Specification*

- In respect of a Turquoise Derivatives Eligible Product, the relevant contract specification set out in the Turquoise Derivatives Rules.

- Turquoise Derivatives Eligible Product* - A product which TGHL has agreed from time to time with the Clearing House is to be cleared by the Clearing House pursuant to these Regulations.
- Turquoise Derivatives Non-Clearing Member (Turquoise Derivatives NCM)* - A member of TGHL who is not a Member and is party to a subsisting Turquoise Derivatives NCM-GCM Agreement.
- Turquoise Derivatives Orderbook* - The electronic orderbook operated by TGHL for the trading of Turquoise Derivatives Eligible Products.
- Turquoise Derivatives Orderbook Match or Orderbook Match* - A match made on the Turquoise Derivatives Orderbook of two sets of Turquoise Derivatives Trade Particulars submitted by or on behalf of two Members or a match made on the Combined Turquoise Derivatives Orderbook of two sets of Turquoise Derivatives Trade Particulars submitted by or on behalf of a Member and a Linked Member.
- Turquoise Derivatives Regulations* - The Regulations set out in Regulations 74 to 87 inclusive.
- Turquoise Derivatives Trade Particulars* - Means the trade particulars of an order submitted to the Turquoise Derivatives Orderbook by or on behalf of a Member or, in the case of a Member which is a Co operating Clearing House, submitted to the Combined Turquoise Derivatives Orderbook by or on behalf of a relevant Linked Member.
- Turquoise Derivatives OTC Trade* - An OTC trade reported to TGHL London in accordance with its Rules for its OTC Service.
- Turquoise Derivatives Transactions* - An Orderbook Match, Turquoise Derivatives OTC Trade, Reported Trade, Cross-Border Re-registration and a Cross-Border Transfer.
- Trade Allocation Agreement* - An agreement in one or more forms and in the terms prescribed by an Exchange, the Clearing House and a Participating Exchange to which, amongst others, a Member is a party which has the function of facilitating, amongst other things, the transfer, in accordance with Regulation 41, of those Contracts on the terms of a Linked Exchange Contract which are permitted by the terms of such agreement to be transferred under such agreement.
- trade correction procedures* - The procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures.
- Trading Platform Particulars* - The orders or other trade particulars submitted in respect of the sale or purchase of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member (including, where relevant, submission of such orders or other trade particulars by or on behalf of an EquityClear NCM on behalf of the relevant EquityClear Clearing Member pursuant to, and in accordance with, the relevant Approved EquityClear Clearing Agreement between them and the relevant ATP

Market Rules) or, in the case of an EquityClear Mixed Member Match, by, or on behalf of a member of a relevant Co-operating Clearing House.

*Treasury Contract*

- Means any contract, including a contract of deposit, entered into by the Clearing House with that Member for purposes of, in connection with or otherwise in the course of its treasury management activities.

*Treasury Account*

- Means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member.

*variation margin*

- An amount determined by the Clearing House in accordance with the Procedures in respect of original contracts or open contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the Procedures) and the value of such contracts at official quotations or at such other prices as the Clearing House may determine pursuant to the Procedures. The term "variation margin" shall include daily settlement amounts save where the context otherwise requires.

Terms not otherwise defined have the meaning given to them in the General Regulations of the Clearing House.

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 1      Obligations of the Clearing House to each Member**

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all open contracts in accordance with these Regulations.
- (b) The obligations of the Clearing House to each Member shall be, as a counterpart to an open contract registered in the name of a Member in accordance with these Regulations and the Procedures, to perform its obligations under the terms of such open contract as principal to such Member in accordance with the provisions of these Regulations and the Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this Regulation 1 shall always be subject to the provisions of these Regulations. The benefit of the performance by the Clearing House of such obligations is conferred upon Members as principals and upon no other persons whatsoever. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this Regulation or any of the other Regulations to any person who is not a member. Rights of third parties to enforce any provision of any of these Regulations pursuant to the Contract (Rights of Third Parties) Act 1999 are expressly excluded.



**Regulation 2      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 Participating Exchange, 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 the Economic Terms of an OTC Contract, or the EquityClear Contract Terms, or the LCH EnClear OTC 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 EquityClear Contract Terms or the LCH EnClear OTC Contract Terms, as applicable, if it performs its obligations promptly after such time.



**Regulation 3      Novation**

- (a) This paragraph (a) shall not apply to contracts registered under Regulation 9(f). 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. 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 22 and Regulation 39) and otherwise on the same terms as the original contract replaced by such open contracts.
- (b) Upon the transfer of an open contract pursuant to these Regulations except pursuant to Regulation 41, 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.
- (c) Upon the exercise of an option 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 4 Clearing Member Status of the Clearing House**

- (a) Application for clearing member status of the Clearing House shall be made in accordance with the Procedures. A Member's clearing member status of the Clearing House shall be governed by these Regulations, the Procedures and any Clearing Membership Agreement to which he is for the time being party. Clearing member status does not provide or entitle a Member to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, which has separate and distinct membership requirements.
- (b) The Clearing House shall determine which categories of Contract a Member is eligible to have registered in its name from time to time. If, in its absolute discretion, the Clearing House determines that a Member no longer meets the relevant eligibility criteria for a particular category, or categories, of Contract the Clearing House may rescind that Member's eligibility to have Contracts of such category or categories registered in its name, but without prejudice to his right to have registered in his name, subject to the Regulations, the categories of Contracts in respect of which the Member does meet the eligibility criteria. The Clearing House may from time to time publish a list of Members identifying the category or categories of Contracts which each Member is eligible to have registered in its name.
- (c) A Member shall be a principal to and not an agent in respect of any Contract registered in his name with the Clearing House. In performing its obligations and exercising its rights under these Regulations, the Clearing House shall take no account of any right or interest which any person other than the Member may have in any cover furnished by such Member to the Clearing House.
- (d) Any Regulation or group of Regulations expressly stated not to apply to a Participating Exchange, and paragraph (a) above, shall not apply to a Participating Exchange, being an Exchange which is party to a trading and/or clearing agreement with an Exchange to whom the Clearing House provides clearing services and who has agreed to become a Member. The Clearing House shall enter into one or more agreements with such Participating Exchange which shall govern dealings between them and which may apply, disapply or modify, as the case may require, some or all of these Regulations with respect to such Participating Exchange.

**Regulation 5      Accounts**

- (a) Accounts (including, where requested, client accounts) shall be opened between each Member and the Clearing House in accordance with the Procedures. A Member shall be responsible for all obligations owed to the Clearing House in respect of every account opened in respect of such Member.
- (b) This paragraph applies to a Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Member's Proprietary Accounts, and to set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of such accounts.
- (c) This paragraph applies to a Member's client accounts. Unless the Rules of the Clearing House provide otherwise, in the event that more than one client account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of such client accounts of a Member, and to set off any amount or amounts standing to the credit of any one or more of such client accounts of a Member in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of such client accounts.
- (d) Amounts standing to the credit of a Member's accounts, other than, subject to paragraphs (c) above, his client accounts, may be applied by the Clearing House towards the payment of any sum whatsoever due by the Member to the Clearing House whether or not arising under these Regulations, save that, subject to Rule 8(d) of the Default Rules, no amounts standing to the credit of such Member's accounts shall be applied in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of the Member's client accounts. Amounts standing to the credit of a Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules and to Regulation 58(d) be paid) on amounts standing to the credit of any of the Member's accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of a Member are payable by such Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the Procedures.
- (h) Subject to the provisions of the Default Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to Exchanges and to Members in accordance with the Procedures.

- (i) If a Member specifies a Termination Date under Regulation 39A, the Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the Member.

**Regulation 6 Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts**

- (a) None of the paragraphs of this Regulation 6 shall apply to a contract on the terms of an exchange contract which arises pursuant to Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link. Subject to paragraph (h) particulars of every original contract which is to be registered by the Clearing House in the name of a Member shall be presented to the Clearing House (i) by or on behalf of the Member who made the original contract on the market or otherwise under Exchange Rules, (ii) in the case of a party to the original contract who is not a Member, by or on behalf of the Member who acts as his clearing member or on whose instructions the original contract was made or, (iii) if made on the instructions of a member of the market who is not a Member, by or on behalf of the Member who acts as the latter's clearing member. Presentation of particulars shall be made in such form and manner and by such times as are prescribed by the Procedures or, where the Clearing House has so agreed with an Exchange, as prescribed in Exchange Rules.
- (b) The obligation contained in paragraph (a) above to present particulars of original contracts shall be in addition to and without prejudice to any obligation on any Member to present particulars of an original contract pursuant to Regulation 19(h) or 19(i).
- (c) Subject to paragraph (d) below, every original contract presented for registration in the name of a Member in accordance with paragraph (a) above shall be confirmed by or on behalf of such Member, in such manner and form and by such times as are prescribed by the Procedures or, where the Clearing House has so agreed with an Exchange, as prescribed in Exchange Rules.
- (d) Notwithstanding paragraph (c) above, an original contract may subject to Exchange Rules and the Procedures be allocated by or on behalf of a Member to another Member or to a member of an Exchange who is not a Member and shall thus be confirmed pursuant to Regulation 7(a) instead of paragraph (c) above.
- (e) If an original contract is not confirmed by or on behalf of a Member pursuant to paragraph (c) above, or is not allocated by or on behalf of such Member within the prescribed time pursuant to Regulation 7, the Clearing House may in accordance with the Procedures deem such contract as having been confirmed pursuant to paragraph (c) above.
- (f) Any changes to the prescribed methods, forms and times set out in the Procedures in respect of presentation of particulars of original contracts and confirmation of such contracts shall be made by the Clearing House only after consultation with the relevant Exchange or Exchanges, save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.
- (g) Confirmation of an original contract by or on behalf of a Member pursuant to this Regulation 6 or Regulation 7 and the Procedures shall be effective immediately (unless otherwise specified in the Procedures) and shall constitute the consent of the Member to such contract being registered in his name in accordance with these Regulations.
- (h) An original contract which is to be registered in the name of a Member which is a Participating Exchange, of which details have been provided to the Clearing House by the Exchange with whom the Participating Exchange has entered into an agreement, shall be so registered under Regulation 9. The Clearing House shall treat such contract as having been confirmed by the Participating Exchange under this Regulation 6.



**Regulation 7 Allocation of Original Exchange Contracts**

- (a) Any Member proposing to allocate an original contract to another Member or to a member of an Exchange who is not a Member shall do so in such manner and form and by such time as may be prescribed by the Procedures. Allocation of an original contract by or on behalf of a Member pursuant to the Procedures shall constitute confirmation of the original contract by such Member.
- (b) Unless it is intended that an original contract be allocated on in accordance with the Procedures to another Member or to a member of an Exchange who is not a Member, any contract allocated to a Member or to a member of an Exchange who is not a Member shall be confirmed or, where the Procedures so prescribe, shall be deemed to have been confirmed to the Clearing House by or on behalf of such Member or, as the case may be, the Member who acts as the clearing member for such member of the Exchange, in such manner and form and by such time as may be prescribed by the Procedures. If such contract is allocated on by or on behalf of such Member to another Member or to a member of an Exchange who is not a Member, such act of allocation shall constitute confirmation of the contract by such Member.
- (c) Where an original contract is allocated to a Member or to a member of an Exchange who is not a Member pursuant to paragraph (a) or (b) above and the Clearing House does not receive confirmation of such contract from that Member or the Member acting as clearing member for such member, as the case may be, within the relevant time prescribed by the Procedures, the Clearing House shall, subject to Regulation 9, register such contract in the name of the Member who sought to allocate the contract.
- (d) Notwithstanding paragraph (c) above, a Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any original contract allocated to him in accordance with paragraphs (a) or (b) above and such Member shall be deemed to have confirmed such contract in accordance with the Procedures.
- (e) No original contract on the terms of an exchange contract may be allocated under this Regulation 7 to any Member who is not authorised under Exchange Rules to have original contracts on the terms of that exchange contract registered in his name.
- (f) Notwithstanding the provisions of the Procedures, the Clearing House may, without assigning any reason, make any allocation of an original contract subject to any conditions stipulated by it.

**Regulation 8      Designation**

A Member shall designate the account of the Member in which a contract shall be registered in the manner and form and by the time prescribed by Exchange Rules or the Procedures. If the Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the Procedures, determine in which account of the Member the contract shall be entered.



**Regulation 9 Registration**

- (a) Paragraphs (b), (d) and (f) only of this Regulation shall apply to a contract on the terms of an exchange contract arising under Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link. The Clearing House shall not register an original exchange contract or an Event Protection Contract in the name of a Member unless such contract has been confirmed or deemed confirmed pursuant to Regulation 6, 7 or 18 by or on behalf of a Member as a buyer and a Member as a seller who thereby have consented to such contract being registered in his name. The Clearing House shall register a contract in the name of a Member which is a Participating Exchange in accordance with the terms of any agreement made with the Participating Exchange and none of the following paragraphs shall apply in respect of a Member which is a Participating Exchange.
- (b) Where the Procedures so provide the Clearing House may require the Members in whose names one or more contracts are to be registered to furnish it with cover for initial and variation margin as a condition of registration of such contract or contracts, and such cover shall be furnished to the Clearing House in accordance with Regulation 12 and, if applicable, the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, the LCH EnClear OTC Regulations, the Turquoise Derivatives Regulations, the HKMEx Regulations, the Nodal Regulations, or the ForexClear Regulations.
- (c) The Clearing House may decline to register an original contract in the name of a Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of cover for margin by both Members in whose name any such contract is to be registered.
- (d) This paragraph does not apply to a Member which is a Participating Exchange. No original exchange contract for a commodity shall be registered in the name of a Member who is not entitled under Exchange Rules to have original exchange contracts for such commodity registered in his name.
- (e) The Clearing House shall be deemed to register in the name of a Member an original exchange contract, at the time prescribed in the Procedures in respect of such exchange contract or, in the case of an original exchange contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, at the time chosen by the Clearing House whereupon Regulation 3(a) shall take effect.
- (f) A contract on the terms of an exchange contract arising under Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link shall be registered in the name of the Member referred to in Regulation 41A(b) and shall be deemed to be registered in the name of such Member upon the arising of such Contract.

**Regulation 10    Trading Information**

The Clearing House shall make available to a Member in the manner and by the time prescribed by the Procedures, such details of original contracts presented for registration in the name of that Member, open contracts registered in that Member's name, and cover furnished by that Member as may be prescribed in the Procedures.

**Regulation 11 Transfer**

- (a) A Member may not allocate or transfer a confirmed contract, or an open contract registered in his name except as provided in paragraph (d) below or in Regulation 41.
- (b) If a Member wishes to transfer an open contract from his name to be registered in the name of another Member, the Clearing House may, with the agreement of both Members and subject to such conditions as it may stipulate, at its absolute discretion and, without prejudice to any power of the Clearing House under the Default Rules, and where relevant with the consent of the Exchange whose Exchange Rules form part of the terms of such open contract, transfer the registration of such open contract into the name of the Member agreeing to have such contract registered in his name, whereupon Regulation 3(b) shall take effect.
- (c) No open contract on the terms of an exchange contract may be transferred pursuant to paragraph (b) above to any Member who is not entitled under Exchange Rules to have open contracts on the terms of that exchange contract registered in his name. No open contract, being a SwapClear Contract, may be transferred pursuant to paragraph (b) above to any Member who is not a SwapClear Clearing Member, and no open contract, being a RepoClear Contract, may be transferred pursuant to paragraph (b) above to any Member who is not a RepoClear Clearing Member. No open EquityClear Contract may be transferred pursuant to paragraph (b) above to any Member who is not an EquityClear Clearing Member. No open LCH EnClear OTC Contract may be transferred pursuant to paragraph (b) above to any Member who is not an LCH EnClear OTC Clearing Member. No open ForexClear Contract may be transferred pursuant to paragraph (b) above to any Member who is not a ForexClear Clearing Member.
- (d) Rights under an open contract shall not be capable of assignment by a Member. Any such purported assignment by a Member, or any purported transfer that is not in compliance with this Regulation, shall be void.

**Regulation 12 Margin and Cover for Margin**

- (a) The Clearing House may in accordance with the Procedures require a Member to furnish it with cover, and to keep the Clearing House furnished with sufficient cover at all times, in an amount determined by the Clearing House, as security for the performance by such Member of its obligations to the Clearing House in respect of all contracts from time to time to be registered in his name as open contracts pursuant to these Regulations. The obligation upon a Member to furnish cover to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the Member to furnish cover to the Clearing House pursuant to these Regulations.
- (b) The Clearing House may in accordance with the Procedures require a Member to furnish it with cover in respect of initial or variation margin in circumstances prescribed by the Regulations and the Procedures in respect of any open contract registered in the Member's name, such cover to be furnished by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (c) If insufficient monies are standing to the credit of a Member's account, or if any security deposited by a Member as cover is determined by the Clearing House in accordance with the Procedures to be insufficient, such cover for margin as the Clearing House requires a Member to furnish to it pursuant to paragraph (b) above or Regulation 9 or the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, or LCH EnClear OTC Regulations, the Turquoise Derivatives Regulations, the HKMEX Regulations, the Nodal Regulations, or the ForexClear Regulations, as applicable, shall be furnished by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (d) (i) The Clearing House shall be entitled to assume that all securities and other assets furnished or deposited by a Member to or with the Clearing House as cover pursuant to these Regulations or under the terms of any agreement made with the Member are the sole legal and beneficial property of the Member or are furnished or deposited for the purposes of these Regulations with the legal and beneficial owner's unconditional consent and free of such owner's interest. A Member may not furnish or deposit securities or other assets to or with the Clearing House as cover otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these Regulations that a Member has such person's unconditional consent to furnish or deposit to or with the Clearing House as cover for the purposes of these Regulations any securities or other assets of such person in the Member's possession, free of such person's interest.
- (ii) Each Member represents and warrants to the Clearing House as at each date on which such Member furnishes or deposits securities or other assets to or with the Clearing House as cover pursuant to these Regulations (a) that such Member is the sole legal and beneficial owner of those securities or other assets or, as the case may be, those securities or other assets are so furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest and (b) that the provision to the Clearing House of such securities or other assets pursuant to these Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.
- (iii) The Clearing House may, in its absolute discretion and at any time require a Member to furnish or deposit other securities or assets to or with the Clearing House in substitution of any securities or assets deposited with the Clearing House pursuant to this Regulation 12.

- (e) The rate of initial margin in respect of each exchange contract shall be determined from time to time by the Clearing House after consultation with the relevant Exchange and such rate shall be published from time to time by the Clearing House. Subject to paragraph (g) below, any alteration of the rate so determined shall take effect on the expiry of such period of notice to Members as shall from time to time be agreed with the relevant Exchange. Any such notice shall be given to Members in accordance with the Procedures.
- (f) The rate of initial margin in respect of each category of OTC Contract shall be determined from time to time by the Clearing House, and such rate shall be published from time to time by the Clearing House. The rate of initial margin in respect of EquityClear Contracts and LCH EnClear OTC Contracts respectively shall be determined from time to time by the Clearing House and such rate shall be published from time to time by the Clearing House.
- (g) Notwithstanding paragraph (e) or paragraph (f) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to a Member or, where applicable, to an Exchange, to modify the rate of initial margin applicable to an exchange contract, to an OTC Contract or to EquityClear Contracts or to LCH EnClear OTC Contracts, or to call for larger or additional amounts of cover in respect of initial margin to be furnished to it by a Member, either before registration of a contract or at any time after registration. Any cover called by the Clearing House pursuant to this paragraph shall be furnished by the Member on demand and in such form as the Clearing House may require.
- (h) The Clearing House shall be entitled at any time to demand immediate provision of cover for margin from a Member in an amount deemed necessary by the Clearing House without reference to official quotations or Reference Prices in respect of any open contract in the Member's name, if, in the opinion of the Clearing House, the furnishing of such cover by the Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the member is party. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.
- (i) A Member shall furnish to the Clearing House in the manner and form and by the time or times prescribed in the Procedures cover in respect of the premium in respect of option contracts or cover in respect of the initial payment amount or fixed payment amounts in respect of LIFFE Credit Default Swap Index Contracts on the terms of such contracts as are specified in the Procedures.
- (j) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the Procedures, in respect of any security furnished to it as cover in a form prescribed by the Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the Procedures.
- (k) Without prejudice to the requirements of paragraph (e) or (f) above, the Clearing House may at its absolute discretion accept cover to an agreed amount in a form other than those specified in the Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of collateral in accordance with its standard risk management procedures and to any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.

- (l) If, in the opinion of the Clearing House, any security which has been furnished to it by a Member as cover pursuant to these Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of cover from such Member. Such cover shall be furnished by such Member on demand in a form prescribed by the Procedures, provided that at any time the Clearing House shall be entitled to require the Member to furnish it with cover in a specified form and to demand that the Member replace the whole or part of any security furnished by a Member pursuant to these Regulations by cover in the form of cash.
- (m) If, in respect of open contracts in a Member's name, official quotations indicate that cover which has been furnished to the Clearing House by such Member in respect of such contracts is in excess of variation margin, the Clearing House may or at the Member's request shall (but only where the excess consists of cash) release the excess of such cover.
- (n) If the Clearing House takes any step or steps under the Default Rules in relation to a Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Member) standing to the credit of any of the Member's accounts shall be treated as cover.
- (o) Unless the Clearing House otherwise agrees in writing, cover provided to the Clearing House by way of cash shall not be capable of assignment by any person. Any purported assignment by a Member (whether by way of security or otherwise) of cash cover provided to the Clearing House shall be void. A Member shall not otherwise encumber (or seek to encumber) any cash cover provided to the Clearing House.
- (p) Where the Clearing House is party to a Link Agreement with a Participating Exchange:
  - (i) the Clearing House may call that Participating Exchange for cover in whatever form may be stipulated in the terms of that Link Agreement; and
  - (ii) if collateral is provided by such Participating Exchange pursuant to such Link Agreement, that collateral shall be deemed to be cover for the purposes of these Regulations and the Default Rules.

**Regulation 13 Premium under Option Contracts and Payments under LIFFE Credit Default Swap Index Contracts**

- (a) The premium payable by a buyer under the terms of an option contract shall be paid by the buyer to the Clearing House in the form and manner prescribed in the Procedures and by the time specified in Exchange Rules or the Procedures with respect to the relevant exchange contract.
- (b) The Clearing House shall pay to a seller under the terms of an option contract his premium in accordance with the Procedures and by the time specified in Exchange Rules or the Procedures with respect to the relevant exchange contract.
- (c) Any payment payable by a Member to the Clearing House or by the Clearing House to a Member under the terms of a LIFFE Credit Default Swap Index Contract, being either:
  - (i) the initial payment amount payable by a seller; or
  - (ii) the fixed payment amounts payable by a buyer,

shall be paid by the Member to the Clearing House or by the Clearing House to the Member (as applicable) in the form and manner prescribed in the Procedures and by the time specified in LIFFE Rules or the Procedures.

**Regulation 14 Official Quotations and Reference Price**

- (a) The Clearing House may determine official quotations and Reference Prices for the purposes of these Regulations and the Procedures in such manner and at such times as may be prescribed in the Procedures. Except as prescribed in the Procedures, an official quotation or Reference Price is binding on a Clearing Member and may in no circumstances be called in question.
- (b) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any settlement price determined by a third party or any index which is the subject of an exchange contract or any Reference Price.



**Regulation 15 Daily Settlement or Marking to Market**

- (a) Where Exchange Rules or the Procedures so prescribe in respect of exchange contracts, the Clearing House may effect the daily settlement to market or daily marking to market of all open contracts on the terms of such exchange contracts in accordance with the Procedures and Exchange Rules, save where the Procedures otherwise provide. Daily settlement to market shall not apply to such open contracts which are for the account of a Member's client accounts.
- (b) The Clearing House shall, in accordance with the Procedures, in respect of each open contract in a Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or premium), including the strike price where applicable, as the open contract, save that where the Member is a buyer under the terms of the open contract the Member shall be a seller under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures (or Exchange Rules if applicable) at the relevant official quotation for that day. The Clearing House shall thereupon settle each open contract against the respective settlement contract in accordance with the Procedures.
- (c) The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter make up the Member's account and upon the Clearing House so doing, the Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to a Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these Regulations and in respect of a Cross-Margining Participant to the terms of any relevant Cross-Margining Agreement, such profit shall be paid to the Member on the Member's request; and
  - (ii) any loss arising to a Member shall be debited to the applicable account of the Member and (subject to these Regulations) the Member shall pay the amount of such loss to the Clearing House forthwith on demand.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above, in the manner prescribed by the Procedures:
- (i) in respect of those open contracts in a Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the official quotation referred to in paragraph (b) above, contracts in the Member's name as open contracts on the same terms (except as to price or premium), including the strike price where applicable, as the settled open contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and strike price, where applicable, shall be registered in the Member's name;
  - (ii) in respect of those open contracts in a Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the Procedures, register at the official quotation referred to in paragraph (b) above contracts in the Member's name as open contracts on the same terms (except as to price or premium) including the strike price, where applicable, as the settled open contracts.

- (e) A Member may, in respect of all open contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) make up the Member's account.
- (f) In respect of those open contracts of which settlement might have been requested by a Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those contracts, at any time thereafter proceed as if settlement had been requested and make up and render the Member's accounts accordingly.

**Regulation 15A Settlement and Revaluation: Clearing Processing System**

- (a) Where Exchange Rules or the Procedures so prescribe in respect of exchange contracts, the Clearing House may effect the settlement or revaluation of open contracts on the terms of such exchange contracts in accordance with a clearing processing system adopted by the Exchange.
- (b) The settlement of open contracts under this Regulation may be effected daily or less frequently, as required by the clearing processing system. The clearing processing system may expressly or by implication require the contract value of open contracts to be altered daily or less frequently by reference to official quotations or otherwise and, if so, open contracts subject to the system shall be revalued accordingly. The Clearing House shall have no obligation to notify a Member of the revaluation of an open contract to which he is party, save as provided by the clearing processing system.

**Regulation 16 Other Modes of Settlement and Revaluation**

Settlement and revaluation procedures (other than those contained in Regulations 15 and 15A) 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 OTC Contracts in the Procedures or where agreed with, an Exchange, in Exchange Rules. Settlement of open contracts may be effected by the Clearing House in accordance with such provisions.

**Regulation 17 Exercise of Options**

- (a) An option may, subject to paragraph (d) below, be exercised, or deemed to be exercised, or abandoned in accordance with paragraph (b) or (c) below on the day and by the time prescribed by Exchange Rules, or if there is no such prescribed day or time, by the day and time specified in the Procedures. If any prescribed day is not a business day, an option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, or if no such day is so prescribed, on the next business day.
- (b) Subject to Exchange Rules an option may be exercised by notice in writing or in such other form as may be prescribed by Exchange Rules or the Procedures and in the manner prescribed by the Procedures, and if not so exercised by the day and time referred to in paragraph (a) above, the option shall either expire or, if Exchange Rules so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the Procedures.
- (c) Subject to Exchange Rules, an option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or the Procedures and in the manner prescribed by the Procedures and if not so abandoned by the day and time referred to in paragraph (a) above, the option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the Procedures.
- (d) If permitted under Exchange Rules or, where relevant, the Procedures, an option may be exercised or abandoned by or on behalf of a Member prior to the day and time referred to in paragraph (a) above in accordance with Exchange Rules or, where relevant, the Procedures.
- (e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs (b), (c) or (d) above without making any enquiry, investigation or check as to whether it complies with the Exchange Rules or as to the authority of any person purporting to exercise or abandon an option on behalf of a Member save that the Clearing House may reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if it does not appear to comply with Exchange Rules or the Procedures notwithstanding that it may as buyer have passed on such notice or other prescribed form of exercise or abandonment to a seller.
- (f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a buyer under the terms of an option contract, the Clearing House may exercise or abandon an option in accordance with Exchange Rules or the Procedures and in accordance with Regulation 2.
- (h) Upon the exercise or deemed exercise of an option pursuant to this Regulation 17, Regulation 3(c) shall come into effect.

**Regulation 18 Delivery Contract Arising upon the Exercise of an Option and Event Protection Contracts**

- (a) Subject to these Regulations open contracts which are delivery contracts shall be fulfilled in accordance with Exchange Rules. No delivery contract shall be for a unit or quantity smaller than one lot and the amount or quantity to be delivered shall be one lot or such other amount or quantity as may be specified for the commodity in Exchange Rules from time to time after agreement with the Clearing House.
- (b) Where an open contract which is a delivery contract arises by novation pursuant to Regulation 3(c) upon the exercise or deemed exercise of an option, the buyer under the terms of the delivery contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the Procedures by the time and in the manner specified in Exchange Rules or the Procedures. The Clearing House as buyer under the terms of a delivery contract shall, in accordance with Regulation 2, give to the seller under the terms of such contract, such information as may be prescribed by Exchange Rules or the Procedures.
- (c) The seller under the terms of a delivery contract shall deliver the commodity to the Clearing House as buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the Procedures, and the Clearing House as seller under the terms of a delivery contract shall, in accordance with Regulation 2, deliver the commodity the subject of such contract to a Member as buyer under the terms of such contract.
- (d) The buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the Procedures in the form and manner and by the time prescribed in Exchange Rules or the Procedures, and the Clearing House shall, in accordance with Regulation 2, pay the seller his price and such other amounts as may be required by Exchange Rules or, where relevant, the Procedures.
- (e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may in its absolute discretion in accordance with the Procedures:
  - (i) direct a Member who is a seller under a delivery contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under a delivery contract, as the Clearing House may appoint; and
  - (ii) direct a Member who is a buyer under a delivery contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under a delivery contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity, or as the case may be, payment of the price, from a Member directed in accordance with (i) or (ii) above, in satisfaction of the obligations owed to it by the Clearing House to deliver the commodity or make payment of the price and such other amounts under the terms of a delivery contract.

- (f) If an invoice is not ready when payment becomes due pursuant to this Regulation, payment shall be made and received on account.
- (g) In relation to a LIFFE Credit Default Swap Index Contract between a Member and the Clearing House, in the circumstances prescribed under the LIFFE Rules an Event

Protection Contract shall automatically arise between the Clearing House and that Member where the seller under the LIFFE Credit Default Swap Index Contract shall be the seller under the Event Protection Contract and the buyer under the LIFFE Credit Default Swap Index Contract Terms shall be the buyer under the Event Protection Contract. The Clearing House shall immediately register such Event Protection Contract in the name of the Member. The Member shall, by its confirmation of an original contract on the LIFFE Credit Default Swap Index Contract Terms, be deemed to have consented to the subsequent registration in its name of any Event Protection Contracts arising in connection with such LIFFE Credit Default Swap Index Contract in accordance with these Regulations.

- (h) Subject to these Regulations, open contracts which are Event Protection Contracts shall be fulfilled in accordance with LIFFE Rules. Each Event Protection 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 limitation, Regulation 39) and otherwise on the terms prescribed by LIFFE Rules and the Procedures.

**Regulation 19 Obligation to Make and Accept Tender under Cleared Exchange Contracts**

- (a) Subject to these Regulations open contracts which are Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts shall be fulfilled in accordance with Exchange Rules or the Procedures. No Cleared Exchange Contract shall be for a unit or quantity smaller than one lot and the amount or quantity tendered shall be for one lot or such other amount or quantity as may be specified for the commodity in Exchange Rules from time to time after agreement with the Clearing House. Where the terms of a Cleared Exchange Contract or Turquoise Derivatives Cleared Exchange Contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such contract and in such case each such Member shall be bound by and shall comply with any such direction.
- (b) Paragraphs (c) to (l) below and Regulations 20 and 21 shall not apply to Cleared Exchange Contracts and Turquoise Derivatives Cleared Exchange Contracts which are contracts for differences or such option contracts as the Procedures may prescribe. Members shall fulfil their obligations to the Clearing House under the terms of such contracts in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of such contracts in accordance with Regulation 2. Regulation 19A shall apply and paragraphs (c) to (l) below shall not apply to delivery contracts.
- (c) A Member, as seller in respect of a Cleared Exchange Contract in his name which is not to be settled pursuant to Regulation 15 or 16 and the Procedures, shall give a tender to the Clearing House as buyer, together with such other documents as may be required by Exchange Rules or the Procedures by the time specified in Exchange Rules or the Procedures in respect of a Cleared Exchange Contract for a particular delivery month or prompt date, and in the form and manner prescribed by Exchange Rules or the Procedures. The Clearing House, as seller in respect of a Cleared Exchange Contract which is not to be settled pursuant to Regulation 15 or 16 and the Procedures, shall in accordance with Regulation 2 give a tender to the buyer under the terms of such contract, together with such other documents as may be required by Exchange Rules or the Procedures.
- (d) A seller or buyer shall give to the Clearing House such additional documents or information required by Exchange Rules to be given in respect of an open contract subject to tender by the time prescribed by Exchange Rules and in the form and manner specified therein or in the Procedures. The Clearing House as seller (or buyer) under the terms of an open contract subject to tender shall in accordance with Regulation 2 give such additional documents or information to the buyer (or seller) under the terms of such contract.
- (e) The Clearing House shall be under no obligation to check a tender or documents received from a Member pursuant to paragraph (c) or (d) above. The passing on by the Clearing House of such tender or such documents received from a seller (or buyer as the case may be) pursuant to the terms of an open contract subject to tender, to a buyer (or seller as the case may be) pursuant to the terms of an open contract subject to tender, shall not constitute acceptance by the Clearing House of such tender or such documents, and if the Member to whom it passed on such tender or such documents rejects the same where permitted by Exchange Rules, the Clearing House shall be entitled to reject the same as against the Member from whom it received such tender or such documents.



- (f) Every buyer (not being the Clearing House) who has a Cleared Exchange Contract in his name for the current delivery period or prompt date shall be bound to accept in fulfillment of the Clearing House's obligations as seller under paragraph (c) any tender or documents complying with Exchange Rules which is given to him by the Clearing House in accordance with Regulation 2.
- (g) Subject to paragraph (e), no tender may be withdrawn or substituted by the seller once such tender is received by the buyer except with the consent of such buyer or otherwise in accordance with Exchange Rules.
- (h) Where permitted by Exchange Rules, a tender together with such other documents as may be required by Exchange Rules or the Procedures may be given to the Clearing House by or on behalf of a seller in respect of an original exchange contract to which the seller is party, such tender to be given to the Clearing House together with such particulars of the contract as may be required by the Clearing House, including if required the name of the buyer in respect of such contract, by the time specified in Exchange Rules or the Procedures. Registration of such contract in the name of the seller shall be effected as prescribed by the Procedures.
- (i) The Clearing House may give a tender, together with such other documents as may be required by Exchange Rules or the Procedures, to a buyer in respect of an original exchange contract to which the buyer is party. Such particulars of the contract as the Clearing House may require shall be furnished by or on behalf of the buyer to the Clearing House in accordance with Exchange Rules or the Procedures. Registration of such contract in the name of the buyer shall be effected as prescribed by the Procedures.
- (j) The Clearing House may give a tender and documents received from a seller pursuant to paragraph (h) above to a buyer in respect of an original exchange contract to which the buyer is party, and shall do so as agent for the seller. The furnishing of particulars and the registration of such contract in the name of a buyer shall be effected as provided in paragraph (i) above. Upon registration of an original exchange contract pursuant to paragraph (h), the giving of the tender and documents by the Clearing House to the buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfillment of their obligations under paragraph (c) and (f) above.
- (k) In implementing this Regulation, the Clearing House may effect and register such contracts in a Member's name as may be prescribed in the Procedures at a price determined by the Clearing House in accordance with the Procedures.
- (l) If Exchange Rules require a buyer to give a tender and a seller to receive a tender in respect of a Cleared Exchange Contract, a reference in this Regulation and in Regulation 20 to a seller giving a tender shall be construed as being a reference to a buyer giving a tender and a reference to a buyer receiving a tender shall be construed as being a reference to a seller receiving a tender.

**Regulation 19A Delivery Contracts**

- (a) The obligations of Members under delivery contracts shall be performed in accordance with the terms of such delivery contracts and in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures. The Clearing House shall fulfill its obligations as seller or buyer, as the case may be, under the terms of a delivery contract in accordance with Regulation 2 and the Procedures.
- (b) Where the terms of an open contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such open contract and in such case each such Members shall be bound by and shall comply with any such direction.

**Regulation 20 Open Contracts Subject to Tender**

- (a) Without prejudice to the provisions of Regulation 21(a), under an open contract subject to tender or a delivery contract:
- (i) the buyer shall be obliged to pay his buying price to the Clearing House as seller in the manner and by the time prescribed by Exchange Rules or the Procedures;
  - (ii) the Clearing House as buyer shall be obliged to pay the seller his selling price in the manner and by the time prescribed by Regulation 2;
  - (iii) subject to Exchange Rules any compensation, adjusting payment, or other allowance payable by or to either the buyer or seller under the terms of the open contract shall be paid to or by the Clearing House;
- (b) Every tender and accompanying documents (except documents which, in accordance with Exchange Rules a buyer is obliged to take up and pay for) given by the Clearing House as seller to a buyer pursuant to Regulation 19(c) shall for the purposes of these Regulations be deemed to comply with Exchange Rules unless the buyer notifies the Clearing House, by 10.00 hours on the business day following the day on which the tender and accompanying documents were given to him by the Clearing House in accordance with Exchange Rules or the Procedures, that the tender and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10.00 hours on such business day, to notify the seller to it under the terms of an open contract from whom it received such tender and accompanying documents that such tender and accompanying documents do not so comply.
- (c) Notwithstanding that open contracts may have been settled under Regulation 15, or (in the case of HKMEx Contracts) Regulation 91 or (in the case of Nodal Contracts) Regulation 95, a seller may, with the agreement of the Clearing House and by the time specified in the Procedures, give the Clearing House a tender in respect of any such contract so settled. Upon receipt of such tender, the Clearing House shall (unless the Procedures otherwise allow) effect on the Member's behalf re-opening contracts (that is a sale by the Member to the Clearing House and a purchase by the Member from the Clearing House of one lot, each on the same terms (including delivery) as the settled contract except as to price) and register such contracts as open contracts in the Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the Procedures. The submission of a tender in accordance with the Procedures shall constitute confirmation of any such re-opening contracts and the seller's tender (or buyer's as the case may be) shall be deemed to have been made pursuant to his sale (or purchase) under the respective re-opening contract.
- (d) Notwithstanding that an open contract may have been settled under Regulation 15, or (in the case of HKMEx Contracts) Regulation 91, or (in the case of Nodal Contracts) Regulation 95, the Clearing House may in accordance with the Procedures give a tender to a buyer under Regulation 19 as if the contract were still open and on so doing the Clearing House shall effect on the Member's behalf re-opening contracts (defined as in paragraph (c) above and to be effected as there described) and register such contracts as open contracts in the Member's name. The receipt by the Buyer of such tender shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the Member's purchase under the respective re-opening contract.

- (e) In implementing this Regulation, the Clearing House may effect and register such contracts in a Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the Procedures and at a price determined by the Clearing House in accordance with the Procedures.

**Regulation 21 Arrangements for Delivery and Payment of Price**

- (a) In respect of its obligations under the terms of any open contract as seller to deliver a commodity to the buyer or as buyer to pay the price and any other payments required to be made under the terms of such contract to the seller, the Clearing House may in its absolute discretion in accordance with the Procedures:
- (i) direct a Member who is a seller under an open contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under an open contract as the Clearing House may appoint, and
  - (ii) direct a Member who is a buyer under an open contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under an open contract as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity or, as the case may be, payment of the price, and such other amounts from another Member in accordance with such direction in satisfaction of the obligations owed to it by the Clearing House to make payment of the price or such other amounts or to deliver the commodity under the terms of an open contract.

- (b) If an invoice is not ready when payment becomes due, payment shall be made and received on account.
- (c) A Member may from time to time agree in writing with the Clearing House in respect of such exchange contracts as are prescribed in the Procedures that he shall pay to and receive from the Clearing House in accordance with the Procedures a net amount in respect of his obligations to make or take delivery (as the case may be) of a commodity where such commodity is a currency and to make or receive payment (as the case may be) of the buying or selling price.
- (d) If a buyer where permitted by Exchange Rules, rejects the commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the commodity under the terms of an open contract subject to tender, the Clearing House shall be entitled to reject the same as against the seller from whom it took delivery of the same under the terms of an open contract subject to tender, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a seller which it delivers on to a buyer until such buyer has accepted the commodity.

**Regulation 22 Restrictions on Clearing House's Obligations and Liability**

- (a) This Regulation shall apply to open contracts subject to tender and delivery contracts and shall not apply to contracts for differences or option contracts.
- (b) The Clearing House (or any other member of the LCH.Clearnet Group) shall not be liable in respect of a claim made against it in respect of an open contract subject to tender or a delivery contract by a Member concerning:
  - (i) a tender given by the Clearing House; or
  - (ii) any documents accompanying a tender as required by Exchange Rules or Procedures; or
  - (iii) the performance by the Clearing House of its obligations under an open contract to make delivery of a commodity or to pay the price; or
  - (iv) any other dispute or matter arising under the terms of such contract;

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

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

**Regulation 23 Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)**

- (a) In this Regulation 23, “Relevant Rules” means relevant Exchange Rules or relevant ATP Market Rules.

Subject to Regulation 62A(n), paragraph (e) below, and to the terms of a Member Link Agreement to which the Clearing House and a Member are party, a dispute arising from or in relation to any Cleared Exchange Contract, any EquityClear Contract, or any LCH EnClear OTC Contract for physical delivery (“Physical LCH EnClear Contract”) or in relation to these Regulations relating to the clearing of Cleared Exchange Contracts, EquityClear Contracts or Physical LCH EnClear Contracts shall, unless resolved between the Clearing House and the Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon a Member who is a buyer and a Member who is a seller, under the terms of Cleared Exchange Contracts, EquityClear Contracts or Physical LCH EnClear Contracts as applicable, which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.

- (b) In the event that the Clearing House elects to call upon a seller and a buyer to arbitrate between them pursuant to Regulation 23(a) above and the Relevant Rules, the following procedures shall apply:
- (i) the Clearing House shall give notice of such election to the buyer, the seller and the relevant Exchange, the relevant ATP or relevant AETS, as applicable, in accordance with such Relevant Rules;
  - (ii) the seller shall at its own expense have the conduct of the Clearing House’s case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House’s case against the seller, in either case, subject to the provisions of this Regulation;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.
- (c) If the Clearing House is found liable to one of the parties to the arbitration (“the first party”) in respect of a breach of a Cleared Exchange Contract or an EquityClear Contract and the other party to the arbitration (“the second party”) is found liable to the Clearing House in respect of such breach of a Cleared Exchange Contract, or EquityClear Contract as applicable, which has been matched by the Clearing House as referred to in paragraph (a) above, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party

and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

- (d) Subject to the terms of Link Agreement to which the Clearing House and a Participating Exchange are party, a dispute arising from or in relation to any Turquoise Derivatives Cleared Exchange Contract (including a dispute concerning Member compliance with the Exchange Rules) or in relation to these Regulations relating to the clearing of a Turquoise Derivatives Cleared Exchange Contracts shall, unless resolved between the Clearing House and the Member, be finally resolved by arbitration under the LCIA Rules, which rules are deemed to be incorporated by reference into this clause, by three arbitrators, the seat of the arbitration to be England, with any hearings to be held in London in the English language. The Clearing House shall be entitled, at its option, to call upon a Member who is a buyer and a Member who is a seller, under the terms of the Turquoise Derivatives Cleared Exchange Contracts to conduct the arbitration accordingly.
- (e) In the event that the Clearing House elects pursuant to Regulation 23(d) above, to call upon a seller and a buyer to arbitrate between them, the following procedures shall apply:
- (i) the Clearing House shall give notice of such election to the buyer, the seller and to TGH and any relevant Participating Exchange;
  - (ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.
- (f) If the Clearing House is found liable to one of the parties to the arbitration ("the first party") in respect of a breach of a Turquoise Derivatives Cleared Exchange Contract and the other party to the arbitration ("the second party") is found liable to the Clearing House in respect of such breach of a Turquoise Derivatives Cleared Exchange Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.
- (g) Where any dispute arises from or in relation to any LCH EnClear OTC Contract or in relation to these Regulations relating to the clearing of an LCH EnClear OTC Contract and there are at the time such dispute arises no provisions in the Relevant Rules for arbitration of such dispute or no Relevant Rules, then the dispute shall, unless resolved between the Clearing House and the Member, be finally resolved by the LCIA Rules,



which rules are deemed to be incorporated by reference into this clause, by three arbitrators, the seat of the arbitration to be England, with any hearings to be held in London in the English language. . The Clearing House shall be entitled, at its option, to call upon a Member who is a buyer and a Member who is a seller, under the terms of the LCH EnClear OTC Contract to conduct the arbitration accordingly.

- (h) In the event that the Clearing House elects pursuant to Regulation 23(g) above, to call upon a seller and a buyer to arbitrate between them, the following procedures shall apply:
- (i) the Clearing House shall give notice of such election to the buyer, the seller and to any relevant AETS, as applicable;
  - (ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.
- (i) If the Clearing House is found liable to one of the parties to the arbitration ("the first party") in respect of a breach of an LCH EnClear OTC Contract and the other party to the arbitration ("the second party") is found liable to the Clearing House in respect of such breach of an LCH EnClear OTC Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.
- (j) The Clearing House shall be bound by an arbitration award made against it in pursuance of an, arbitration whether it participates directly in the arbitration or not.
- (k) No person may refer to arbitration under Exchange Rules any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.

**Regulation 24 Cover in Event of a Claim**

If notice of claim and notice of intention to refer a dispute to arbitration is given to the Clearing House pursuant to Exchange Rules, Regulation 22 or Regulation 62A in respect of an open contract, an EquityClear Contract, any or all cover standing to the credit of the accounts of a Member who is party to one or more contracts under dispute (whether such cover is held with respect to a contract under dispute or otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time call for payment by such Member of additional cover, in such amount as it may deem appropriate in respect of such contract or contracts, to be held by the Clearing House under these Regulations until the claim is finally disposed of. The amount of such cover to be furnished by the Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant.

**Regulation 25 Default of a Member: Substituted Obligation**

Where a Member defaults in performance of an open contract subject to tender, and by the operation of Default Rules the Member's rights and liabilities in respect of such performance are discharged and there arises in their place an obligation to account as between the Member and the Clearing House for a settlement amount, then the Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof pro rata, for its rights and liabilities in respect of performance of open contracts subject to tender with one or more other Members (such open contracts and such other Members to be selected by the Clearing House in its absolute discretion) for the same commodity and delivery month or prompt date. No Member shall question the settlement amount or any determination made by the Clearing House under this Regulation.

**Regulation 26 Market Disorders, Impossibility of Performance, Trade Emergency**

- (a) Paragraph (c) of this Regulation 26 shall not apply to open contracts which are option contracts.
- (b) In relation to Cleared Exchange Contracts and Turquoise Derivatives Cleared Exchange Contracts, if a Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to OTC Contracts or EquityClear Contracts, or LCH EnClear OTC Contracts determines that one of the following conditions is satisfied, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or
  - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or
  - (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such open contracts which are OTC Contracts or EquityClear Contracts or LCH EnClear OTC Contracts as specified by the Clearing House, and notified to the affected Members, the Clearing House shall be entitled to invoice back such contracts in accordance with Regulation 28 and the Procedures at a price determined by the Clearing House or to require such Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such contracts; and
- (v) such open contracts which are Cleared Exchange Contracts for such delivery months, prompt dates or other delivery periods as the Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Board) as the Clearing House shall specify (which may include open contracts under which tender or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with Regulation 28 and the Procedures at a price determined by the Board (or the Clearing House as the case may be). In the event that a price falls to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House in accordance with the Procedures for each Member who is a party to open contracts invoiced back pursuant to this paragraph. Settlement of

such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

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

Any formal announcement made under this Regulation shall be made by notice posted up on the floor of the market or as prescribed by the Procedures.

**Regulation 27 Force Majeure**

- (a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor a Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these Regulations or of any Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in Regulation 26(b)(i), (ii) or (iii) above, terrorist or other criminal action, civil unrest, embargoes, fire, flood, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other:
- (i) in respect of affected Cleared Exchange Contracts, and Turquoise Derivatives Cleared Exchange Contracts, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with Regulation 28, some or all Contracts in the Member's name at a price determined by the relevant Exchange, or where Exchange Rules permit, to take such other action as it deems necessary or desirable in respect of some or all Contracts in the Member's name or require the Member to take such action as the Clearing House may direct in respect of the same; and
  - (ii) in respect of affected OTC Contracts, affected EquityClear Contracts, and affected LCH EnClear OTC Contracts, the Clearing House shall be entitled to require any of the affected Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with Regulation 28, or shall be entitled to require the Member to take such action as the Clearing House may direct in respect of such Contracts.

**Regulation 28 Invoicing Back**

- (a) Invoicing back of a Member's Contracts pursuant to Regulation 26 or 27 or the Default Rules or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the Procedures opposite contracts between itself and the Member at the price referred to in the relevant Regulation or, where applicable, in paragraph (d) below, and thereupon settling such Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other Members as the Clearing House may select in its absolute discretion in proportion to the net position of open contracts in their names for the same commodity and delivery month or prompt date as the Contracts invoiced back under paragraph (a) above to the nearest whole number of lots, or in the case of option contracts on the terms of the exchange contracts specified in the Procedures, for the same expiry month and strike price as the Contracts invoiced back under paragraph (a) above, or in the case of OTC Contracts on the same OTC Contract Terms as the Contracts invoiced back under paragraph (a) above, or in the case of EquityClear Contracts on the same EquityClear Contract Terms as the Contracts invoiced back under paragraph (a) above, or in the case of LCH EnClear OTC Contracts on the same LCH EnClear OTC Contract Terms (as the case may be) as the Contracts invoiced back under paragraph (a) above, and thereupon settling such open contracts against such opposite contracts.
- (c) Where open contracts are invoiced back pursuant to Regulation 26(b) or (c) the Clearing House shall make up the accounts of any Member affected by such invoicing back in accordance with Regulation 26(b) or (c), as applicable. Where a Contract is invoiced back under the Default Rules, the account of such other Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to Regulation 26(b) or (c), be at a price or, where applicable, a premium fixed or determined by the relevant Board or, in the case of OTC contracts or EquityClear Contracts or LCH EnClear OTC Contracts, at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back except that where invoicing back is carried out pursuant to the Default Rules, this paragraph shall be without prejudice to any further liability of the defaulting Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting Member whether under these Regulations, at law or otherwise.
- (e) In this Regulation:
- (i) "net position" means: in respect of open contracts which are Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts, one or more of such Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts as the case may be, against which the Member in whose name they are registered has no matching Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts as the case may be for the same delivery month, expiry month or prompt date; in respect of open contracts which are SwapClear Contracts, means one or more of such SwapClear Contracts against which the Member in whose name they are registered has no matching SwapClear Contracts on the same Economic Terms; in respect of RepoClear Contracts, means one or more of such RepoClear Contracts against which the Member in whose name they are registered has no matching RepoClear Contracts on the same Economic Terms; in respect of EquityClear

Contracts, means one or more of such EquityClear Contracts against which the Member in whose name they are registered has no matching EquityClear Contracts on the same EquityClear Contract Terms; in respect of LCH EnClear OTC Contracts, means one or more of such LCH EnClear OTC Contracts against which the Member in whose name they are registered has no matching LCH EnClear OTC Contracts on the same LCH EnClear OTC Contract Terms, as the case may be; in respect of open contracts which are ForexClear Contracts, means one or more of such ForexClear Contracts against which the Member in whose name they are registered has no matching ForexClear Contracts on the same Economic Terms;

- (ii) "opposite contract" means a contract on the same terms (except as to price or premium), as the Contract to be invoiced back in accordance with this Regulation, but:
- (1) where a Member is a seller, in respect of the Cleared Exchange Contract, the Turquoise Derivatives Cleared Exchange Contract, the RepoClear Contract, the EquityClear Contract or LCH EnClear OTC Contract to be invoiced back, such Member shall be a buyer in respect of the opposite contract and vice versa;
  - (2) where a SwapClear Clearing Member is a floating rate payer, in respect of a SwapClear Contract to be invoiced back, such SwapClear Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa;
  - (3) where a ForexClear Clearing Member is a Reference Currency Buyer in respect of a ForexClear Contract to be invoiced back, such ForexClear Clearing Member shall be a Reference Currency Seller in respect of the opposite contract and vice versa.



**Regulation 29    Currency Conversion**

For the purpose of exercising any rights under these Regulations, the Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of a Member's accounts (including client accounts) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the Procedures.

**Regulation 30 Disclosure**

- (a) The Clearing House shall have authority to supply any information whatsoever concerning a Member and its trading to (a) an Exchange or an exchange with whom the Clearing House has entered into an agreement pursuant to which the parties have agreed to exchange information as required or contemplated by its Exchange Rules, (b) to any Regulatory Body which is entitled to receive or request any such details or information, (c) to a Participating Exchange pursuant to an agreement entered into with the Participating Exchange, (d) any Approved EquityClear Settlement Provider pursuant to an agreement entered into with that Approved EquityClear Settlement Provider (e) LCH.Clearnet Group Limited (f) LCH.Clearnet SA or (g) to any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same.
- (b) The Clearing House shall also be entitled to supply any information whatsoever concerning a Member to any person who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.
- (c) The Clearing House shall have authority (a) to obtain and make use of information from SWORD relating to a Member; and (b) to disclose such information to any Regulatory Body or Exchange which is entitled to receive or request any such information.
- (d) The Clearing House shall have authority to supply to a Cross-Margining Exchange any information relative to a Cross-Margining Participant, as contemplated under the Cross-Margining Agreement between the Clearing House and the Cross-Margining Exchange.

**Regulation 31 Fees and Other Charges**

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such Members, by such times, and in such manner as may be prescribed by the Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to Regulation 12(h) or (i) shall be payable to the Clearing House by such Members, in such manner and by such times as may be prescribed by the Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the Procedures.

**Regulation 32    Records**

A Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to Regulations 6 to 8 and 15 to 20 inclusive.

**Regulation 33    Procedures**

The Procedures shall take effect and shall be binding on Members as if they formed part of these Regulations save that, in the event of any conflict between the provisions of these Regulations and the Procedures, the provisions of these Regulations shall prevail.

**Regulation 34 Alteration of Regulations and the Procedures**

- (a) Unless the Clearing Membership Agreement or these Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to the Exchanges and Members, amend or extend these Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these Regulations may take effect so as to apply to Contracts registered in a Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.
- (b) Unless the Clearing Membership Agreement or these Regulations or the Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the Procedures by notice delivered to such Exchanges and Members as may be affected.
- (c) The accidental omission to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, any Exchange or Member shall not invalidate the amendment or extension with which the notice is concerned.

**Regulation 35 Interpretation of these Regulations**

- (a) In the event of inconsistency between the provisions of these Regulations and Exchange Rules, or between these Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking, the provisions of these Regulations shall prevail.
- (b) The headings to these Regulations are for convenience only and shall not affect their interpretation.

**Regulation 36 Waiver**

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.



**Regulation 37    Validity of Regulations and Action**

- (a) If at any time any provision of these Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.
  
- (b) Action taken by the Clearing House pursuant to Exchange Rules may not be questioned on the ground that the Exchange Rules are to any extent invalid or ultra vires or that a determination or request made by the Exchange, or any agreement made by the Exchange, is ultra vires, incompatible with Exchange Rules or otherwise questionable.

**Regulation 38 Governing Law and Jurisdiction**

- (a) These Regulations and the Procedures shall be governed by and construed in accordance with English law.
- (b) Subject to the terms of a Member Link Agreement to which the Clearing House and a Member are party any dispute arising from or in relation to any Contract or in relation to these Regulations shall, unless resolved between the Clearing House and a Member, be referred to arbitration under the Relevant Rules in accordance with Regulation 23. The obtaining of an arbitration award shall be a condition precedent to the right of the Clearing House or the Member to bring or maintain any action, suit or other legal proceedings against the other, except only the Clearing House's right to maintain proceedings to obtain security for a claim. This paragraph is subject to Regulation 23(k) and shall not apply to any action, suit or other legal procedure concerning a dispute there referred to.
- (c) The Clearing House and every Member hereby irrevocably agree for the benefit of the Clearing House that the courts of England shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any Contract or in relation to these Regulations which does not fall to be referred to arbitration under paragraph (b), or to be dealt with in a different forum under the terms of a Member Link Agreement or to be dealt with under the ATS Rules (as defined in Regulation 56A(a)) pursuant to the provisions of Regulation 56(l) and each Member irrevocably submits to such jurisdiction and to waive any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the English courts shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) Each Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgement) and execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.
- (e) Subject to paragraph (a) above and (i) below and (j) below and Exchange Rules, a Cleared Exchange Contract shall, after registration in the name of a Member, continue to be governed by and construed in accordance with the law governing it prior to registration.
- (f) An OTC Contract and a Turquoise Derivatives Cleared Exchange Contract shall be governed by and construed in accordance with English law.
- (g) An EquityClear Contract shall be governed by and construed in accordance with English law.
- (h) An LCH EnClear OTC Contract shall be governed by and construed in accordance with English law.
- (i) A HKMEx Contract shall be governed by and construed in accordance with English law.
- (j) A Nodal Contract shall be governed by and construed in accordance with English law.

**Regulation 39 Exclusion of Liability**

- (a) Without prejudice to the provisions of Regulations 1 and 22 and 39(e) or to the provisions of a Member Link Agreement, neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of the market administered by an Exchange, an ATP or a Participating Exchange, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or an Exchange or a Participating Exchange or an ATP or its operator or the relevant approved agent or the Approved EquityClear Settlement Provider to supply each other with data or information in accordance with arrangements from time to time established between any or all of such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, an Exchange, or a Participating Exchange for the purposes of a Link; any event which is outside the control of the Clearing House; any act or omission of an Exchange, or a Participating Exchange in connection with a Linked Exchange Contract or a Participating Exchange Contract or any contracts made on such terms, including, without limitation, any error in the establishment of a settlement price made by an Exchange; any act or omission of the Clearing House, an Exchange, or a Participating Exchange (as the case may be) in connection with the operation of a Link or the arrangements for the transfer of Contracts under a Link; or any act or omission of a Board or an Exchange or any determination made under Exchange Rules in connection with LIFFE Credit Default Swap Index Contracts or the terms thereof.
- (b) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a Member or any other person (including without limitation a SwapClear Dealer, or a RepoClear Dealer or an EquityClear NCM or a ForexClear Dealer) in respect of any dispute arising from or in relation to any OTC Transaction, Eligible OTC Trade, or an ATP Match including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, Eligible OTC Trade, the terms of such OTC Transaction, Eligible OTC Trade, trade or ATP Match, or whether any alleged agreement or arrangement constitutes an OTC Transaction or Eligible OTC Trade.
- (c) Without prejudice to the provisions of Regulation 1 and Regulation 39(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member, a RepoClear Clearing Member, EquityClear Participant, LCH EnClear OTC Clearing Member, ForexClear Participant or to any other person (including, without limitation, a SwapClear Dealer or a RepoClear Dealer) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of an OTC Service or the EquityClear Service or the LCH EnClear OTC Services (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under Regulations 26, 27, 47(f), 54(f) or 67 or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.

- (d) Without prejudice to Regulation 39(c) and 39(e), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), be liable to any Member, or a SwapClear Dealer, a RepoClear Dealer, an EquityClear NCM, or a ForexClear Dealer for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such Member, SwapClear Dealer, RepoClear Dealer, an EquityClear NCM, or a ForexClear Dealer, and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (e) Nothing in this Regulation 39 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House and for any actions that it may take on the basis of advice given to it by the SwapClear DMG, and for the accuracy of the information that it distributes to the SwapClear Clearing Members in connection with the SwapClear DMP pursuant to the SwapClear DMP Annex.
- (f) Without prejudice to the provisions of Regulations 1 and 22 and 39(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member or a member of a Participating Exchange or any client of such member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by TGHL or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of TGHL, in supplying any services to the Clearing House with regard to the Clearing House Turquoise Derivatives Services or as a result of or in connection with any inconsistency or conflict between any provision contained in the Turquoise Derivatives Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.
- (g) Without prejudice to the provisions of Regulations 22 and 39(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member or a member of a Participating Exchange or any client of such member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by LIFFE, or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of LIFFE in relation to the physical settlement of any Contracts or any failure in its administration of deliveries under any Contracts or as a result of or in connection with any inconsistency or conflict between any provision relating to such settlement contained in the LIFFE Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.

- (h) For the purposes of the Contracts (Rights of Third Parties) Act 1999, save as is expressly set out herein, these Regulations, Default Rules and Procedures do not create any rights in any persons who is/are not a Member/s.

**Regulation 39A Netting**

- (a) If at any time the Clearing House fails to make a payment to a Member, other than a defaulter, under a Contract for a period of 30 days from the date when the obligation to pay fell due then that Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorise any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then a Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.
- (c) A Member entitled to exercise rights under this paragraph may, at any time whilst any of the circumstances referred to in paragraph Regulation 39A or (b) giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the Member shall be obliged to make any further payments or deliveries under any Contract between them which would, but for this Regulation 39A, have fallen due for performance on or after the Termination Date, and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
  - (ii) the Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United Kingdom (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment or delivery which would otherwise have been required to be made under such Contract (assuming satisfaction of each applicable condition precedent and having due regard to, if appropriate, such market quotations published on, or official settlement prices set by, a relevant exchange or clearing organisation, as may be available on, or immediately preceding, the date of calculation); and
  - (iii) the Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv), shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").
  - (iv) Where a Member has a house and one or more client accounts:

- (1) the Member shall determine two net amounts under paragraph (d)(iii); one net amount in respect of gains and losses arising on Contracts registered in the Member's client account (or client accounts as combined) and a second net amount in respect of gains and losses arising on all other Contracts; and
  - (2) the two net amounts determined under paragraph (iv)(1) shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d) or (iv) above is a positive amount, the Clearing House shall pay it to the Member and if any such Termination Amount is a negative amount, the Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall, subject to Regulation 39B, be paid in the Base Currency by the close of business on the business day following notification pursuant to paragraph (v) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.
- (vii) For the purposes of any calculation required to be made under this Regulation, the Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The Member's rights under this Regulation 39A shall be in addition to, and not in limitation or exclusion of, any other rights which the Member may have (whether by agreement, operation of law or otherwise, including its rights under Regulation 5(i)).

**Regulation 39B Distribution of Assets**

- (a) Where (after the netting and set-off provided for in Regulation 39A and Regulation 5(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts in full (determined in accordance with FCM Regulation 26A and General Regulation 39A), the claims of the Clearing Members (which shall include FCM Clearing Members for the purposes of this Regulation 39B) of each Service shall be met first to those Clearing Members who are SCMs in an amount equal to the outstanding SwapClear Contributions of such SCMs and, thereafter, pro rata to each Clearing Member's respective claim (and in respect of SCMs who have received an amount relating to their outstanding SwapClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each SCM the amount equal to the sum of its outstanding SwapClear Contribution, the Clearing House shall distribute the assets available to it to each SCM in an amount equal to the proportion that the outstanding SwapClear Contribution of the relevant SCM bears to the sum of the outstanding SwapClear Contributions of all SCMs.
- (b) For the purposes of this Regulation 39B the term "SCMs" shall include "FCM Clearing Members"



**LINK REGULATIONS*****Regulation 40* Application of Link Regulations**

- (a) These Link Regulations, which form a part of the General Regulations, apply in conjunction with all other provisions of the Regulations to Contracts which are on the terms of those Linked Exchange Contracts specified for the purpose of these Link Regulations in the Procedures and which are registered by the Clearing House in the name of a Member pursuant to Regulation 9. The references in these Link Regulations to “Contracts on the terms of a Linked Exchange Contract” shall be construed as referring to Contracts on the terms of a Linked Exchange Contract specified for the purpose of these Link Regulations in the Procedures. The references in these Link Regulations to “contracts on the terms of a Participating Exchange Contract” shall be construed as referring to contracts on the terms of a Participating Exchange Contract specified for the purposes of these Link Regulations in the Procedures.
- (b) In the event of any conflict between these Link Regulations and the Default Rules, the Default Rules shall prevail.

**Regulation 41 Transfer of Contracts on the terms of a Linked Exchange Contract**

- (a) Each Contract on the terms of a Linked Exchange Contract registered by the Clearing House in the name of a Member pursuant to Regulation 9 which forms part of a Member's Day Position Balances and all other Contracts on the terms of a Linked Exchange Contract which do not form part of such Day Position Balances shall, subject to Regulations 42(a), 42(b) and 44, be transferred in accordance with paragraph (c) below.
- (b) The Clearing House shall, in accordance with the Procedures, calculate each Member's Day Position Balances with respect to Contracts on the terms of a Linked Exchange Contract which are registered on a business day in each such Member's name and recorded in certain accounts referred to in the Procedures. Subject to Regulations 42(a), 42(b) and 44, the Clearing House shall transmit details of such Day Position Balances and all other Contracts on the terms of a Linked Exchange Contract registered on such business day in each such Member's name which do not form part of a Member's Day Position Balances to the relevant Participating Exchange in accordance with procedures from time to time agreed with, and by such time or times and on such day as agreed with, such Participating Exchange.
- (c) Upon the dispatch by the relevant Participating Exchange of a confirmation in such form as may be agreed from time to time with the Clearing House following receipt by such Participating Exchange of the details of Contracts transmitted pursuant to paragraph (b) above, all such Contracts comprised in each Member's Day Position Balances and all other Contracts referred to in paragraph (b) shall be transferred under this paragraph (c) and the terms of a Member Link Agreement to which each Member party to such Contracts is a party. The transfer of such Contracts shall, subject to Regulation 42(d), have effect so that:
- (i) the Clearing House and each Member party to each such Contract shall be released from their obligations to each other under each such Contract ("a discharged Contract") (except from their obligations under these Regulations including, without limitation, obligations with respect to any fees payable under the Regulations or to pay any daily settlement amounts in respect of one or more discharged Contracts or to provide cover for margin) and, without prejudice to the foregoing or to the claims of either the Clearing House or a Member arising out of or in relation to a discharged Contract;
  - (ii) the respective rights of the Clearing House and a Member against each other under a discharged Contract shall be cancelled and the discharged Contract shall be replaced simultaneously by a contract on the terms of the relevant Participating Exchange Contract between the persons specified in the relevant Member Link Agreement to which the Member party to a discharged Contract is a party and under which such discharged Contract was transferred.
- (d) Contracts other than option Contracts comprised in a Member's Day Position Balances shall be transferred at the settlement price for the delivery month of such Contracts established by the relevant Exchange. Such Contracts (other than option Contracts) shall be transferred at the official quotation for such delivery month if no such Settlement Price has been established. Contracts in the terms of a Linked Exchange Contract which do not form part of a Member's Day Position Balances shall, subject to paragraph (e) below, be transferred at the price at which they were entered into and, unless paragraph (e) applies, no daily settlement amounts shall be payable in respect of such Contracts under the Regulations. Option Contracts comprised in a Member's Day Position Balance shall be transferred with effect that no premium shall be payable under

contracts on the terms of the relevant Participating Exchange Contract which arise pursuant to Regulation 41(c)(ii), but without prejudice to the obligation of the buyer to pay the premium due under each discharged Contract.

- (e) If Regulation 44(a) applies, all Contracts (other than option Contracts) which are subsequently transferred pursuant to paragraph (c) above after the business day on which they were registered by the Clearing House shall, subject to paragraph (f) below, be transferred at the settlement price referred to in paragraph (d) above, or if no such settlement price has been established, at the official quotation referred to in paragraph (d) above, for the business day immediately preceding the business day on which such transfer is made. Option Contracts which are subsequently transferred pursuant to paragraph (c) above after the business day on which they were registered by the Clearing House shall, subject to paragraph (f) below, be transferred with effect that no premium shall be payable under contracts on the terms of the relevant Participating Exchange Contract which arise pursuant to Regulation 41(c)(ii), but without prejudice to the obligation of the buyer to pay the premium due under each discharged Contract.
- (f) If Contracts to be transferred pursuant to Regulation 41(c) have been entered into pursuant to the trade correction procedures, such Contracts may be transferred at a different price to the price specified in paragraph (e) above.

**Regulation 41A Transfer to the Clearing House of Participating Exchange Contracts**

- (a) Each contract on the terms of a Participating Exchange Contract registered by a Participating Exchange in the name of a member of a Participating Exchange forming part of the member of the Participating Exchange's Day Position Balances shall, subject to Regulations 42 and 44, be transferred at the time or times and in the manner referred to in either or both of the Participating Exchange Rules of the relevant Participating Exchange and the applicable Member Link Agreement to which such member of the Participating Exchange is party and in accordance with any other procedures from time to time agreed between the Clearing House and the Participating Exchange and any Exchange party to the relevant Link. Notwithstanding the preceding sentence, such contracts on the terms of a Participating Exchange Contract may be transferred after such time or times if the Clearing House, the Participating Exchange, and any Exchange party to the relevant Link so agrees.
- (b) Upon the transfer of a contract referred to in paragraph (a) which is on the terms of a Participating Exchange Contract pursuant to a Member Link Agreement, the parties to such contract shall be released from their obligations to each other under such contract (except from those obligations which the Member Link Agreement and the relevant Participating Exchange Rules expressly state shall survive) (a "discharged contract") and, without prejudice to the provisions of the Participating Exchange Rules, their respective rights against each other shall be cancelled and the discharged contract shall be replaced simultaneously by a contract on the terms of the relevant exchange contract between the Clearing House and the Member party to such Member Link Agreement for the same number of lots and the same delivery month or expiry month and exercise price (as applicable) as the discharged contract. Such contract shall, upon its arising, be subject to the relevant Exchange Rules and the Regulations and shall not be subject to any Participating Exchange Rules and shall, upon registration pursuant to Regulation 9(f), become an open contract.

**Regulation 42 Default Affecting Transfer**

- (a) (i) If, prior to the transfer of Contracts on the terms of one or more Linked Exchange Contracts pursuant to Regulation 41(c), a Member becomes a defaulter or any other default-related or other event specified in a relevant Member Link Agreement to which the Member is party occurs with respect to the Member (“the defaulting Member”), Contracts on the terms of one or more relevant Linked Exchange Contracts registered in the defaulting Member’s name with the Clearing House shall not be transferred pursuant to Regulation 41(c) if the terms of the relevant Member Link Agreement so provides.
- (ii) Following the occurrence of any event referred to in sub-paragraph (a)(i) above in respect of a Member, and if Contracts in the terms of the relevant Linked Exchange Contracts to which the defaulting Member is party cannot be transferred pursuant to Regulation 41(c), the Clearing House shall, without prejudice to the Default Rules or to paragraph (f) above, for the purposes of facilitating the transfer of Contracts under one or more Links pursuant to Regulation 41(c), either enter into Contracts (“Default Management Contracts”) as a principal with one or more Members (each “a Nominated Member”) who agrees to enter into such contracts which shall, in accordance with paragraph (c) of this Regulation 42, be in the terms of such Contracts on the terms of one or more relevant Linked Exchange Contracts which are or become registered in the defaulting Member’s name with the Clearing House or, if the terms of the relevant Link Agreement so requires, implement the provisions of Regulation 42(g).
- (b) (i) If, prior to the transfer of Contracts on the terms of one or more Linked Exchange Contracts pursuant to Regulation 41(c), the Clearing House becomes aware that a member of a Participating Exchange who is party to such Member Link Agreement with a Member (“affected Member”) has become a Defaulter (as defined in such Member Link Agreement) or any other default-related or other event specified in such Member Link Agreement occurs with respect to the member of the Participating Exchange, Contracts on the terms of one or more relevant Linked Exchange Contracts registered in the name of an affected Member shall not be transferred under such Member Link Agreement or under any other relevant Member Link Agreement if the terms of any such agreement do not so permit and, pursuant to the terms of the relevant Link Agreement either the provisions of sub-paragraph (ii) **Error! Reference source not found.** or Regulation 42(g) shall apply.
- (iii) If, pursuant to sub-paragraph (i) above, this sub-paragraph (ii) applies, the Clearing House shall, for the purposes of facilitating the transfer of Contracts under a Link pursuant to Regulation 41(c), enter into Default Management Contracts with one or more Nominated Members who agree to enter into such Contracts, which shall in accordance with paragraph (c) of this Regulation 42 be on the terms of Contracts on the terms of one or more relevant Linked Exchange Contracts which are or become registered in the affected Member’s name.
- (c) Default Management Contracts entered into by the Clearing House pursuant to paragraph (a) or (b)(ii) above with one or more Nominated Members shall (in aggregate) be for the same number of lots as the number of lots of Contracts on the terms of one or more relevant Linked Exchange Contracts which remain open contracts after the Clearing House has taken steps (if any) pursuant to the Default Rules (or the relevant Exchange has taken steps (if any) under Exchange Rules) to achieve a discharge of the defaulter’s rights and liabilities under or in respect of such Contracts or, as the case may be, pursuant to paragraph (f) below to achieve a discharge of the affected Member’s

Contracts and shall be assigned to such accounts of a Nominated Member as agreed between the Clearing House and the Nominated Member and, as applicable, shall be included in the Nominated Member's Day Position Balances or aggregated with the Contracts registered in the Nominated Member's accounts which do not form part of his Day Position Balances. Details of such Default Management Contracts shall be transmitted to the relevant Participating Exchange pursuant to Regulation 41(b).

- (d) Default Management Contracts entered into by the Clearing House pursuant to Regulation 42(a) or 42(b)(ii) with a Nominated Member shall be transferred pursuant to Regulation 41(c) and thereby discharged in accordance with the terms of any written agreement entered into between the Clearing House and the Nominated Member for the purposes of this Regulation 42 and upon such transfer, the Clearing House and the Nominated Member shall become party to new Contracts which shall be subject to the Regulations and in the same terms and for the same number of lots as the Default Management Contracts, as more particularly described in such agreement, save that the Clearing House, if a party to a Default Management Contract as a seller, shall be a buyer under a Contract to which the Clearing House becomes a party under this paragraph (d) and vice versa. Such new Contracts shall not be transferred pursuant to Regulation 41, but shall be performed in accordance with the Regulations and the terms of any written agreement to which the Clearing House and the Nominated Member is a party for the purposes of this Regulation 42.
- (e) Contracts on the terms of a Linked Exchange Contract to which a defaulter or an affected Member is a party and which cannot be transferred pursuant to Regulation 41(c) ("affected Contracts") shall remain subject to and shall be discharged in accordance with the Regulations.
- (f) Without prejudice to the Default Rules, the Clearing House shall have the right to take such action and by such means as the Clearing House in its absolute discretion determines to close-out, cash-settle by invoicing back, transfer to another member pursuant to Regulation 11, or otherwise achieve a discharge of the affected Member's affected Contracts whether or not the affected Member is a defaulter.
- (g) If the terms of the applicable Link Agreement so require the Clearing House shall, following the occurrence of an event referred to in Regulation 42(a) in respect of a Member or in Regulation 42(b) in respect of a member of the relevant Participating Exchange, become party to one or more contracts (each a "Default Contract") with the Participating Exchange party to such Link Agreement which shall be on the same terms and for the same number of lots as the number of lots of the affected contracts which remain open contracts after the Clearing House has taken steps pursuant to the Default Rules or pursuant to paragraph (f) above with respect to such affected Contracts, except that each Default Contract shall be subject to the relevant Participating Exchange Rules and not subject to these Regulations or to the relevant Exchange Rules. The Clearing House shall have the right to take such action and by such means as the Clearing House in its absolute discretion determines to close-out, transfer or otherwise achieve the discharge of each Default Contract pursuant to the relevant Participating Exchange Rules or the terms of any agreement concluded between the Clearing House and such Participating Exchange and to close-out, transfer or otherwise achieve a discharge of the affected Contracts pursuant to the Default Rules or Regulation 42(f).
- (h) (i) If the terms of the relevant Link Agreement so require, following the occurrence of an event referred to in Regulation 42(a) in relation to a Member or in Regulation 42(b) in relation to a member of a Participating Exchange, contracts on the terms of one or more relevant Participating Exchange Contracts registered with the relevant Participating Exchange in the name of such member of the Participating Exchange or a member of

the Participating Exchange party to a Member Link Agreement with the Member and which form part of such member of the Participating Exchange's day Position Balances shall not be transferred pursuant to Regulation 41A (b) and the Participating Exchange (as a Member of the Clearing House) shall become party to one or more open contracts (each a "Default Contract") with the Clearing House.

- (ii) Each such Default contract shall be on the same terms and for the same number of lots as such contracts on the terms of each such Participating Exchange Contract, except that each Default Contract shall be subject to the Regulations and the relevant Exchange Rules and not subject to the relevant Participating Exchange Rules. The Participating Exchange shall have the right to take such action and by such means as the Participating Exchange in its absolute discretion determines to close-out, transfer or otherwise achieve the discharge of each Default Contract pursuant to the Regulations or the terms of any agreement concluded between the Clearing House and the relevant Participating Exchange, provided that, without prejudice to the Default Rules, the Clearing House shall also have the right to take such action and by such means as the Clearing House in its absolute discretion determines to close-out, transfer to another Member pursuant to Regulation 11, or (if they cannot be so transferred) otherwise achieve a discharge of each such Default Contract, and may take such action whether or not the Participating Exchange is a defaulter.

**Regulation 43 Margin**

Without prejudice to the provisions of Regulation 9(b) or Regulation 12, the Procedures or any agreement entered into between the Clearing House and a Member with respect to cover for margin provided or to be provided by such Member to the Clearing House, the Clearing House shall be entitled to require a Member to furnish cover to the Clearing House in an amount determined by the Clearing House as a condition of the Clearing House agreeing to register original contracts on the terms of a Linked Exchange Contract in the name of the Member and to keep the Clearing House furnished with sufficient cover at all times, in an amount or amounts determined by the Clearing House, as security for the performance by such Member of his obligations to the Clearing House in respect of such original contracts to be registered or Contracts registered with the Clearing House. In addition, the Clearing House shall be entitled to require cover in a form and in an amount determined by the Clearing House from a Member as a condition of the Clearing House agreeing to take any steps pursuant to any trade correction procedures.



**Regulation 44 Impossibility of Transfer**

- (a) If it is not possible for any reason (other than for a reason referred to in Regulation 42) (including, without limitation, as a result of any action taken by an Exchange pursuant to Exchange Rules or, as a result of the act of a government or a Regulatory Body or any change in applicable law or as a result of the failure of any systems, communication facilities or other technology) for details of open contracts on the terms of a Linked Exchange Contract to be transmitted on a day pursuant to Regulation 41(b), or for the relevant Participating Exchange to receive such details or to despatch a confirmation as referred to in Regulation 41(c), so that such Contracts cannot be transferred pursuant to Regulation 41(c) on the business day on which such Contracts were registered by the Clearing House, such Contracts shall remain registered with the Clearing House and subject to the Regulations and Procedures. Details of such Contracts which remain as open contracts shall be transmitted to the relevant Participating Exchange pursuant to Regulation 41(b) on the next day on which such Contracts are permitted to be transferred under the Link entered into with the relevant Participating Exchange and on which it is possible for details of such Contracts to be transmitted.
- (b) If it is not possible for any reason other than for a reason referred to in Regulation 42 (including, without limitation, as a result of any action taken by an Exchange or a Participating Exchange pursuant to Exchange Rules or Participating Exchange Rules (as the case may be), or as a result of the act of a government or a Regulatory Body or any change in applicable law or a result of the failure of any systems, communication facilities or other technology) for contracts on the terms of a Participating Exchange Contract to be transferred pursuant to Regulation 41A on the day on which such contracts were registered by the Participating Exchange, such contracts shall remain registered with the Participating Exchange and subject to its Participating Exchange Rules. Such contracts shall be transferred to the Clearing House pursuant to Regulation 41A on the next day on which such contracts are permitted to be so transferred under the Link Agreement entered into with the relevant Participating Exchange and on which it is possible to do so.
- (c) If the Link entered into with a Participating Exchange is suspended for an indefinite period or terminated, Contracts which have not been transferred pursuant to Regulation 41(c) shall remain registered with the Clearing House and subject to the Regulations and shall be performed in accordance with their terms or may be closed-out or otherwise discharged in accordance with the Regulations or the relevant Exchange Rules.

**Regulation 45 Cross-Margining Regulations**

- (a) A Member who is a Cross-Margining Participant shall indemnify and hold harmless the Clearing House against all amounts which are or may become due and payable by the Clearing House to a Cross-Margining Exchange pursuant to a Cross-Margining Agreement entered into between the Clearing House and the Cross-Margining Exchange (amongst other parties, as the case may be) to which the Member is also a party or is bound by agreement with the Clearing House and the Cross-Margining Exchange.
- (b) A Member shall pay on demand any amount or amounts which the Clearing House claims from the Member pursuant to the indemnity contained in Regulation 45(a). Any amount or amounts so demanded shall be conclusive and binding on the Member.
- (c) In the event of any conflict between the terms of the indemnity contained in paragraph (a) above and the terms of any indemnity, reimbursement obligation or like obligation to which the Member is bound by the terms of a Cross-Margining Agreement, the terms of the indemnity in Regulation 45(a) shall prevail.

**SWAPCLEAR REGULATIONS****Regulation 46 Application of SwapClear Regulations**

- (a) These SwapClear Regulations, which form part of the Regulations, together with the Regulations referred to in paragraph (b) apply to SwapClear Contracts, SwapClear Clearing Members and, insofar as relevant, to SwapClear Dealers.
- (b) The Default Rules, Default Fund Rules [\(including the SwapClear DMP Annex](#), the definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (c), 10, 11, 12, 14, 16, 26 to ~~39A~~[39B](#) inclusive (other than Regulation 35(a) and Regulation 37(b)) of the General Regulations apply to SwapClear Contracts, SwapClear Clearing Members and, insofar as relevant, to SwapClear Dealers.

**Regulation 47 Registration of SwapClear Contracts**

- (a) A SwapClear Participant must submit particulars of a SwapClear Transaction for registration as a SwapClear Contract, through an office of that SwapClear Participant (a "Designated Office") as agreed to in writing with the Clearing House and, if party to a SwapClear Dealer Clearing Agreement, with its SwapClear Clearing Member.
- (b) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, a SwapClear Clearing Member shall be bound by a SwapClear Contract registered in its name pursuant to the presentation of particulars of a SwapClear Transaction by it (including presentation by any SCM Branch of that SwapClear Clearing Member) or by a SwapClear Dealer with whom it is party to a SwapClear Dealer Clearing Agreement and regardless of whether the SwapClear Clearing Member or SwapClear Dealer (as the case may be) entered into the SwapClear Transaction through a Designated Office or an office which is not a Designated Office, provided that the particulars of such SwapClear Transaction were submitted to the Clearing House through a Designated Office.
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, a SwapClear Transaction, particulars of which are submitted for registration as a SwapClear Contract, must meet the eligibility criteria prescribed in these Regulations and the Procedures at the time the particulars of the SwapClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as a SwapClear Contract.
- (d) The Clearing House shall be deemed to register a SwapClear Contract, in accordance with Regulation 48, in the name of a SwapClear Clearing Member at the time prescribed in the Procedures ("Registration Time").
- (e) For the avoidance of doubt, any transaction of which details have been submitted by SwapClear Participants for registration as a SwapClear Contract which is not so registered will remain in effect between the persons party thereto in accordance with any terms agreed between them and the Clearing House shall have no obligations or liability in relation thereto.
- (f) If at any time after registration of a SwapClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as a SwapClear Contract, the Clearing House shall, as soon as practicable thereafter, set aside such SwapClear Contract. Upon the SwapClear Contract being set aside under this Regulation 47(f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect between the persons party thereto in accordance with any terms agreed between them. Any payment made under, or in respect of, a SwapClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 47(f), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as a SwapClear Contract.
- (g) Where a SwapClear Contract relates to an FCM SwapClear Transaction, it is a condition for registration as a SwapClear Contract that the FCM SwapClear Transaction to which the SwapClear Contract relates be presented for clearing: (i) by an Executing Party (in its capacity as an FCM Clearing Member or SwapClear Clearing Member or through its

designated FCM Clearing Member or SwapClear Clearing Member) as a SwapClear Contract or FCM SwapClear Contract (as the case may be); and (ii) by an FCM Clearing Member on behalf of its FCM Client as an FCM SwapClear Contract. In the event that the Clearing House registers a SwapClear Contract and, for whatever reason, the corresponding FCM SwapClear Contract has not also been registered, the SwapClear Contract shall be deemed not to be registered as a SwapClear Contract until such time as such corresponding FCM SwapClear Contract has been registered.

- (h) In relation to an FCM SwapClear Transaction, if either the Executing Party (in its capacity as an FCM Clearing Member or SwapClear Clearing Member or through its designated FCM Clearing Member or SwapClear Clearing Member) or the FCM Clearing Member (as the case may be) does not present an FCM SwapClear Transaction for clearing, the Clearing House shall set aside any FCM SwapClear Contract or SwapClear Contract that has been registered (if any) and the particulars of the corresponding FCM SwapClear 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 SwapClear Clearing Member or through its designated FCM Clearing Member or SwapClear 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 SwapClear 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 26 and its obligations under this Regulation 47 and FCM Regulation 5, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract.

**Regulation 48 SwapClear Contracts**

- (a) Without prejudice to the Clearing House's rights to effect further novation under Regulation 3(b), a SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two SwapClear Contracts, one between the First SwapClear Clearing Member paying Rate X and the Clearing House as the party paying Rate Y, as principals to such contract, and the other between the Clearing House paying Rate X and the Second SwapClear Clearing Member paying Rate Y, as principals to such contract. For the purposes of this Regulation:
- (i) "First SwapClear Clearing Member" is a SwapClear Clearing Member who was, before registration of the SwapClear Contract, party to the corresponding SwapClear Transaction as the party paying Rate X, or who has a subsisting SwapClear Dealer Clearing Agreement with the SwapClear Dealer who was party to the corresponding SwapClear Transaction as the party paying Rate X; and
  - (ii) "Second SwapClear Clearing Member" is a SwapClear Clearing Member who was, before registration of the SwapClear Contract, party to the corresponding SwapClear Transaction as the party paying Rate Y, or who has a subsisting SwapClear Dealer Clearing Agreement with the SwapClear Dealer who was party to the corresponding SwapClear Transaction as the party paying Rate Y.
- (b) With effect from registration of a SwapClear Transaction as two SwapClear Contracts under paragraph (a) of this Regulation:
- (i) the parties to the corresponding SwapClear Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each SwapClear Contract registered under paragraph (a) of this Regulation shall be governed by the SwapClear Contract Terms as applicable to that Contract;
  - (iii) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First SwapClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the SwapClear Contract to which it is a party as the party paying Rate X had and owed in respect of its counterparty under the corresponding SwapClear Transaction; and
  - (iv) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second SwapClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding SwapClear Transaction.

In subparagraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding SwapClear Transaction (it being assumed, for this purpose, that such SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the

change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (c) If a SwapClear Transaction, is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any SwapClear Contract arising under this Regulation, Regulation 3(b) or Regulation 11.

In the case of a SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 48 shall take effect.

For the avoidance of doubt, any reference in these Regulations and Procedures to an “SCM Branch” is not intended to and shall not be read as a reference to any person other than the legal person which is the SwapClear Clearing Member of which that SCM Branch is a part.

**Regulation 48A Termination by Automated Service**

- (a) SwapClear Contract may be terminated prior to its expiry by means of the automated SwapClear Intra-day Deletion Service (for the purposes of this Regulation “the Service”). The Service is designed so that the process of termination may be initiated by a SwapClear Dealer.
- (b) Each SwapClear Clearing Member is deemed to grant a continuing authority to every SwapClear Dealer with whom that SwapClear Clearing Member is a party to a SwapClear Dealer Clearing Agreement (for the purposes of this Regulation, an “SDC Agreement”) to use the Service for the termination of any SwapClear Contract registered in the name of that SwapClear Clearing Member under that SDC Agreement. A SwapClear Clearing Member shall be bound by all entries, deletions and modifications which are made under this Service by the relevant SwapClear Dealer or which are purported to have been made by the relevant SwapClear Dealer.
- (c) A SwapClear Dealer shall have no obligation to inform, notify or seek the consent of any SwapClear Clearing Member prior to initiating the termination of a SwapClear Contract by means of the Service or making any entries, deletions or modifications when using the Service.
- (d) Each SwapClear Clearing Member is deemed to grant a continuing authority to the Clearing House to terminate any SwapClear Contract registered in the name of that SwapClear Clearing Member upon the request of a SwapClear Dealer with whom that SwapClear Clearing Member is a party to an SDC Agreement and make all other entries, deletions and modifications as may be required to give effect to such termination.
- (e) The Clearing House shall have no obligation to inform, notify or seek the consent of any SwapClear Clearing Member prior to terminating a SwapClear Contract or making any entries, deletions or modifications when operating the Service.
- (f) The termination of a SwapClear Contract to which the First SwapClear Clearing Member is a party is contingent upon *inter alia* the termination of the SwapClear Contract to which the Second SwapClear Clearing Member is a party, and vice versa.
- (g) The termination of a SwapClear Contract by means of the Service may be cancelled at any time prior to its termination or such earlier time as may be determined by the Clearing House from time to time, provided that, such cancellation must be agreed by both parties to the SwapClear Transaction which corresponds to that SwapClear Contract.
- (h) The date and time of termination of a SwapClear Contract shall be as reported by the Clearing House by means of the Service and shall be binding on all parties.
- (i) The Clearing House may decline to terminate any SwapClear Contract if, in the opinion of the Clearing House acting in its sole discretion, the termination of that SwapClear Contract is not consistent with the policies of the Clearing House, including, without limitation, any policies concerning risk management.
- (j) In addition to (i) above, the Clearing House may decline to terminate any SwapClear Contract if there is insufficient margin in the relevant PPS account of the relevant SwapClear Clearing Member to accommodate the termination of that SwapClear Contract. For the avoidance of doubt and without limitation, the Clearing House may debit the relevant PPS account with any amount or amounts due to the Clearing House in connection with the termination of a SwapClear Contract.



- (k) Each SwapClear Dealer shall ensure that every user name, password and all other security information provided to it by the Clearing House is kept confidential and in a secure manner and is used solely for the purposes of utilising the Service. Each SwapClear Dealer shall be responsible for any action taken using any such security information as if SwapClear Dealer had itself taken the action concerned. Each SwapClear Dealer shall ensure that only such of its staff as are duly authorised are able to access and use the Service and that the Service is accessed and used by SwapClear Dealer and its authorised staff in accordance with all guidance and instructions issued by the Clearing House from time to time.
- (l) For the avoidance of doubt and without limitation, the provisions of Regulation 39 shall apply to the termination of each SwapClear Contract by means of the Service.
- (m) With effect from the time of the termination of a SwapClear Contract by means of the Service, the Clearing House shall have no obligation under the terms that SwapClear Contract and no liability in respect thereof, provided that the termination of any SwapClear Contract shall have no effect upon the rights and obligations already accrued under that SwapClear Contract, which rights and obligations shall survive such termination.
- (n) Upon the termination of a SwapClear Contract by means of the Service, the corresponding Parallel Contract arising by operation of the SDC Agreement shall also terminate.

**Regulation 49 SwapClear Dealers**

- (a) Application for admission to the Register of SwapClear Dealers shall be made in accordance with these Regulations and the Procedures. An applicant for admission to the Register of SwapClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of SwapClear Dealers. A SwapClear Dealer shall be subject to, and governed by, these Regulations, the Procedures and, if applicable, the SwapClear Dealer Clearing Agreement to which it is for the time being party.
- (b) A person admitted to the Register of SwapClear Dealers shall ensure that it will, at all times, satisfy the criteria prescribed by the Clearing House, from time to time, for admission to the Register.
- (c) The Clearing House may suspend or remove a SwapClear Dealer from the Register of SwapClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the SwapClear Dealer Clearing Agreement to which it is for the time being party. Any person who has been suspended from the Register of SwapClear Dealers for a period of more than three months shall be removed from the Register of SwapClear Dealers and must make a new application if it wishes to be readmitted to the Register.
- (d) A SwapClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of SwapClear Dealers. At the end of such notice period, the Clearing House shall remove the SwapClear Dealer from the Register of SwapClear Dealers.
- (e) A SwapClear Dealer's suspension or removal from the Register of SwapClear Dealers, under paragraph (c), shall not, where it is a Member, affect its membership of the Clearing House, nor, subject to any contrary determination by the Clearing House under Regulation 4(aa), shall it affect the categories of Contract which such a person is eligible to have registered in its name.
- (f) Where a SwapClear Clearing Member is also a SwapClear Dealer it shall, automatically on the Clearing House serving a default notice in accordance with these Regulations be, removed from the Register of SwapClear Dealers.
- (g) Without prejudice to paragraph (f) of this Regulation, the Clearing House shall suspend from the Register of SwapClear Dealers any Member whose Clearing Membership Agreement has been terminated or who is no longer eligible to have SwapClear Contracts registered in its name, and who is not, from the date of such termination or such ineligibility, party to a SwapClear Dealer Clearing Agreement with another SwapClear Clearing Member, for such period as the Clearing House may determine.

**Regulation 50 Settlement and Daily Revaluation of SwapClear Contracts**

- (a) The net present value of each SwapClear 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 called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the SwapClear Clearing Member cash cover for variation margin, representing the change in the net present value of the SwapClear Clearing Member's portfolio of SwapClear Contracts (the "SwapClear Portfolio") from the preceding business day, in accordance with the Procedures.
- (b) In respect of a SwapClear Portfolio and each Coupon Payment Date, the Clearing House shall aggregate:
- (i) the sums which would otherwise have been payable by the SwapClear Clearing Member to the Clearing House as cash cover (in respect of variation margin) on such date and the Coupon Payments due on that date; and
  - (ii) the sums which would otherwise have been payable by the Clearing House to the SwapClear Clearing Member as cash cover (in respect of variation margin) on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this Regulation 50 shall be automatically satisfied and discharged on payment by the party by whom the larger aggregate amount would have been payable to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

**Regulation 51 The reset rate for, and the net present value of, a SwapClear Contract**

The Clearing House may determine the reset rate for, and the net present value of, a SwapClear Contract for the purposes of these Regulations and the Procedures in such manner and at such times as may be prescribed in the Procedures. Except as prescribed in the Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

**Regulation 52 Withdrawal of the SwapClear Service by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw the SwapClear Service it shall give not less than six months' notice in accordance with the Procedures to all SwapClear Dealers and SwapClear Clearing Members of the date on which the service will be withdrawn ("the SwapClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, a one or more SwapClear Dealers or SwapClear Clearing Members shall not invalidate the SwapClear Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register a SwapClear Contract, other than a closing-out contract after notice to withdraw the service has been given under Regulation 52(a).
- (c) If, at the SwapClear Withdrawal Date, a SwapClear Clearing Member has not closed out all open SwapClear Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:
  - (i) liquidate any or all of such SwapClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and
  - (ii) postpone the SwapClear Withdrawal Date until such time as the Clearing House determines.

**Regulation 52A SwapClear Clearing Client Business**

- (a) SwapClear clearing is a service provided by the Clearing House to SwapClear Clearing Members. Any Clearing Member who wishes to offer SwapClear Clearing Services to its clients shall apply to the Clearing House and obtain the approval of the Clearing House before first offering such services. Any SwapClear related services which are offered by a Clearing Member prior to obtaining the approval of the Clearing House shall not be treated as SwapClear Clearing Services and the clients of the Clearing Member receiving such services shall not be treated as SwapClear Clearing Clients.
- (b) Subject to the provisions of these Regulations, SwapClear Clearing Services may be provided by a SwapClear Clearing Member to its SwapClear Clearing Clients on whatever terms the SwapClear Clearing Member decides should apply provided, however, that:
- (i) each SwapClear Clearing Member shall, before providing SwapClear Clearing Services to any client, ensure that it has entered into an agreement with that client which gives the Clearing House enforceable rights against that client in the terms of the Clearing House Prescribed Language and any such other provisions as shall be agreed from time to time between the Clearing House and SwapClear Clearing Members;
  - (ii) SwapClear Contracts entered into by the SwapClear Clearing Member in respect of SwapClear Clearing Client Business, and collateral provided to the Clearing House in respect of SwapClear Clearing Client Business, shall always be separately identified by the SwapClear Clearing Member to the Clearing House and, subject to the provisions of rule 8(d) of the Default Rules, shall never be combined with SwapClear Clearing House Business or collateral provided to the Clearing House in respect thereof;
  - (iii) in no circumstances will the client money protections provided for by the Client Assets sourcebook of the Handbook published by The Financial Services Authority be available from, or offered by, a SwapClear Clearing Member in relation to monies held in accounts opened by it with the Clearing House in respect of SwapClear Clearing Client Business; and
  - (iv) each SwapClear Clearing Member shall, before providing SwapClear Clearing Services to any SwapClear Clearing Client ensure that the SwapClear Clearing Client has been provided with or has been directed to a copy of the SwapClear Clearing End-User Notice and confirm to the Clearing House in writing that it has done so.
- (c) SwapClear Clearing Services may be provided by a SwapClear Clearing Member to its SwapClear Clearing Clients, and SwapClear Contracts may be entered into by a SwapClear Clearing Member with the Clearing House in respect of such SwapClear Clearing Clients, on:
- (i) an Individual Segregated Account basis ("Individual Segregated Account Business"); or
  - (ii) an Omnibus Net Segregated Account basis with segregation ("Omnibus Net Segregated Business").
- (d) A SwapClear Clearing Member acknowledges and agrees that, unless otherwise agreed with the Clearing House, it will not provide both Individual Segregated Account Business

and Omnibus Net Segregated Business to a single SwapClear Clearing Client at the same time.

- (e) Subject to Regulation 52A(d), an Individual Segregated Account Clearing Client of a SwapClear Clearing Member may elect to become an Omnibus Net Segregated Clearing Client of that SwapClear Clearing Member and an Omnibus Net Segregated Clearing Client of a SwapClear Clearing Member may elect to become an Individual Segregated Account Clearing Client of that SwapClear Clearing Member provided, however, that the relevant SwapClear Clearing Member has not become a defaulter in accordance with Rule 4 of the Default Rules.
- (f) A SwapClear Clearing Member may operate one or more Omnibus Net Segregated Accounts. Each Omnibus Net Segregated SwapClear Clearing Client must be allocated to one such account. No Omnibus Net Segregated SwapClear Clearing Client may be allocated to more than one Omnibus Net Segregated Account.
- (g) A SwapClear Clearing Member may operate one or more Individual Segregated Accounts. Each Individual Segregated Account Clearing Client must be allocated to a separate Individual Segregated Account. No Individual Segregated Account Clearing Client may be allocated to more than one Individual Segregated Account.
- (h) A SwapClear Clearing Member may deliver to the Clearing House Excess Collateral and/or Additional Collateral in respect of its SwapClear Clearing Clients. However, no SwapClear Clearing Member shall deliver to the Clearing House any collateral other than amounts provided for the purposes of, or in connection with, the provision of clearing services by the Clearing House.
- (i) Required Collateral relating to the SwapClear Clearing Client Business of a SwapClear Clearing Member will be calculated by the Clearing House, and discharged by a SwapClear Clearing Member in respect of all of its SwapClear Clearing Clients, by:
  - (i) if and to the extent that there is Excess Collateral available, deduction by the Clearing House of amounts from such Excess Collateral;
  - (ii) if and to the extent that Additional Collateral is being held in respect of a SwapClear Clearing Client and to the extent that the Required Collateral relates to the SwapClear Clearing Client in question, and subject to appropriate instructions being received by the Clearing House from the SwapClear Clearing Member specifying the relevant Additional Collateral and the relevant SwapClear Clearing Client, deduction by the Clearing House of that Additional Collateral; and
  - (iii) otherwise, delivery by the SwapClear Clearing Member to the Clearing House of collateral with a value which is at least sufficient to discharge the relevant requirement.
- (j) A SwapClear Clearing Member who has opened an Additional Collateral Account may provide Additional Collateral to the Clearing House for the credit of such account. Such SwapClear Clearing Member shall inform the Clearing House of the identity of the SwapClear Clearing Client for whose account the Additional Collateral is provided, together with the type and value of the Additional Collateral in question and the Clearing House will record the Additional Collateral in the Additional Collateral Account held in respect of the relevant SwapClear Clearing Client.

- (k) A SwapClear Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to the SwapClear Clearing Client Business of that SwapClear Clearing Member.
- (l) In addition to and without prejudice to any other provision in the Rulebook, in circumstances where an investment manager or similar third party agent acts on behalf of a SwapClear Clearing Client, the Clearing House shall be entitled to treat instructions received from the investment manager or similar third party as if they were instructions received from the relevant underlying SwapClear Clearing Client.
- (m) No SwapClear Clearing Member may withdraw any amount from:
- (i) an Individual Segregated Account or an Omnibus Net Segregated Account if such withdrawal would cause the relevant Account Balance to be less than the Required Collateral then attributable to the relevant SwapClear Clearing Client by the Clearing House in accordance with the provisions of the Rulebook; or
  - (ii) an Additional Collateral Account unless such withdrawal is made (a) with the consent of the relevant SwapClear Clearing Client; or (b) in accordance with Regulation 52A(i).
- (n) Where any formalities or registration requirements apply in respect of the Deed of Assignment (and any other document which the Clearing House may from time to time determine), a SwapClear Clearing Member is required to comply with such obligations or to procure by agreement that such requirements are to be complied with. For the avoidance of doubt, prior to providing SwapClear Clearing Services to a SwapClear Clearing Client, each SwapClear Clearing Member must enter into a Deed of Assignment in respect of that SwapClear Clearing Client and in relation to amounts due to it from the Clearing House pursuant to the SwapClear DMP. Where a SwapClear Clearing Member enters into a Deed of Assignment and the Clearing House acts as Security Trustee, that SwapClear Clearing Member must provide notice of the assignments under such Deeds of Assignment to the Clearing House. The Clearing House agrees to exercise its default powers in such a fashion as to comply with its obligations under the Deeds of Assignment and related documentation, including by accepting instructions from the SwapClear Clearing Clients of a SwapClear Clearing Member following the occurrence of a Default in respect of such SwapClear Clearing Member.



**Regulation 52B Default Management in respect of SwapClear Clearing Client Business**

- (a) The SwapClear DMP in respect of any contract which is a SwapClear Contract entered into in respect of SwapClear Clearing Client Business shall involve the stages set out in this Regulation 52B. For the purposes of this Regulation 52B, a SwapClear Contract relating to SwapClear Clearing Client Business of an SCM (each a "Relevant Contract") will be included in the Auction Portfolio from such time as the Clearing House determines that such Relevant Contract will not be ported. For the avoidance of doubt, any such Auction Portfolio will only contain Relevant Contracts. The Clearing House shall not be entitled to include client and house positions in an Auction Portfolio for the purposes of this Regulation 52B.
- (b) If an SwapClear Clearing Member becomes a Defaulting SCM the Clearing House shall:
- (i) calculate the Account Balances;
  - (ii) take any action under Rule 6 of the Default Rules as it shall deem necessary in respect of the SwapClear Clearing Client Business of the Defaulting SCM;
  - (iii) ascertain whether each SwapClear Clearing Client of the Defaulting SCM has appointed a Backup SwapClear Clearing Member; and
  - (iv) send details of the open Relevant Contracts and Account Balances to the nominated Backup SwapClear Clearing Member for each Individual Segregated Account and Omnibus Net Segregated Account of the Defaulting SSCM, if any.
- (c) In circumstances where (a) an Individual Segregated Account Clearing Client of a Defaulting SCM has appointed a Backup SwapClear Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant SCM pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that SSCM (as the case may be), the Clearing House has received confirmation from the Backup SwapClear Clearing Member of its agreement to act as Backup SwapClear Clearing Member in relation to the arrangements described in sub-paragraph (i) below and from the relevant client (in such form as the Clearing House may require at the relevant time):
- (i) the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulting SCM in respect of the relevant Individual Segregated Account Clearing Client to the appointed Backup SwapClear Clearing Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup SwapClear Clearing Member in respect of the relevant Individual Segregated Account Clearing Client;
  - (ii) where the relevant Individual Segregated Account Clearing Client (in an exercise of its rights under the relevant Deed of Assignment) instructs a transfer of its Individual Segregated Account Balance to the appointed Backup SwapClear Clearing Member, the Clearing House shall give effect to such instruction; and
  - (iii) the amount due to be returned to the Defaulting SCM shall be reduced by an amount equivalent to the amount of the Account Balance transferred to the

Backup SwapClear Clearing Member, as referred to in sub-paragraph (ii) of this Regulation 52B (c).

(d) In circumstances where (a) all of the Omnibus Net Segregated Clearing Clients of a Defaulting SSCM identified as composing an Omnibus Net Segregated Account have appointed a single Backup SwapClear Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant SCM pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that SCM (as the case may be), the Clearing House has received confirmation from the Backup SwapClear Clearing Member of its agreement to act as Backup SwapClear Clearing Member in relation to the arrangements described in sub-paragraph (i) below and from the relevant clients (in such form as the Clearing House may require at the relevant time):

(i) the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulting SCM in respect of the relevant Omnibus Net Segregated Clearing Clients to the appointed Backup SwapClear Clearing Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup SwapClear Clearing Member in respect of the relevant Omnibus Net Segregated Clearing Clients;

(ii) where all of the relevant Omnibus Net Segregated Clearing Client(s) (in an exercise of their respective rights under the relevant Deeds of Assignment) instruct a transfer of their Omnibus Net Segregated Account Balances to the appointed Backup SwapClear Clearing Member, the Clearing House shall give effect to such instructions; and

(iii) the amount due to be returned to the Defaulting SCM in respect of such Omnibus Net Segregated Account shall be reduced by an amount equivalent to the aggregate amount of the Account Balances referred to in sub-paragraph (ii) above.

(e) For the purposes of Regulations 52B (c) and (d) above, the relevant Individual Segregated Account Clearing Client or Omnibus Net Segregated Clearing Clients (as applicable) may provide consent to the Clearing House orally or in writing (including by facsimile and email) and shall not be entitled to withdraw such consent once received by the Clearing House.

(f) In relation to those SwapClear Clearing Clients of a Defaulting SCM whose open Relevant Contracts are not dealt with pursuant to sub-paragraphs (i) and (ii) of Regulation 52B (c) or (d) above, the following shall occur:

(i) the Clearing House shall calculate the entitlement to collateral (the "**SwapClear Clearing Client Entitlement**") of the Defaulting SCM in respect of each such SwapClear Clearing Client following the deduction of (a) the costs of any hedging undertaken; (b) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulting SCM in respect of the relevant SwapClear Clearing Client; (c) any amounts to be deducted to reflect the operation of the set-off provision contained in Clause 3.1 of the SwapClear Clearing Agreement and confirmed in writing to the Clearing House by or on behalf of both the Defaulting SCM and the relevant SwapClear Clearing Client; and (d) in respect of Omnibus Net Segregated Clearing Clients, amounts required to discharge all obligations owed to the

Clearing House relating to Relevant Contracts entered into by the Defaulting SCM in respect of other Omnibus Net Segregated Clearing Clients relating to the Omnibus Net Segregated Account in question, in each case allocated pro rata as it sees fit in its sole discretion;

(ii) where the relevant SwapClear Clearing Client (in an exercise of its rights under the relevant Deed of Assignment) instructs the Clearing House to pay an amount to it equal to the SwapClear Clearing Client Entitlement due to be returned in respect of it to the Defaulting SCM, the Clearing House shall give effect to such instructions, subject to:

(a) the execution of appropriate documentation (which may, without limitation, include an indemnity (secured or otherwise)) between the Clearing House and the relevant SwapClear Clearing Client; and

(b) in the case of any deduction made pursuant to (c) of Regulation 52B (f), the provision of appropriate documentation by or on behalf of the Defaulting SSCM.

(iii) Risk Neutralisation and the auction process relating to the Relevant Contracts shall be conducted in accordance with the provisions of the SwapClear DMP Annex, save that no hedging shall be undertaken in respect of a SwapClear Contract entered into in respect of SwapClear Clearing Client Business until such time as the Clearing House has determined that the SwapClear Contract in question will not be ported, from which time such contract shall be a Relevant Contract and included in an Auction Portfolio.

(g) calculation of the Account Balances and the SwapClear Clearing Client Entitlements will be undertaken by the Clearing House in accordance with its own records based on information provided to it by the Defaulting SCM. The Clearing House shall be under no obligation to verify or conduct any independent enquiry in respect of any such information and shall be entitled for all purposes to treat it as definitive. However, the Clearing House may, in its absolute discretion, adjust its records to reflect any matter which it believes should be taken into account in calculating the Account Balances and/or the SwapClear Clearing Client Entitlements.

**SCHEDULE TO THE SWAPCLEAR REGULATIONS****Part A****SwapClear Contract Terms**

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

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

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

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

**1. Interpretation**

- 1.1. "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein and "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.
- 1.2. Words and expressions used in these SwapClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the "ISDA 2000 Definitions" or the "ISDA 2006 Definitions" shall have the same meaning herein as in the 2000 ISDA Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that SwapClear Contract then those definitions will apply and where the SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that SwapClear Contract then those definitions will apply.
- 1.3. In the event of an inconsistency between the Regulations and the Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the Regulations and Procedures will prevail.
- 1.4. References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to a "SwapClear Transaction" for the purposes of SwapClear.
- 1.5. Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:
  - (a) in relation to any amendments to either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and the SwapClear Dealers, give directions as to whether such amendment shall apply to SwapClear Contracts

with immediate effect or with such deferred effect as the Clearing House shall determine;

- (b) any such notice may provide that the amendment to the ISDA 2000 Definitions or the ISDA 2006 Definitions may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines;
- (c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, any SwapClear Clearing Member or SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.

## 2. Economic Terms

- 2.1. The Economic Terms of a SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.
- 2.2. It is part of the eligibility criteria for registration as a SwapClear Contract that the particulars of a SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that information in respect of (i) (viii) OR (ix) (not both) for vanilla interest rate swaps with constant notional principal and variable notional swaps and (n) or (o) (not both) in relation to forward rate agreements must be provided.
- 2.3. The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:
  - (a) Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>1</sup>)
  - (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
  - (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
  - (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
  - (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
  - (f) Additional Payments/Fees:
    - (i) the Payer of the Additional Payments/Fees (if any);

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

- (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Where Fixed Rate – Floating Rate Swap:
  - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
  - (ii) Fixed Rate Payer Payment Dates;
  - (iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule]<sup>2</sup>
  - (iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);
  - (v) Floating Rate Payer Payment Dates;
  - (vi) Floating Rate Payer compounding dates (if applicable);
  - (vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);
  - (viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);
- (Note: The details of each such option are as provided in the Procedures).
- (ix) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 Version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);
- (x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>3</sup>;
- (xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
- (xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).
- (j) Where Floating Rate – Floating Rate Swap (“basis” swap):

<sup>2</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value.

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

- (i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
  - (a) Floating Rate Payer Payment Dates;
  - (b) Floating Rate Payer compounding dates (if applicable);
  - (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

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

- (d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);
  - (e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition);<sup>4</sup>
  - (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
  - (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition)
- (ii) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
    - (a) Floating Rate Payer Payment Dates;
    - (b) Floating Rate Payer compounding dates (if applicable);
    - (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition)

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

- (d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);
- (e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition);<sup>5</sup>

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

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



- (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
- (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition)

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

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



(v) FRA Yield Discounting (see Article 8.4. (e) for definition):

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

PROVIDED, however, that, as set out more particularly in Regulation 48, where the SwapClear Transaction specifies a SwapClear Dealer as the party paying Rate X (the "First SwapClear Dealer"), with the other SwapClear Dealer as the party paying Rate Y (the "Second SwapClear Dealer"), the Clearing House, in respect of each SwapClear Contract it is party to pursuant to the corresponding SwapClear Transaction, shall be (i) the party paying Rate Y to the First SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract; and (ii) the party paying Rate X to the Second SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract.

## 2.5. Financial Centres

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

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

<b>Financial Centre</b>	<b>Markitwire/FpML</b>
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJO

### **3. Standard Terms**

The following terms are designated as Standard Terms of a registered SwapClear Contract:

#### **3.1. Business Days**

In addition to the Business Days for the financial centres specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to a SwapClear Contract.

#### **3.2. Economic and Monetary Union (EMU) Provisions**

- 3.2.1. The occurrence or non-occurrence of an event associated with EMU will not have the effect of altering any term of, or discharging or excusing performance under, a SwapClear Contract.
- 3.2.2. For the purposes of this provision events associated with EMU include those set out in the "EMU Continuity Provision" published by ISDA.
- 3.2.3. In addition, in relation to an occurrence of an event associated with EMU, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and SwapClear Dealers, give directions as to changes, if any, to these SwapClear Contract Terms and to its Procedures. Any such notice may provide that the changes to the SwapClear Contract Terms, and / or Procedures, may take effect so as to apply to

SwapClear Contracts registered in a SwapClear Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines.

3.2.4. The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by any SwapClear Clearing Member or a SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.

3.2.5. Where a SwapClear Contract is in Hong Kong Dollars, the parties agree that it is a fundamental basis and condition of the contract that at the registration of this SwapClear Contract and for the duration of this contract, the Hong Kong dollar rate of exchange against the US Dollar is 7.8 Hong Kong Dollars to one US Dollar. In the event that such exchange rate should vary for any one or more day at any time during the contract, the Clearing House shall have the right, on the giving of written notice, to terminate this contract forthwith.

### 3.3. Negative Interest Rates

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

### 3.4. Withholding Tax Provisions

All payments due under a SwapClear Contract shall be made by the SwapClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the SwapClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

The Clearing House shall make any payments due to a SwapClear Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

### 3.5. Payment of Stamp Tax

Each SwapClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any SwapClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is 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 SwapClear Contract registered by the Clearing House and to which that SwapClear Clearing Member is a party.

### 3.6. Payments under a SwapClear Contract

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

### 3.7. Regulations

A SwapClear 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 SwapClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

3.8. **Governing Law**

Each SwapClear Contract 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 SwapClear 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.

3.9. **Third Party Rights**

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

**Part B**

**Product Eligibility Criteria for Registration of a SwapClear Contract**

**1. SwapClear Transaction**

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

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

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

**1.2. Product eligibility criteria for a SwapClear Transaction**

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

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)		
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-	
					736 days		
		See Article 7.1w (vii) for definition	Floating vs. Floating				99,999,999,999.99
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-	
							99,999,999,999.99
		See Article 7.1(ab) (xxii) for definition	Floating vs. Floating				
	USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	736 days			
	See article 7.1(ab)(xxxix) for definition						

<sup>6</sup> References in this column are to the 2006 ISDA Definitions

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)		
Vanilla interest rate swaps with constant notional principal	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-	
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999,999.99	
		EUR-EURIBOR-Telerate					
		See article 7.1 (f)(ii) for definition					
	Australian Dollar (AUD)	EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	736 days			
		See Article 7.1 (f) (viii) for definition					
		AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99	
		See Article 7.1(a) (iv) for definition	Floating vs. Floating				
	Canadian Dollar (CAD)	AUD-LIBOR-BBA					
		See Article 7.1(a) (viii) for definition					
CAD-BA-CDOR		Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99		
See Article 7.1(b) (ii) for definition		Floating vs. Floating					
Czech Koruna (CZK)	CAD-LIBOR-BBA						
	See Article 7.1(b) (viii) for definition						
Danish Krone (DKK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99		
	See Article 7.1r (i) for definition	FLOAT vs. FLOAT					
Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99		
	See Article 7.1(e) (i) for	Floating vs.					

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
		definition	Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint (HUF)	HUF- BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000.00
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	10970 days	1-10,000,000,000.00
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(l) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
		Reuters			9
	Swedish Krona (SEK)	See Article 7.1(q) (i) for definition SEK-STIBOR-SIDE	Floating vs. Floating Fixed vs. Floating	Single currency 10,970 days	0.01-99,999,999,999.99
	Swiss Franc (CHF)	See Article 7.1(x) (i) for definition CHF-LIBOR-BBA	Floating vs. Floating Fixed vs. Floating	Single currency 10,970 days	0.01-99,999,999,999.99
		See Article 7.1(y) (ii) for definition CHF-TOIS_OIS_CO MPOUND	Fixed vs. Floating	Single currency 736 days	
	Polish Zloty(PLN)	See Article 7.1(y) (iv) for definition PLN	Floating vs. Floating FIXED vs. FLOAT	Single currency 3670 days	0.01-99,999,999,999.99
	South African Rand (ZAR)	WIBOR-WIBO See Article 7.1r (i) for definition ZAR	FLOAT vs. FLOAT FIXED vs. FLOAT	Single currency 3670 days	0.01-99,999,999,999.99
		JIBAR-SAFEX See Article 7.1v (i) for definition	FLOAT vs. FLOAT		

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

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



Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,275 Days
Variable Notional Swap	USD	USD-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,275 Days
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,275 Days
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,275 Days
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Zero Coupon Swap	Single currency	18,275 Days
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,275 Days
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days

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

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Agreement	Rate AUD	AUD-BBR-BBSW	Fixed v floating	Single currency	740 days		1m,2m,3,4m,5m,6m	Min25 Max 190
Forward Agreement	Rate AUD	AUD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min25 Max 375
Forward Agreement	Rate CAD	CAD-BA-CDOR	Fixed v floating	Single currency	740 days		1m,2m,3m, 6m, 1y	Min25 Max 375
Forward Agreement	Rate CAD	CAD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Agreement	Rate CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w,2w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m,1y	Min 3 Max 375
Forward Agreement	Rate CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	740 days		1w,2w 1m,2m,3m, 6m,9m,1y	Min 3 Max 375
Forward Agreement	Rate DKK	DKK-CIBOR2-DKNA13	Fixed v floating	Single currency	740 days		1w, 1m,2m,3m, 4m,5m, 6m,9m,1y	Min 3 Max 375
Forward Agreement	Rate EUR	EUR-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w,2w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3

Forward Agreement	Rate	EUR	EUR-EURIBOR REUTERS	- Fixed v floating	Single currency	1105 days	1w,2w, 3w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Agreement	Rate	HUF	HUF-BUBOR-REUTERS	Fixed v floating	Single currency	740 days	1w,2w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Agreement	Rate	JPY	JPY-LIBOR-BBA	Fixed v floating	Single currency	1105 days	1w,2w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Agreement	Rate	NOK	NOK-NIBOR-NIBR	Fixed v floating	Single currency	740 days	1w, 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m,1y	Min 3 Max 375
Forward Agreement	Rate	NZD	NZD-BBR-FRA	Fixed v floating	Single currency	740 days	1m,2m,3m, 4m,5m, 6m,	Min 25 Max 190
Forward Agreement	Rate	PLN	PLN WIBOR_WIBO	- Fixed v floating	Single currency	740 days	1w,2w 1m, 3m, 6m,9m,1y	Min 3 Max 375
Forward Agreement	Rate	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	740 days	1w, 1m,2m,3m, 6m,9m,1y	Min 3 Max 375
Forward Agreement	Rate	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1105 days	1w,2w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m, 1y	Min 3 Max 375
Forward Agreement	Rate	ZAR	ZAR-JIBAR-SAFEX	Fixed v floating	Single currency	740 days	1m, 3m, 6m,9m,1y	Min 25 Max 375

2. [ ]

3. **Additional Criteria for a SwapClear Transaction**

3.1. A contract must also meet the following additional criteria to be eligible as a SwapClear Transaction:

3.1.1 Day Count Fractions

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

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

**Day Count Fractions using the ISDA 2000 Definitions**

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/365 (or	ACT/365.ISDA
Actual/Actual (ISMA)	ACT/ACT.ISMA

**Day Count Fractions using the ISDA 2006 Definitions:**

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/Actual	ACT/ACT.ISDA
30E/360 (ISDA)	30E/360.ISDA
Actual/Actual (ICMA)	ACT/ACT.ICMA

The Clearing House will only accept the following day count fractions for Forward Rate Agreements Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

**Day Count Fractions using the ISDA 2006 Definitions:**

Day Count Fraction	MarkitWire/FpML Code	Currency
Actual/365	ACT/365.FIXED	CAD, AUD, NZD,

(Fixed)		PLN, ZAR
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF

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

3.1.2 Business Day Conventions

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

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

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

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

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

fixed period end dates and the termination date

float period end dates and the termination date

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

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

Minimum Residual Term of trade:

Termination date - Today  $\geq$  1 + currency settlement lag

where currency settlement lag is:

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

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

Maximum Residual Term of trade:

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

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

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

Maximum Residual Term to Maturity for Forward Rate Agreements

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

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

#### 3.1.4 Designated Maturity

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

#### 3.1.5 Calculation Periods

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

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

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

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

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

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

For Forward Rate Agreements non standard designated maturities are accepted subject to the following criteria:

Interpolated period:

The maturity date must fall between the rolled dates, according to the business day convention, of the specified designated tenors. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

SwapClear will interpolate based upon the closest indices for interpolation

Non interpolated period:

SwapClear will only support the closest index tenor to the calculated period.

**REPOCLEAR REGULATIONS****Regulation 53 Application of RepoClear Regulations**

- (a) These RepoClear Regulations, which form part of the Regulations, together with the Regulations referred to in paragraph (b) apply to RepoClear Contracts, RepoClear GC Contracts, RepoClear Clearing Members and, insofar as relevant, to RepoClear Dealers.
- (b) The Default Rules, Default Fund Rules, the Definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (c), 10, 11, 12, 14, 16, 26 to ~~39A~~39B inclusive (other than Regulation 35(a), Regulation 37(b) and Regulation 38(b)) of the General Regulations apply to RepoClear Contracts, RepoClear GC Contracts, RepoClear Clearing Members and, insofar as relevant, to RepoClear Dealers.



**Regulation 54 Submission of details of RepoClear Transactions and RepoClear GC Transactions through an Approved Trade Matching System**

- (a) Details of RepoClear Transactions and RepoClear GC Transactions other than those referred to in Regulation 56 (RepoClear Transactions and RepoClear GC Transactions entered into by RepoClear Clearing Members through an Automated Trading System) or Regulation 56A (RepoClear Transactions and RepoClear GC Transactions entered into by RepoClear Dealers through an Automated Trading System) which are to be submitted for registration must be submitted by the RepoClear Participants party to such transactions through an Approved Trade Matching System ("ATMS") specified for the purpose of this Regulation in the Procedures, and in accordance with the Procedures.
- (b) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, a RepoClear Clearing Member shall be bound by a RepoClear Contract or RepoClear GC Contract, as the case may be, registered in its name pursuant to the presentation of details of a RepoClear Transaction or RepoClear GC Transaction, as the case may be, by it or by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement.
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, a RepoClear Transaction or RepoClear GC Transaction must, in order that it be registered as a RepoClear Contract or RepoClear GC Contract, as the case may be, meet the RepoClear Eligibility Criteria and other requirements as prescribed in the Regulations and the Procedures, at the time when the details (as prescribed from time to time by the Clearing House) of the RepoClear Transaction or RepoClear GC Transaction are presented to the Clearing House and at all times thereafter up to and including Registration Time.
- (d) The Clearing House shall be deemed to register a RepoClear Contract, or RepoClear GC Contract, as the case may be, in accordance with Regulation 55, in the name of a RepoClear Clearing Member at the time prescribed in the Procedures ("Registration Time").
- (e) For the avoidance of doubt, any transaction of which details have been presented by RepoClear Participants for registration as a RepoClear Contract or RepoClear GC Contract which is not so registered will remain in effect solely between the persons party thereto in accordance with any terms agreed between them and the Clearing House shall have no obligations or liability in relation thereto.
- (f) If at any time after registration of a RepoClear Contract or RepoClear GC Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the criteria for registration as a RepoClear Contract or RepoClear GC Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such RepoClear Contract or RepoClear GC Contract. Upon a RepoClear Contract or RepoClear GC Contract, as the case may be, being set aside under this paragraph, the details of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect between the persons party thereto in accordance with any terms agreed between them. Any payment made under, or in respect of, a RepoClear Contract or RepoClear GC Contract set aside under this paragraph shall be repayable to the person who made the payment, and any securities delivered under such Contract shall be re-delivered to the person who made the delivery of such securities. Without prejudice to Regulation 39 and its obligations under this Regulation 54(f), the Clearing House shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a RepoClear Contract or

RepoClear GC Contract, in respect of a transaction which did not meet the criteria at the Registration Time to enable it to be registered as a RepoClear Contract or RepoClear GC Contract, as the case may be.

**Regulation 55 Registration of RepoClear Contracts and RepoClear GC Contracts following Submission of Details of a RepoClear Transaction or RepoClear GC Transaction**

- (a) Without prejudice to the Clearing House's rights to effect further novation under Regulation 3(b), details of a RepoClear Transaction or RepoClear GC Transaction presented for registration through an Approved Trade Matching System to, and accepted by, the Clearing House, shall be registered by the Clearing House as two RepoClear Contracts or as two RepoClear GC Contracts, as the case may be, one between the Selling RepoClear Clearing Member and the Clearing House as buyer, as principals to such contract, and the other between the Clearing House as seller and the Buying RepoClear Clearing Member, as principals to such contract. For the purposes of this Regulation:
- (i) "Selling RepoClear Clearing Member" is a RepoClear Clearing Member who was, before registration of the RepoClear Contract or RepoClear GC Contract, party to the corresponding RepoClear Transaction or RepoClear GC Transaction as the seller, or who has a subsisting RepoClear Dealer Clearing Agreement with a RepoClear Dealer who was party to the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be, as the seller; and
  - (ii) "Buying RepoClear Clearing Member" is a RepoClear Clearing Member who was, before registration of the RepoClear Contract or RepoClear GC Contract, party to the corresponding RepoClear Transaction or RepoClear GC Transaction as the buyer, or who has a subsisting RepoClear Dealer Clearing Agreement with a RepoClear Dealer who was party to the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be, as the buyer.
- (b) With effect from registration of a RepoClear Transaction or RepoClear GC Transaction as two RepoClear Contracts or as two RepoClear GC Contracts, as the case may be under paragraph (a) of this Regulation:
- (i) the parties to the corresponding RepoClear Transaction or RepoClear GC Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each RepoClear Contract registered under paragraph (a) of this Regulation shall be governed by the RepoClear Contract Terms;
  - (iii) each RepoClear GC Contract registered under paragraph (a) of this Regulation shall be governed by the RepoClear SGC Contract Terms or RepoClear €GC Contract Terms;
  - (iv) in respect of the Economic Terms, the Selling RepoClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the RepoClear Contract or RepoClear GC Contract to which it is a party as the selling party had and owed in respect of its counterparty under the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be; and
  - (v) in respect of the Economic Terms, the Buying RepoClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the RepoClear Contract or RepoClear GC Contract to

which it is party as the buying party had and owed in respect of its counterparty under the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be.

In subparagraphs (iv) and (v) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding RepoClear Transaction or RepoClear GC Transaction (it being assumed, for this purpose, that such RepoClear Transaction or RepoClear GC Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of the Standard Terms.

- (c) If a RepoClear Transaction or RepoClear GC Transaction, is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration, that revocation, avoidance or invalidity shall not affect any RepoClear Contract or RepoClear GC Contract arising under this Regulation, Regulation 3(b) or Regulation 11.
- (d) The Clearing House may, with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such Contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a Contract in error or have agreed to certain terms of the Contract in error.
- (e) In the case of a RepoClear Contract or RepoClear GC Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 55 shall take effect.

**Regulation 56 RepoClear transactions entered into by RepoClear Clearing Members through an Automated Trading System**

- (a) This Regulation 56 applies to Repo Trades, Bond Trades and GC Trades made by RepoClear Clearing Members (otherwise than pursuant to Regulation 56A) through an Automated Trading System which such RepoClear Clearing Member is authorised by the Clearing House to use under the Procedures (“an ATS”) either as direct participants in the ATS or indirectly through a participant in the ATS. In the event of any inconsistency between the Regulations (including the terms of any other agreement entered into between the RepoClear Clearing Member and the Clearing House), and the rules, practices, procedures and arrangements of the ATS (“ATS Rules”) the Regulations shall prevail.
- (b) If an “ATS participant” (defined for these purposes as a RepoClear Clearing Member, who is a direct or indirect participant in an ATS) has given notice to the Clearing House, in accordance with the Procedures, that it intends to carry out Repo Trades and/or Bond Trades and/or GC Trades through an ATS specified in its notice and has not withdrawn such notice in accordance with the Procedures, the Clearing House will enter into RepoClear Contracts or RepoClear GC Contracts, as the case may be, with the ATS participant pursuant to such dealings in accordance with and subject to the following provisions of this Regulation. The terms of a registered RepoClear Contract or RepoClear GC Contract shall be as notified to the Clearing House by the ATS and otherwise subject to the Regulations (and the Clearing House and the ATS participant party to the registered RepoClear Contract or RepoClear GC Contract, as the case may be, shall be obliged to perform their obligations thereunder in accordance with such terms).
- (c) The Clearing House makes an open offer to the ATS participant that it shall enter into a RepoClear Contract in respect of any Repo Trade or any Bond Trade or to enter into a RepoClear GC Contract in respect of any GC Trade, in accordance with paragraph (d) or paragraph (e) of this Regulation, as applicable, pursuant to the ATS participant’s dealings through any ATS referred to in paragraph (b), provided that the following requirements (“the RepoClear Open Offer Eligibility Criteria”) shall have been complied with:
- (i) not more than ten minutes have lapsed since the Clearing Membership Agreement to which the ATS participant is party was terminated in accordance with its terms and/or the Clearing House removed its authorisation of that ATS participant to participate in the RepoClear Service;
  - (ii) not more than ten minutes have lapsed since a Default Notice was signed in respect of the ATS participant under rule 3 of the Default Rules (without prejudice to the Clearing House’s rights to register new Contracts (including RepoClear Contracts and RepoClear GC Contracts, whether closing out contracts or otherwise) in the ATS participant’s name under the Default Rules in connection with the Clearing House’s default proceedings);
  - (iii) such dealings satisfy the terms and conditions stated in the Regulations and the Procedures with respect to such dealings (together the “RepoClear Eligibility Criteria for RepoClear Contracts and RepoClear GC Contracts”) and the offers made in this Regulation 56, including the terms of any Contract which would arise under paragraph (d) or (e) and all necessary details as required by the Clearing House, shall have been provided to the Clearing House;

- (iv) the dealings are recognised by the relevant ATS as satisfying the RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear GC Contract and as dealings which the parties thereto have identified are to be registered by the Clearing House as RepoClear Contracts or RepoClear GC Contracts, as applicable;
  - (v) the ATS participant has executed such agreements or documents as may be required by the Clearing House from time to time in connection herewith; and
  - (vi) all or any conditions imposed by the Clearing House have been satisfied.
- (d) If particulars with respect to (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade which satisfy the relevant RepoClear Open Offer Eligibility Criteria have been input into the relevant ATS by or on behalf of an ATS participant as seller and have been matched by, or in accordance with the ATS Rules with particulars with respect to a Repo Trade, Bond Trade or GC Trade, on such terms input into such ATS by another ATS participant as buyer, and the relevant RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the buyer under one RepoClear Contract or RepoClear GC Contract (as the case may be) to the selling ATS participant, and the seller under the second RepoClear Contract or relevant RepoClear GC Contract, as the case may be to the buying ATS participant.
- (e) If particulars with respect to (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade, which satisfy the relevant RepoClear Open Offer Eligibility Criteria have been input into the relevant ATS by or on behalf of an ATS participant as buyer and have been matched by, or in accordance with the ATS Rules with particulars with respect to a Repo Trade, Bond Trade or GC Trade, on such terms input into such ATS by another ATS participant as seller and the RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or two RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the seller under one RepoClear Contract or RepoClear GC Contract, as the case may be, to the buying ATS participant, and the buyer under the second RepoClear Contract or RepoClear GC Contract (as the case may be) to the selling ATS participant.
- (f) RepoClear Contracts or RepoClear GC Contracts entered into by the Clearing House under paragraph (d) or (e), as applicable, with RepoClear Clearing Members, shall be registered in the name of each RepoClear Clearing Member following receipt of the details required by the Clearing House of such Contracts from the operator of the relevant ATS.



- (g) If the details required by the Clearing House of RepoClear Contracts or RepoClear GC Contracts arising under paragraph (d) or (e) are not provided to the Clearing House by the operator of the relevant ATS in accordance with the terms of an agreement entered into between the Clearing House and the ATS operator by the time required by the Clearing House from time to time, neither the Clearing House nor the RepoClear Clearing Member party thereto shall be obliged to perform their respective obligations under the RepoClear Contracts or RepoClear GC Contracts, as the case may be arising under paragraph (d) or (e), as applicable. If the Clearing House receives such details after such time from such operator or in accordance with any directions issued by the Clearing House to the affected RepoClear Clearing Member, or any other RepoClear Participant, such RepoClear Contracts or RepoClear GC Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected RepoClear Contract or RepoClear GC Contract. Any directions given by the Clearing House under this paragraph (g) shall be binding on all affected RepoClear Participants.
- (h) The Clearing House undertakes to keep open the offer made by it in this Regulation 56 until such ATS participant is no longer eligible to have RepoClear Contracts or RepoClear GC Contracts registered in its name or has withdrawn from trading through each ATS notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATS must be notified to the Clearing House in accordance with the Procedures.
- (i) Without prejudice to Regulation 39, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any RepoClear Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any RepoClear Contract or RepoClear GC Contract arising under paragraph (d) or (e) if the Clearing House does not receive the relevant details referred to in paragraph (g) by the time referred to in such paragraph (g) in respect of such RepoClear Contract or RepoClear GC Contract.
- (j) Notwithstanding the provisions of paragraph (c), if the Clearing House receives details of a trade from an ATS specified by an ATS participant by notice given under paragraph (b) and which notice has not been withdrawn and the details of the trade purportedly meet the relevant RepoClear Open Offer Eligibility Criteria in paragraph (c), the ATS participant shall be bound by any RepoClear Contract or RepoClear GC Contract registered in his name in respect of such trade and the terms of such registered RepoClear Contract or RepoClear GC Contract, as the case may be, shall be as set out in paragraph (b).
- (k) Without prejudice to paragraph (j), the Clearing House may with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a contract in error or have agreed to certain terms of the contract in error.
- (l) In the event of a dispute arising out of, or in respect of, the existence of a trade, or whether it was identified to the ATS by the ATS participants (as defined above) as a trade to be registered by the Clearing House as a RepoClear Contract or RepoClear GC Contract, such dispute shall be settled as provided for in the ATS Rules, without recourse to the Clearing House. In respect of a dispute arising out of, or in respect of, a registered RepoClear Contract or RepoClear GC Contract, other than a dispute in

respect of a matter referred to above as a dispute to be settled as provided for in the ATS Rules, such dispute shall be settled as provided in the Regulations.



**Regulation 56A RepoClear transactions entered into by RepoClear Dealers through an Automated Trading System**

- (a) This Regulation 56A applies to Repo Trades, Bond Trades and GC Trades made by a RepoClear Dealer (who is not a RepoClear Clearing Member) through an ATS which is an authorised ATS. In the event of any inconsistency between the Regulations, (including the RepoClear Dealer Clearing Agreement and the terms of any other agreement entered into between the RepoClear Dealer, the RepoClear Clearing Member and the Clearing House, or any of them) and relevant ATS Rules, the Regulations shall prevail.
- (b) If an “ATS participant” (defined for these purposes as a RepoClear Dealer who is a direct or indirect participant in an ATS), has given notice to the Clearing House in accordance with the Procedures, that it intends to carry out Repo Trades and/or Bond Trades and/or GC Trades through an ATS and has not withdrawn such notice in accordance with the Procedures, the Clearing House will enter into RepoClear Contracts or RepoClear GC Contracts, as the case may be, with the RepoClear Clearing Member of the ATS participant pursuant to such dealings in accordance with and subject to the following provisions of this Regulation. The terms of a registered RepoClear Contract or RepoClear GC Contract shall be as notified to the Clearing House by the ATS and otherwise subject to the Regulations (and the Clearing House and the RepoClear Clearing Member party to the registered RepoClear Contract or RepoClear GC Contract, as the case may be, shall be obliged to perform their obligations thereunder in accordance with such terms).
- (c) The Clearing House makes an open offer to the RepoClear Clearing Member of the ATS participant to enter into a RepoClear Contract in respect of any Repo Trade or any Bond Trade or to enter into a RepoClear GC Contract in respect of any GC Trade in accordance with paragraph (d) or paragraph (e) of this Regulation, as applicable, pursuant to the ATS participant’s dealings through any ATS referred to in paragraph (b), provided that the following requirements (“the RepoClear Open Offer Eligibility Criteria”) shall have been complied with:
- (i) the Clearing Membership Agreement to which the RepoClear Clearing Member is party has not been terminated in accordance with its terms;
  - (ii) the ATS participant has not been removed or suspended from the Register of RepoClear Dealers;
  - (iii) a Default Notice has not been issued in respect of the RepoClear Clearing Member under rule 3 of the Default Rules (without prejudice to the Clearing House’s rights to register new contracts (including RepoClear Contracts and RepoClear GC Contracts, whether closing out contracts or otherwise) in the RepoClear Clearing Member’s name under the Default Rules in connection with the Clearing House’s default proceedings);
  - (iv) such dealings satisfy the terms and conditions stated in the Regulations and the Procedures with respect to such dealings (the “RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear GC Contracts”) and the offers made in this Regulation 56A, including the terms of any contract which would arise under paragraph (d) or (e) and all necessary details as required by the Clearing House shall have been provided to the Clearing House;
  - (v) the dealings are recognised by the relevant authorised ATS as satisfying the RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear GC

Contract and as dealings which the parties thereto have identified are to be registered by the Clearing House as RepoClear Contracts or RepoClear GC Contracts, as applicable;

- (vi) the RepoClear Clearing Member or the ATS participant as agent for the RepoClear Clearing Member has executed such agreements or documents as may be required by the Clearing House from time to time in connection herewith or the RepoClear Dealer Clearing Agreement; and
  - (vii) all or any conditions imposed by the Clearing House have been satisfied.
- (d) If particulars with respect to (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade which satisfy the RepoClear Open Offer Eligibility Criteria have been input in to the relevant authorised ATS by or on behalf of an ATS participant as seller and have been matched by, or in accordance with the ATS Rules with particulars with respect to a Repo Trade, Bond Trade, or GC Trade on such terms input into such ATS by another ATS participant as buyer, and the RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or two RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the buyer under one RepoClear Contract or RepoClear GC Contract, as the case may be, to the RepoClear Clearing Member of the selling ATS participant, and the seller under the second RepoClear Contract or RepoClear GC Contract, as the case may be, to the RepoClear Clearing Member of the buying ATS participant.
- (e) If particulars in respect of (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade, which satisfy the RepoClear Open Offer Eligibility Criteria have been input into the relevant ATS by or on behalf of an ATS participant as buyer and have been matched by, or in accordance with the ATS Rules with particulars in respect of a Repo Trade, Bond Trade or GC Trade (as the case may be), on such terms input into such ATS by another ATS participant as seller and the RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or two RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the seller under one RepoClear Contract or RepoClear GC Contract (as the case may be) to the RepoClear Clearing Member of the buying ATS participant, and the buyer under the second RepoClear Contract or RepoClear GC Contract (as the case may be) to the RepoClear Clearing Member of the selling ATS participant.
- (f) RepoClear Contracts or RepoClear GC Contracts entered into by the Clearing House under paragraph (d) or (e), as applicable, with RepoClear Clearing Members, shall be registered in the name of each RepoClear Clearing Member following receipt of the

details required by the Clearing House of such contracts from the operator of the relevant ATS.

- (g) If the details required by the Clearing House of RepoClear Contracts or RepoClear GC Contracts arising under paragraph (d) or (e) are not provided to the Clearing House by the operator of the relevant ATS in accordance with the terms of an agreement entered into between the Clearing House and the ATS operator by the time required by the Clearing House from time to time, neither the Clearing House nor the RepoClear Clearing Member party thereto shall be obliged to perform their respective obligations under the RepoClear Contracts or RepoClear GC Contracts arising under paragraph (d) or (e), as applicable. If the Clearing House receives such details after such time from such operator or in accordance with any directions issued by the Clearing House to the affected RepoClear Clearing Member, or any other RepoClear participant, such RepoClear Contracts or RepoClear GC Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected RepoClear Contract or RepoClear GC Contract. Any directions given by the Clearing House under this paragraph (g) shall be binding on all affected RepoClear Participants.
- (h) The Clearing House undertakes to keep open the offer made by it in this Regulation 56A in respect of Repo Trades, Bond Trades or GC Trades meeting the RepoClear Open Offer Eligibility Criteria until each authorised ATS referred to in paragraph (b) has removed from the ATS participant the ability to submit Repo Trades or Bond Trades or GC Trades for registration with the Clearing House.
- (i) Without prejudice to Regulation 39A, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any RepoClear Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any RepoClear Contract or any RepoClear GC Contract arising under paragraph (d) or (e) if the Clearing House does not receive the relevant details referred to in paragraph (g) by the time referred to in such paragraph (g) in respect of such RepoClear Contract or RepoClear GC Contract.
- (j) Notwithstanding the provisions of paragraph (c), if the Clearing House receives details of a trade from an ATS specified by an ATS participant by notice given under paragraph (b) and which notice has not been withdrawn and the details of the trade purportedly meet the relevant RepoClear Open Offer Eligibility Criteria in paragraph (c), the RepoClear Clearing Member of the relevant ATS participant shall be bound by any RepoClear Contract or RepoClear GC Contract registered in his name in respect of such trade and the terms of such registered RepoClear Contract or RepoClear GC Contract shall be as set out in paragraph (b).
- (k) Without prejudice to paragraph (i), the Clearing House may with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by their respective ATS participants in error.
- (l) In the event of a dispute arising out of, or in respect of, the existence of a trade, or whether it was identified to the ATS by the ATS participants (as defined above) as a trade to be registered by the Clearing House as a RepoClear Contract or RepoClear GC Contract, such dispute shall be settled as provided for in the ATS Rules, without recourse to the Clearing House. In respect of a dispute arising out of, or in respect of, a

registered RepoClear Contract or RepoClear GC Contract, other than a dispute in respect of a matter referred to above as a dispute to be settled as provided for in the ATS Rules, such disputes shall be settled as provided in the Regulations.

**Regulation 57 RepoClear Dealers**

- (a) Application for admission to the Register of RepoClear Dealers shall be made in accordance with these Regulations and the Procedures. An applicant for admission to the Register of RepoClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of RepoClear Dealers. A RepoClear Dealer shall be subject to, and governed by, these Regulations, the Procedures and the RepoClear Dealer Clearing Agreement to which it is for the time being party.
- (b) A person admitted to the Register of RepoClear Dealers shall at all times satisfy the criteria prescribed from time to time by the Clearing House for admission to the Register of RepoClear Dealers and any rules prescribed from time to time by the Clearing House for RepoClear Dealers.
- (c) The Clearing House may suspend or remove a RepoClear Dealer from the Register of RepoClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the RepoClear Dealer Clearing Agreement to which it is for the time being party. Any person who has been suspended from the Register of RepoClear Dealers for a period of more than three months shall be removed from the Register of RepoClear Dealers and must make a new application if it wishes to be re-admitted to the Register.
- (d) A RepoClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of RepoClear Dealers. At the end of such notice period, the Clearing House shall remove the RepoClear Dealer from the Register of RepoClear Dealers.
- (e) The Clearing House may, for the purposes of Regulation 57(A), prescribe different criteria to be satisfied by RepoClear Dealers in respect of Repo Trades, Bond Trades, RepoClear Transactions, RepoClear GC Transactions or GC Trades.

**Regulation 57A Authorisation to act as a RepoClear Clearing Member**

- (a) A Member may not become party to RepoClear Contracts or RepoClear GC Contracts unless it has been authorised by the Clearing House as a RepoClear Clearing Member and is eligible to be party to such RepoClear Contracts or RepoClear GC Contracts and such authorisation has not been withdrawn or suspended by the Clearing House.
- (b) Application for authorisation as a RepoClear Clearing Member shall be made in accordance with these Regulations and the Procedures. In order to be authorised as a RepoClear Clearing Member, a Member must meet the criteria applicable to the RepoClear Contracts or RepoClear GC Contracts to which it wishes to become a party. A Clearing Member may be authorised as eligible to become party to certain RepoClear Contracts or RepoClear GC Contracts and not others.
- (c) The withdrawal or suspension of a Member's authorisation referred to in paragraph (a) shall not, of itself, affect its membership of the Clearing House, or its entitlement (if any) to become party to RepoClear Contracts or RepoClear GC Contracts which are not caught by the withdrawal or suspension of such authorisation.
- (d) Where a Default Notice is served in accordance with these Regulations, or the Clearing Membership Agreement of a RepoClear Clearing Member is terminated, the service of such notice or the termination of such Clearing Membership Agreement, as the case may be, shall automatically withdraw the authorisation of that Member to be a RepoClear Clearing Member.
- (e) Without prejudice to paragraph (d) of this Regulation, the Clearing House shall suspend the authorisation referred to in paragraph (a) of any Member who is no longer otherwise eligible to have RepoClear Contracts and/or RepoClear GC Contracts registered in its name for such period as the Clearing House may determine.
- (f) If a Member's authorisation to act as RepoClear Member is withdrawn, or is withdrawn with respect to some but not all RepoClear Contracts and RepoClear GC Contracts, those RepoClear Contracts or RepoClear GC Contracts which the Member is no longer eligible to clear with the Clearing House shall be closed-out in accordance with directions given by the Clearing House.

**Regulation 58 Daily Margining of RepoClear Contracts and RepoClear GC Contracts**

- (a) This Regulation 58 shall be without prejudice to the Clearing House's rights to require cover to be provided to it under Regulation 12.
- (b) The Net Present Value of each RepoClear Contract and each RepoClear GC 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) Subject to paragraph (d), the Clearing House shall require payment, in accordance with the Procedures, at least daily, of cash cover for variation margin from a RepoClear Clearing Member, or will be required to pay cash cover for variation margin to such RepoClear Clearing Member, representing the change in the Net Present Value of all RepoClear Contracts and RepoClear GC Contracts registered in the RepoClear Clearing Member's name for a particular currency from the preceding RepoClear Opening Day (as defined in the Procedures), in an amount calculated in accordance with the Procedures. Payment of cash cover shall be made in accordance with and by the time or times stated in the Procedures.
- (d) Interest shall be paid by the Clearing House on cash cover paid to the Clearing House by such RepoClear Member and shall be calculated on the basis set out in the Procedures. A RepoClear Clearing Member shall pay interest to the Clearing House on cash cover paid by the Clearing House to the RepoClear Clearing Member as calculated by the Clearing House on the basis set out in the Procedures.



**Regulation 59 Delivery (or Other) Failures**

- (a) Without prejudice to the Default Rules, if a RepoClear Clearing Member as seller fails to deliver securities to the Clearing House under a RepoClear Contract or RepoClear GC Contract by the due time therefore, the Clearing House shall issue directions, in accordance with the Procedures, to the seller and to a RepoClear Clearing Member as buyer under a corresponding RepoClear Contract or RepoClear GC Contract regarding the performance of such contracts and such directions shall be binding on such members.
- (b) The Clearing House shall be entitled to call for cover for margin in such amounts and in such form as it may require in accordance with the Procedures from the selling RepoClear Clearing Member who has failed to deliver securities under a RepoClear Contract or RepoClear GC Contract by the due time therefore and from the buying RepoClear Clearing Member under the corresponding RepoClear Contract or RepoClear GC Contract.
- (c) Without prejudice to the Default Rules, if a selling RepoClear Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under RepoClear Contracts or RepoClear GC Contract (other than in circumstances where Regulations 26 and/or 27 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the RepoClear Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the RepoClear Member's ability to have RepoClear Contracts and/or RepoClear GC Contracts registered in his name and to require him to liquidate or transfer under Regulation 11 open contracts, being RepoClear Contracts and/or RepoClear GC Contracts registered in his name.



**Regulation 60    Withdrawal of RepoClear Service by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw the RepoClear service, it shall give not less than six months' notice to all RepoClear Participants of the date on which the service will be withdrawn ("the RepoClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, one or more RepoClear Participants shall not invalidate the RepoClear Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the RepoClear Withdrawal Date.
- (c) If, at the RepoClear Withdrawal Date, a RepoClear Clearing Member has open Contracts, being RepoClear Contracts and/or RepoClear GC Contracts, registered in its name, the Clearing House shall, at its sole discretion, be entitled to liquidate any such RepoClear Contracts and/or RepoClear GC Contracts and effect cash settlement in respect of them with the RepoClear Clearing Member.
- (d) The Clearing House shall have the right to postpone the RepoClear Withdrawal Date until such time as the Clearing House determines.

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part A****RepoClear Contract Terms: RepoClear Contracts arising from RepoClear Transactions, Repo Trades or Bond Trades**

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

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

**Interpretation Section**

Save as otherwise specified herein, words and phrases defined elsewhere in the General Regulations, Procedures and Default Rules of the Clearing House (together, and as amended from time to time, the "**Regulations**") shall have the same meanings in these RepoClear Contract Terms.

In the event of any inconsistency between these RepoClear Contract Terms and the Regulations, the Regulations will prevail, unless expressly otherwise specified.

As used in these RepoClear Contract Terms:

**"Equivalent Securities"** means securities equivalent to Purchased Securities. If and to the extent that such Purchased Securities have been redeemed, the expression shall mean a sum of money equivalent to the proceeds of redemption.

Securities are **"equivalent to"** other securities for the purposes of these RepoClear Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.

**"Income"** means, with respect to any Purchased Securities at any time, all interest, dividends or other distributions thereon (**"Distributions"**).

**"Income Payment Date"** means, with respect to any Purchased Securities, the date on which Income is paid in respect of such Purchased Securities, or in the case of registered Purchased Securities, the date by reference to which particular registered holders are identified as being entitled to payment of Income.

**"Price Differential"** means, with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55, or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, the aggregate amount obtained by daily application of the Pricing Rate to the Purchase Price (on a day basis in accordance with the RepoClear Procedures) for the actual number of days during the period commencing on (and including) the Purchase Date and ending on (but excluding) the date of calculation or, if earlier, the Repurchase Date.

**“Pricing Rate”** means the per annum percentage rate used in the calculation of the Price Differential, which in turn, is used to calculate the Repurchase Price.

**“Purchase Date”** means the date on which the Purchased Securities will be sold by Seller to Buyer.

**“Purchased Securities”** means the underlying securities to be sold by Seller to Buyer on the Purchase Date.

**“Purchase Price”** means the cash amount payable by Buyer to Seller for the Purchased Securities.

**“RepoClear Contract”** means a contract between Buyer and Seller on the basis of the Standard Terms and the Economic Terms, and references to “this RepoClear Contract” are to the particular RepoClear Contract in question.

**“RepoClear Procedures”** means the part of the Procedures of the Clearing House that contains provisions in respect of RepoClear Contracts.

**“Repurchase Date”** means, with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, the date on which Equivalent Securities will be sold by Buyer to Seller.

**“Repurchase Price”** with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55, or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, means, as of any date, the sum of the Purchase Price and the Price Differential as of such date.

**“Term”** means, with respect to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with Regulation 55, or from a Repo Trade in accordance with the provisions of Regulations 56 or Regulation 56A, the interval of time commencing with the Purchase Date and ending with the Repurchase Date.

#### 1. **Economic Terms**

In relation to this RepoClear Contract, the terms in (a) to (g) below (the “Economic Terms”) will: (i) where this RepoClear Contract is dealt with through an automated trade capture system, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.

The Economic Terms comprise details of:

- (a) Buyer;
- (b) Seller;
- (c) Pricing Rate;
- (d) Purchase Date;
- (e) Purchase Price;

- (f) Purchased Securities; and
- (g) Repurchase Date.

PROVIDED, however, that, when such information presented or input (as the case may be) by any RepoClear Participant specifies such RepoClear Participant as: (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear Contract.

## **2. Standard Terms**

### **2.1. General**

- (a) On the Purchase Date, Seller shall transfer the Purchased Securities to Buyer against payment of the Purchase Price by Buyer.
- (b) If this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, then on the Repurchase Date, Buyer shall transfer to Seller Equivalent Securities against the payment of the Repurchase Price by Seller.
- (c) Notwithstanding the use of expressions such as “margin”, and, if this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulations 56A, the use of expressions such as “Repurchase date”, “Repurchase Price” and “substitution”, which are used to reflect terminology used in the market for transactions of the kinds provided for in these Standard Terms, all right, title and interest in and to Purchased Securities and money transferred or paid under these Standard Terms and, if this RepoClear Contract has arisen from a Repo Trade all right, title and interest in Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Purchased Securities if this RepoClear Contract has arisen from a Repo Trade shall be an obligation to transfer Equivalent Securities.
- (d) Subject to the Default Rules, any Purchase Price, Repurchase Price and amounts in respect of Income Payment Dates (if applicable) in the same currency payable by either party to the other under this RepoClear Contract and any other RepoClear Contract on the same date shall be combined in a single calculation of a net sum payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.
- (e) Subject to the Default Rules, all securities of the same issue, denomination, currency and series, transferable by either party to the other under this RepoClear Contract and any other RepoClear Contract on the same date, whether this or any such other RepoClear Contract has arisen from a RepoClear Repo Transaction or from a RepoClear Bond Transaction in accordance with the provisions of Regulation 55, or from a Repo Trade or a Bond Trade in accordance with the provisions of Regulation 56 or Regulation 56A, shall be combined in a single calculation of a net quantity of securities transferable by one party to the other and the obligation to transfer the net quantity of securities shall be the only obligation of either party in respect of the securities so transferable and receivable.

### **2.2. Margin Maintenance**

The provisions set out in the General Regulations and the Procedures in relation to margin and cover for margin shall be applicable to this RepoClear Contract. Any cover for variation margin liability will be in the form of cash only.

### 2.3. **Income Payments**

If this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, where the Term of this RepoClear Contract extends over any Income Payment Date in respect of any Purchased Securities subject to this RepoClear Contract, Buyer shall make payment of such amounts in respect of such Income Payment Date in accordance with the RepoClear Procedures.

### 2.4. **Payment and Transfer**

- (a) Each of the following insofar as it is applicable to this RepoClear Contract shall be paid or transferred, as the case may be, in accordance with the provisions set out in the RepoClear Procedures: the Purchase Price, the Repurchase Price, the Purchased Securities, the Equivalent Securities.
- (b) In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and/or to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agree that it shall remain liable under this RepoClear Contract as principal.
- (c) The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities, and if this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, in any Equivalent Securities, shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.

### 2.5. **Withholding Tax Provisions**

- (a) All money payable by the RepoClear Clearing Member to the Clearing House in respect of this RepoClear Contract shall be paid free and clear of any deduction. Where however, a RepoClear Clearing Member is required by any applicable law or any taxation authority properly acting within the scope of its authority or power, to withhold or deduct any tax or duty from any payment due in respect of this RepoClear Contract, the RepoClear Clearing Member shall be entitled to withhold or deduct such tax or duty, and shall pay to the Clearing House such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by the Clearing House had no such taxes or duties been required to be withheld or deducted.
- (b) All money payable by the Clearing House to the RepoClear Clearing Member in respect of this RepoClear Contract shall be paid free and clear of any deduction. Where however, the Clearing House is required by any applicable law or any taxation authority properly acting within the scope of its authority or power, to withhold or deduct any tax or duty from any payment due in respect of this RepoClear Contract, the Clearing House shall be entitled to withhold or deduct such tax or duty. In such event, the Clearing House shall pay such additional

amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted, PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover and does recover the amount payable by it from another RepoClear Clearing Member in respect of any related RepoClear Contract.

## 2.6. Substitution

- (a) This RepoClear Contract may be varied by the transfer by Buyer to Seller of securities equivalent to the Purchased Securities in exchange for the transfer by Seller to Buyer of other securities, in accordance with the provisions of the RepoClear Procedures.
- (b) Notwithstanding the provisions of the RepoClear Procedures, where this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, and the Repurchase Date is not the Business Day immediately following the Purchase Date, Seller shall have the right (subject to the proviso to this paragraph 2.6(b)) by notice to Buyer (such notice to be given in accordance with the RepoClear Procedures) to vary this RepoClear Contract in accordance with the provisions of the RepoClear Procedures; provided, however, that Buyer may elect by close of business on the Business Day on which such notice is received (or by close of business on the next Business Day if notice is received after the time specified in the RepoClear Procedures for the giving of such notice) not to vary this RepoClear Contract. If Buyer elects not to vary this RepoClear Contract, Seller shall have the right, by notice to Buyer, to terminate this RepoClear Contract on the Business Day specified in that notice, such Business Day not to be later than two Business Days after the date of the notice.
- (c) Notwithstanding the provisions of the Default Rules, where the RepoClear Clearing Member is Seller and the Clearing House is Buyer in respect of this RepoClear Contract and the RepoClear Clearing Member exercises its right to vary this RepoClear Contract or to terminate this RepoClear Contract under paragraph 2.6(b), the RepoClear Clearing Member shall be required to pay to the Clearing House by close of business on the Business Day of such variation or termination an amount equal to such amount that the Clearing House determines, in its sole and absolute discretion, that is payable in respect of any related RepoClear Contract by the Clearing House (in its capacity as Seller in respect of such related RepoClear Contract) to a RepoClear Clearing Member in respect of such related RepoClear Contract (in its capacity as Buyer in respect of such related RepoClear Contract).
- (d) Notwithstanding the provisions of the Default Rules, where the Clearing House is Seller and the RepoClear Clearing Member is Buyer in respect of this RepoClear Contract and the Clearing House exercises its right to vary this RepoClear Contract or to terminate this RepoClear Contract under paragraph 2.6(b), the Clearing House shall be required to pay to the RepoClear Clearing Member by close of business on the Business Day of such variation or termination an amount equal to:
  - (i) the RepoClear Clearing Member's actual cost (including all fees, expenses and commissions) of (aa) entering into replacement transactions; (bb)

entering into or terminating hedge transactions; and (cc) terminating or varying transactions with third parties in connection with or as a result of such variation or termination; and

- (ii) to the extent that the RepoClear Clearing Member does not enter into replacement transactions, the loss incurred by the RepoClear Clearing Member directly arising or resulting from such variation or termination,

in each case as determined and calculated in good faith by the RepoClear Clearing Member; PROVIDED, however, that the Clearing House shall only be required to pay such amount to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear Contract.

## 2.7. **Regulations**

This RepoClear Contract shall be subject to the Regulations, which shall form a part of its terms.

## 2.8. **“When Issued” Securities**

Where the subject matter of this RepoClear Contract is RepoClear Eligible Securities which have not yet been issued at the time this contract comes into being, in the event that such securities are not issued by the issuer this RepoClear Contract shall be null and void ab initio, and the only liability shall be that of the Clearing House to return to the RepoClear Clearing Member of any margin held by it, subject to compliance by the RepoClear Clearing Member with all the requirements of these Regulations and Procedures in respect of such RepoClear Contract.

## 2.9. **Governing Law**

This RepoClear Contract shall be governed by, and construed in accordance with, English law and the parties hereby submit to the jurisdiction of the English courts.

## 2.10. **Third Party Rights**

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



**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part B****Product Eligibility Criteria for Registration of a RepoClear Contract****1. Eligibility Criteria**

1.1 Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear Transaction, Repo Trade or a Bond Trade as a RepoClear Contract pursuant to receipt of details of such RepoClear Transaction, Repo Trade or Bond Trade where at the time the details are presented:

- (a) subject to 1.2 below, such RepoClear Transaction, Repo Trade or Bond Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 or 3.1 and 3.2 below (as the case may be), and the securities appear in the list published for this purpose from time to time by the Clearing House; and
- (b) the details of such RepoClear Transaction, Repo Trade or Bond Trade are submitted for registration in accordance with the Regulations, the Procedures and all such other requirements from time to time of the Clearing House; and
- (c) the parties to such RepoClear Transaction, Repo Trade or Bond Trade are RepoClear Participants,

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

1.2 German Government Debt Securities made available for trading on day of auction:

1.2.1 Where a RepoClear Transaction, Repo Trade or Bond Trade is a trade of RepoClear Eligible Securities which are to be auctioned by the German Government, and the trade is submitted from an Approved Trade Matching System, or Automated Trading System (as referred to in Regulation 56 or Regulation 56A), on the day on which such securities are to be auctioned, then the Clearing House shall register such trade PROVIDING THAT the requirements of 1.1 above are satisfied and the German Government proceeds to issue such securities; in the event that the German Government decides, on the basis of the auction, not to proceed to issue the securities;

1.2.1.1 any such RepoClear Transaction, shall be deemed to be null and void and the Clearing House will reject it. In such circumstances, no RepoClear Contracts will arise with the Clearing House; and

1.2.1.2 any RepoClear Contract already registered by the Clearing House, whether arising from a RepoClear Transaction or a Repo Trade or Bond Trade, shall be deemed to be void ab initio.

1.2.2 The first valid settlement day for a RepoClear Transaction, Repo Trade or Bond Trade referred to in 1.2.1 above shall be trade day plus two days (T+2).

1.3 United Kingdom Government Debt Securities made available for trading prior to issue date:

1.3.1 Where a RepoClear Transaction, Repo Trade or Bond Trade is a trade of RepoClear Eligible Securities which are to be issued by the United Kingdom Government, and the trade is submitted from an Approved Trade Matching System, or Automated Trading



System (as referred to in Regulation 56 or Regulation 56A), on a day prior to the day on which such securities are to be issued, then the Clearing House shall register such trade PROVIDING THAT the requirements of 1.1 above are satisfied and the United Kingdom Government proceeds to issue such securities; in the event that the United Kingdom Government decides not to proceed to issue the securities:

1.3.2 any such RepoClear Transaction shall be deemed to be null and void and the Clearing House will reject it. In such circumstances, no RepoClear Contracts will arise with the Clearing House; and

1.3.2.1 any RepoClear Contract already registered by the Clearing House, whether arising from a RepoClear Transaction or a Repo Trade or Bond Trade, shall be deemed to be void ab initio.

1.3.3 The first valid settlement date for a RepoClear Transaction, Repo Trade or Bond Trade referred to in 1.3.1 above, shall be issue date plus one day (T+1).

1.4 Where the Clearing House rejects any RepoClear Transaction in the circumstances set out in 1.2 or 1.3 above, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability, and where a RepoClear Contract is deemed void ab initio in such circumstances, the only liability shall be that of the Clearing House to return to the relevant RepoClear Clearing Member/s of any margin held by it, subject to compliance by the relevant RepoClear Clearing Members with all the requirements of these Regulations and Procedures in respect of such RepoClear Contract.

1.5 For the purposes of this Part B of the Schedule to the RepoClear Regulations, “**RepoClear Operating Day**” means any RepoClear Opening Day (see Section 2B.2.1) and is also a day when all Approved Depository Systems (as defined in section 2B of the RepoClear Procedures) for the category of the securities are operational for the completion of transfer of those Securities.

**2. Repo Trades and RepoClear Repo Transactions**

**2.1 Product Eligibility Criteria for a Repo Trade or RepoClear Repo Transaction**

<b>Deal Types</b>	Classic repo/reverse repo		
<b>Collateral Types</b>	Specifically named collateral		
<b>Structure</b>	Fixed rate repo; Fixed term repo		
<b>Eligible Securities</b>	German Government Debt Securities (see 2.2.1 below)	US Dollar International Bonds	United Kingdom Government Debt Securities (see 2.2.1 below)
	Belgian Government Debt Securities (see 2.2.1 below)		
	Austrian Government Debt Securities (see 2.2.1 below)		
	Dutch Government Debt Securities (see 2.2.1 below)		
	Irish Government Debt		

		Securities (see 2.2.1 below)		
		Finnish Government Debt Securities (see 2.2.1 below)		
		Portuguese Government Debt Securities (see 2.2.1 below)		
		Spanish Government Debt Securities (see 2.2.1 below)		
		German Jumbo Pfandbrief Bonds (see 2.2.2 below)		
		International Bonds denominated in Euro (see 2.2.2 below)		
<b>Currency</b>		Euro	US Dollar	Sterling
<b>Delivery Depositories</b>		Euroclear; Clearstream Luxemburg (CBL); Clearstream Frankfurt (CBF) (including all cross-border combinations); National Bank of Belgium (via our agent, KBC Brussels)	Euroclear; Clearstream Luxemburg (CBL); (including all cross-border combinations)	Euroclear UK and Ireland
<b>Term</b>				
Minimum Opening Leg	Opening Leg	Date of registration by the Clearing House	Date of registration by the Clearing House plus 1 RepoClear Operating Day	Date of registration by the Clearing House
Maximum Opening Leg	Opening Leg	Any valid settlement day up to 374 days from the trade date subject to the restrictions with respect to the Closing Leg	Any valid settlement day up to 374 days from the trade date subject to the restrictions with respect to the Closing Leg	Any valid settlement day up to 374 days from the trade date subject to the restrictions with respect to the Closing Leg
Minimum Closing Leg	Closing Leg	Settlement Date of Opening Leg plus 1 RepoClear Operating Day		
Maximum Closing Leg	Closing Leg	Any valid settlement day which is 1 to 374 days later than the opening leg and is no later than bond maturity date minus 2 RepoClear	Any valid settlement day which is 1 to 374 days later than the	Any valid settlement day which is 1 to 374 days later than the

<p>Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.</p>	<p>opening leg and is no later than bond maturity date minus 2 RepoClear Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.</p>	<p>opening leg and is no later than bond maturity date minus 9 RepoClear Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.</p>
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**2.2 Eligible Securities for a Repo Trade or RepoClear Repo Transaction**

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

**2.2.1 Government Debt Securities**

<p><b>Germany</b></p> <ul style="list-style-type: none"> <li>- Treasury Bills (Bubills)</li> <li>- Schatzanweisungen der Bundesrepublik Deutschland (Schatz)</li> <li>- Schatzanweisungen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit"</li> <li>- German Unity Fund BKO</li> <li>- Anleihen der Bundesrepublik Deutschland (Bunds)</li> <li>- Anleihen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit" (German Unity Fund)</li> <li>- Anleihen der Bundesrepublik Deutschland (Bund Principal Strips)</li> <li>- Anleihen der Bundesrepublik Deutschland (Bund Coupon Strips)</li> <li>- Obligationen der Bundesrepublik Deutschland (Bobl)</li> <li>- Anleihen der Treuhandstalt</li> <li>- Obligationen der Treuhandstalt (Tobl)</li> </ul>
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<p><b>Belgium</b></p> <ul style="list-style-type: none"> <li>- Fixed-coupon linear-bonds (OLOs)</li> <li>- Principal strips</li> <li>- Coupon strips</li> <li>- Belgian Treasury Certificates</li> </ul>
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<p><b>Austria</b></p> <ul style="list-style-type: none"> <li>- Austrian Government Bonds</li> </ul>
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<p><b>Netherlands</b></p> <ul style="list-style-type: none"> <li>- Dutch Government Bonds (also known as Dutch State Loans)</li> </ul>
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- Dutch Treasury Certificates
Ireland
- Irish Government Bonds
Finland
- Finnish Government Bonds
Portugal
- Portuguese Government Bonds
Spain
- Spanish Government Bonds
United Kingdom
- United Kingdom Government Bonds and Treasury Bills

## 2.2.2

**Other Bonds**

<p>German Jumbo Pfandbriefe</p> <p>Issuers:</p> <ul style="list-style-type: none"> <li>Allgemeine Hypothekenbank</li> <li>Bayerische Hypo-und Vereinsbank AG</li> <li>Bayerische Landesbank Girozentrale</li> <li>Berlin-Hannover Hypothekenbank</li> <li>DekaBank</li> <li>Depfa Bank</li> <li>Deutsche Genossenschafts-Hypothekenbank</li> <li>Deutsche Hypothekenbank Frankfurt AG</li> <li>Deutsche Hyp-Deutsche Hypothekenbank Frankfurt-Hamburg AG</li> <li>Dexia Hypothekenbank</li> <li>Dusseldorfer Hypothekenbank</li> <li>Enrohypo AG Europaeische Hypothekenbank der Deutschen Bank</li> <li>Eurohypo Aktiengesellschaft</li> <li>Hypothekenbank IN Essen</li> <li>Hypo Real Estate Bank AG</li> <li>Landesbank Baden-Wuerttemberg</li> <li>Landesbank Berlin</li> <li>Landesbank Hessen-Thueringen</li> <li>Landesbank NRW</li> <li>Landesbank Rheiland-Pflaz-Girozentrale</li> <li>Landesbank Sachsen</li> <li>Munchener Hypothekenback</li> <li>Norddeutsche Landesbank</li> <li>Rheinhyp</li> <li>Schleswig-Holsteinische</li> <li>SEB Hypothekenbank</li> <li>Westfaelische Hypothekenbank</li> <li>WestLB</li> <li>Wuerttembergische Hypothekenbank AG</li> </ul>
<p>International Bonds (denominated in Euro or in US Dollar)</p> <ul style="list-style-type: none"> <li>Agency Bonds</li> <li>Sovereign Bonds</li> <li>Supranational Bonds</li> </ul>

German Jumbo Pfandbriefe
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The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 2.1 and 2.2 above to be RepoClear Eligible Securities.

3. **Bond Trades and RepoClear Bond Transactions**

3.1 ***Product Eligibility Criteria for a Bond Trade or RepoClear Bond Transaction***

Eligible Securities	German Government Debt Securities (see 3.2.1 below)  Belgian Government Debt Securities (see 3.2.1 below)  Austrian Government Debt Securities (see 3.2.1 below)  Dutch Government Debt Securities (see 3.2.1 below)  Irish Government Debt Securities (see 3.2.1 below)  Finnish Government Debt Securities (see 3.2.1 below)  German Jumbo Pfandbrief Bonds (see 3.2.2 below)  Portuguese Government Debt Securities (see 3.2.1 below)  Spanish Government Debt Securities (see 3.2.1 below)  International Bonds denominated in Euro (see 3.2.2 below)  Please see LCH.Clearnet Limited website for full details of all bonds eligible from time to time	US Dollar International Bonds	United Kingdom Government Bonds (see 3.2.1 below)
Currency	Euro	US Dollar	Sterling

Delivery Depositories	Euroclear; Clearstream Luxemburg (CBL); Clearstream Frankfurt (CBF) (including all cross-border combinations); National Bank of Belgium (via our agent, KBC Brussels)	Euroclear; Clearstream Luxemburg (CBL); (including all cross-border combinations)	Euroclear UK and Ireland
Minimum Settlement Date	Date of registration by the Clearing House	Date of registration by the Clearing House plus 1 RepoClear Operating Day	Date of registration by the Clearing House
Maximum Settlement Date	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 2 RepoClear Operating Days.	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 2 RepoClear Operating Days.	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 9 RepoClear Operating Days or Treasury Bill maturity date minus 1 RepoClear Operating d

**3.2 Eligible Securities for a Bond Trade or RepoClear Bond Transaction**

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

**3.2.1 Government Debt Securities**

Germany
<ul style="list-style-type: none"> <li>- Treasury Bills (Bubills)</li> <li>- Schatzanweisungen der Bundesrepublik Deutschland (Schatz)</li> <li>- Schatzanweisungen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit"</li> <li>- German Unity Fund BKO</li> <li>- Anleihen der Bundesrepublik Deutschland (Bunds)</li> <li>- Anleihen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit" (German Unity Fund)</li> <li>- Anleihen der Bundesrepublik Deutschland (Bund Principal Strips)</li> <li>- Anleihen der Bundesrepublik Deutschland (Bund Coupon Strips)</li> <li>- Obligationen der Bundesrepublik Deutschland (Bobl)</li> <li>- Anleihen der Treuhandstalt</li> <li>- Obligationen der Treuhandstalt (Tobl)</li> </ul>

Belgium
- Fixed-coupon linear-bonds (OLOs)
- Principal strips
- Coupon strips
- Belgian Treasury Certificates
Austria
- Austrian Government Bonds
Netherlands
- Dutch Government Bonds (also known as Dutch State Loans)
- Dutch Treasury Certificates
Ireland
- Irish Government Bonds
Finland
- Finnish Government Bonds
Portugal
- Portuguese Government Bonds
Spain
- Spanish Government Bonds
United Kingdom
- United Kingdom Government Bonds and Treasury Bills

### 3.2.2 Other Bonds

German Jumbo Pfandbriefe
Issuers:
Allgemeine Hypothekenbank
Bayerische Hypo-und Vereinsbank AG
Bayerische Landesbank Girozentrale
Berlin-Hannover Hypothekenbank
DekaBank
Depfa Bank
Deutsche Genossenschafts-Hypothekenbank
Deutsche Hypothekenbank Frankfurt AG
Deutsche Hyp-Deutsche Hypothekenbank Frankfurt-Hamburg AG
Dexia Hypothekenbank
Dusseldorfer Hypothekenbank
Enrohypo AG Europaeische Hypothekenbank der Deutschen Bank
Eurohypo Aktiengesellschaft
Hypothekenbank IN Essen
Hypo Real Estate Bank AG
Landesbank Baden-Wuerttemberg
Landesbank Berlin
Landesbank Hessen-Thueringen
Landesbank NRW
Landesbank Rheiland-Pflaz-Girozentrale
Landesbank Sachsen
Munchener Hypothekenback

German Jumbo Pfandbriefe
Norddeutsche Landesbank Rheinhyp Schleswig-Holsteinische
SEB Hypothekenbank Westfaelische Hypothekenbank WestLB Wuerttembergische Hypothekenbank AG
International Bonds (denominated in Euro or in US Dollar)
Agency Bonds Sovereign Bonds Supranational Bonds

The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 3.1 and 3.2 above to be RepoClear Eligible Securities.



**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part C**

**LCH GC Repo Contract Terms**

PART C of the Schedule to the RepoClear Regulations has been deleted as the service offering for LCH GC Repo has been withdrawn for the time being.

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part D**

**Product Eligibility Criteria for Registration of a LCH GC Repo Contract**

PART D of the Schedule to the RepoClear Regulations has been deleted as the service offering for LCH GC Repo has been withdrawn for the time being.

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part E****RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades**

Where a RepoClear SGC Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear SGC Contract shall include these REPOCLEAR SGC CONTRACT TERMS, which shall comprise:

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

**Interpretation Section**

Save as otherwise specified herein, words and phrases defined elsewhere in this Rulebook shall have the same meanings in these RepoClear SGC Contract Terms.

In the event of any inconsistency between these RepoClear SGC Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

As used in these RepoClear SGC Contract Terms:

**“Closing Cash Amount”** means the cash amount identified in the Economic Terms as set out in paragraph 1 below.

**“Daily Cash Amount”** means, on any SGC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.5(c).

**“Daily Equivalent Securities”** means, on any day, the net securities transferable by either party to the other, calculated under paragraph 2.5(b).

**“Daily Purchased Securities”** means, on any SGC Day, the net securities transferable by either party to the other, calculated under paragraph 2.5(a).

**“Daily Return Amount”** means, on any SGC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.5(d).

**“Eligible Securities”** means securities of any issue of securities comprised in a SGC Basket.

**“Eligible SGC Basket”** means an SGC Basket which appears in the list containing details of all Eligible SGC Baskets published for this purpose from time to time by the Clearing House.

**“Eligible SGC Trade”** means a RepoClear SGC Transaction or SGC Trade, as applicable.

**“End Date”** means the last day upon which Equivalent Securities will be delivered by the Buyer to the Seller in accordance with these RepoClear SGC Contract Terms, as stated in the Economic Terms.

**“Equivalent Securities”** means, on any day, securities equivalent to the Purchased Securities that were transferred by Seller to Buyer on the immediate preceding SGC Day.

Securities are “**equivalent to**” other securities for the purposes of these RepoClear SGC Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; and (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.

“**Interest**” means with regard to this RepoClear SGC Contract, the amount obtained by deducting the Opening Cash Amount from the Closing Cash Amount.

“**Last SGC Date**” means, with regard to this RepoClear SGC Contract, the last date upon which Purchased Securities will be sold by Seller to Buyer in accordance with these RepoClear SGC Contract Terms.

“**Opening Cash Amount**” means the cash amount identified in the Economic Terms as set out paragraph 1 below.

“**Purchased Securities**” means, on any SGC Day, Eligible Securities transferable by Seller to Buyer on that SGC Day under these RepoClear SGC Contract Terms.

“**RepoClear Procedures**” means the part of the Rulebook of the Clearing House that contains provisions in respect of RepoClear SGC Contracts.

“**RepoClear SGC Contract**” means a RepoClear SGC Contract between Buyer and Seller on the RepoClear SGC Contract Terms and references to “this RepoClear SGC Contract” are to the particular RepoClear SGC Contract in question.

“**Return Amount**” means a cash amount which is equivalent in value to, and in the same currency as, the Opening Cash Amount.

“**SGC Basket**” means the issues of securities published by the Clearing House from time to time in accordance with the RepoClear Procedures which, together, comprise a basket of securities.

“**SGC Cut-Off Time**” means such time on each SGC day as is set out in the RepoClear Procedures (as the time after which on that day no further Eligible SGC Trades will be accepted by the Clearing House for registration which are to be settled on the same SGC day).

“**SGC Day**” means any day of the Term on which the RepoClear SGC Service operates.

“**Start Date**” means the SGC Day being the first day upon which Purchased Securities will be sold by Seller to Buyer as stated in the Economic Terms and in accordance with these RepoClear SGC Contract Terms.

“**Term**” means the interval of time commencing on and including the Start Date and ending on and including the Last SGC Date.

“**Underlying SGC Basket**” means the SGC Basket identified in the Economic Terms of a RepoClear SGC Contract.

## 1. **Economic Terms**

In relation to this RepoClear SGC Contract, the terms in (a) to (h) below (the “**Economic Terms**”) will (i) where this RepoClear SGC Contract is dealt with through an Approved Trade Matching System, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear SGC Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.

The Economic Terms comprise details of:

- (a) Buyer;
- (b) Seller;
- (c) Underlying SGC Basket (identified by ISIN);
- (d) Trade date and time;
- (e) Start Date;
- (f) End Date;
- (g) Opening Cash Amount;
- (h) Closing Cash Amount;

PROVIDED, however, that, when such information presented or input (as the case may be) by any RepoClear Participants specifies such RepoClear Participant as (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear SGC Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear SGC Contract.

## 2. **Standard Terms**

- 2.1 RepoClear SGC Contracts shall arise in accordance with the Rulebook and shall be on these RepoClear SGC Contract Terms.

### Allocation of Eligible Securities

- 2.2 On each SGC Day of this RepoClear SGC Contract, Seller agrees that Purchased Securities shall be allocated from the Underlying SGC Basket in accordance with the terms of this RepoClear SGC Contract and the RepoClear Procedures. Purchased Securities may be allocated from more than one issue of securities in the Underlying SGC Basket. Following the application of paragraph 2.5, the value of Daily Purchased Securities to be allocated on any SGC Day shall be equal to the Daily Cash Amount (subject to any minor discrepancies in value attributable to allocation methodologies as contemplated within the RepoClear Procedures from time to time).

- 2.3 [ ].

### Transfer of Securities and Cash

- 2.4 Subject to paragraph 2.5 below:

- (a) on the Start Date and each subsequent SGC Day, Seller shall transfer Purchased Securities to Buyer against payment of the Opening Cash Amount by Buyer, in accordance with the RepoClear Procedures.
- (b) on the SGC Day immediately after the Start Date and on each subsequent SGC Day and also the End Date, Buyer shall transfer Equivalent Securities to Seller against payment of the Return Amount, in accordance with the RepoClear Procedures.

- 2.5 Subject to the Default Rules:

- (a) the value of Purchased Securities transferable by Seller to Buyer under this RepoClear SGC Contract on any SGC Day and the value of Purchased Securities transferable by either party to the other under any other open RepoClear SGC Contract relating to the same Underlying SGC Basket on the same day shall be combined into a single calculation of a net value of securities of that SGC Basket transferable by one party to the other and the obligation to transfer securities of that net value and of that SGC Basket (the “**Daily Purchased Securities**”) through the CREST DBV System on that day shall be the only obligation of either party in respect of all Purchased Securities so transferable and receivable on that day;
- (b) the Equivalent Securities transferable by Buyer to Seller under this RepoClear SGC Contract on any day and the Equivalent Securities transferable by either party to the other under any other open RepoClear SGC Contract relating to the same Underlying SGC Basket on the same day shall be replaced by a single obligation by one party (the “**delivering party**”) to transfer on that day to the other party (the “**receiving party**”) through the CREST DBV System securities equivalent to the Daily Purchased Securities that were transferred on the previous SGC Day by the receiving party to the delivering party (the “**Daily Equivalent Securities**”), and that obligation to transfer the Daily Equivalent Securities shall be the only obligation of either party in respect of all Equivalent Securities so transferable and receivable on that day;
- (c) the Opening Cash Amount transferable by Buyer to Seller under this RepoClear SGC Contract on any SGC Day and any Opening Cash Amount transferable by either party to the other under any other open RepoClear SGC Contract on the same day shall be combined in a single calculation of a net cash amount (“**the Daily Cash Amount**”) transferable by one party to the other and the obligation to transfer the Daily Cash Amount shall be the only obligation of either party in respect of all Opening Cash Amounts so transferable and receivable on that day;
- (d) the Return Amount transferable by Seller to Buyer under this RepoClear SGC Contract on any day and any Return Amount transferable by either party to the other under any other open RepoClear SGC Contract on the same day shall be replaced by a single net obligation by one party (the “**paying party**”) to transfer to the other party (the “**receiving party**”) on that day cash equivalent in amount to, and of the same currency as, the Daily Cash Amount that was transferred on the previous SGC Day by the receiving party to the paying party (“**the Daily Return Amount**”), and that obligation to transfer the Daily Return Amount shall be the only obligation of either party in respect of all Return Amounts so transferable and receivable on that day;

PROVIDED ALWAYS THAT any obligation of a party to transfer any Daily Cash Amount shall not be combined with any obligation of a party to transfer any Daily Return Amount arising on the same day and payment of such Daily Cash Amount shall be made gross and separate from such Daily Return Amount in accordance with the RepoClear Procedures.

#### Terminology

- 2.6 Notwithstanding the use of expressions such as “margin”, “Equivalent Securities”, “Opening Cash Amount”, “Purchased Securities”, “Daily Cash Amount”, “Daily Return Amount”, “Daily Purchased Securities” and “Daily Equivalent Securities” which are used to reflect terminology used in the market for transactions of the kinds provided for in

these RepoClear SGC Contract Terms, all right, title and interest in and to Daily Purchased Securities, Daily Cash Amount and Daily Return Amount transferred or paid under these RepoClear SGC Contract Terms and, all right, title and interest in Daily Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Daily Purchased Securities on any SGC Day shall be an obligation to transfer Daily Equivalent Securities on the next following day, at such time as is set out in the RepoClear Procedures.

#### Interest

- 2.7 Seller shall pay the Interest to Buyer on the End Date in accordance with these RepoClear SGC Contract Terms and the RepoClear Procedures.
- 2.8 Subject to the Default Rules, Interest payable under this RepoClear SGC Contract and Interest payable by either party to the other under any other RepoClear SGC Contract with the same End Date shall be combined in a single calculation of a net cash amount payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.

#### Payment and Transfer

- 2.9 Each of the following insofar as it is applicable to this RepoClear SGC Contract, shall be paid or transferred in accordance with the provisions set out in the RepoClear Procedures: Daily Purchased Securities; Daily Equivalent Securities; Daily Cash Amount; Daily Return Amount; Interest.
- 2.10 In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agrees that it shall remain liable under this RepoClear SGC Contract as principal.
- 2.11 The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities, and in any Equivalent Securities, shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.

### 3. **General**

#### Margin Maintenance

- 3.1 The provisions set out in the General Regulations and the Procedures in relation to margin and cover for margin shall be applicable to this RepoClear SGC Contract. Any cover for variation margin liability will be in the form of cash only.

#### Withholding Tax Provisions

- 3.2 All money payable by a RepoClear Clearing Member to the Clearing House in respect of this RepoClear SGC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the RepoClear Clearing Member shall pay such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction)

being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted.

- 3.3 All money payable by the Clearing House to a RepoClear Clearing Member in respect of this RepoClear SGC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted; PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear SGC Contract.

#### Regulations

- 3.4 This RepoClear SGC Contract shall be subject to the Regulations, which shall form a part of its terms.

#### Governing Law

- 3.5 This RepoClear SGC Contract shall be governed by and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.

#### Third Party Rights

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



## SCHEDULE TO THE REPOCLEAR REGULATIONS

### Part F

#### Product Eligibility Criteria for Registration of a RepoClear SGC Contract

#### 1. Eligibility Criteria

Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear SGC Transaction or a SGC Trade as a RepoClear SGC Contract pursuant to receipt of details of such RepoClear SGC transaction or SGC Trade where at the time the details are presented:

- (a) RepoClear SGC Transaction or SGC Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 and the Underlying SGC Basket appears in the list containing details of all Eligible SGC Baskets published for this purpose from time to time by the Clearing House; and
- (b) the details of such RepoClear SGC Transaction or SGC Trade are submitted for registration in accordance with the Rulebook and all such other requirements from time to time of the Clearing House; and
- (c) the parties to such RepoClear SGC Transaction or SGC Trade are RepoClear Participants,

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

#### 2. RepoClear SGC Transactions and SGC Trades

##### 2.1 *Product Eligibility Criteria for a RepoClear SGC Transaction or RepoClear SGC Trade*

Deal Types	classic repo; reverse repo
Collateral Types	Securities combined in specifically named SGC Baskets
Structure	A series of one or more overnight (with respect to days on which the RepoClear SGC service is operational) repo transactions with immediate or forward start and  Fixed rate repo
SGC Baskets	ISIN GB00B1347K44 LCH.Clearnet GC Basket – RepoClear STLG GC UK Government BD Basket
Currency	Pounds sterling
Settlement Depository	Euroclear UK and Ireland
Term	
Minimum Opening Leg	Date of registration by the Clearing House up to the SGC Cut-

## Off Time

Maximum Opening Leg	Any valid SGC Day up to 374 days from the trade date
Minimum Closing Leg	Opening Leg plus 1 SGC Day
Maximum Closing Leg	Any valid SGC settlement day, which is 1 to 374 days later than, the opening leg. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375

**2.2 Eligible SGC Baskets for a RepoClear SGC Transaction or SGC Trade**

The following SGC Baskets are available for trading as subject to these Rulebook provisions:

- (a) British Government Unstripped Sterling SGC Basket; Eligible Securities in this SGC Basket are such Unstripped British Government bonds as are published from time to time by the Clearing House on the LCH.Clearnet Member-only web site.

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part G****RepoClear GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades**

Where a RepoClear €GC Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear €GC Contract shall include these REPOCLEAR €GC CONTRACT TERMS, which shall comprise:

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

**Interpretation Section**

Save as otherwise specified herein, words and phrases defined elsewhere in this Rulebook shall have the same meanings in these RepoClear €GC Contract Terms.

In the event of any inconsistency between these RepoClear €GC Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

As used in these RepoClear €GC Contract Terms:

**“AutoAssign Supplement”** means the CBL arrangement outlining services facilitating selection of securities for €GC Contracts.

**“AutoSelect”** means the Euroclear electronic processing module facilitating the selection of securities for €GC Contracts.

**“CBL”** means Clearstream Banking Limited.

**“Closing Cash Amount”** means the cash amount identified in the Economic Terms as set out in paragraph 1 below.

**“Daily Cash Amount”** means, on any €GC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.4(c).

**“Daily Equivalent Securities”** means, on any day, the net securities transferable by either party to the other, calculated under paragraph 2.4(b).

**“Daily Purchased Securities”** means, on any €GC Day, the net securities transferable by either party to the other, calculated under paragraph 2.4(a).

**“Daily Return Amount”** means, on any €GC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.4(d).

**“Eligible €GC Basket”** means a €GC Basket which appears in the list containing details of all Eligible €GC Baskets published for this purpose from time to time by the Clearing House.

**“Eligible €GC Trade”** means a RepoClear €GC Transaction or €GC Trade, as applicable.

“**Eligible Securities**” means securities of any issue of securities comprised in a €GC Basket.

“**End Date**” means the last day upon which Equivalent Securities will be delivered by the Buyer to the Seller in accordance with these RepoClear €GC Contract Terms, as stated in the Economic Terms.

“**Equivalent Securities**” means, on any day, securities equivalent to the Purchased Securities that were transferred by Seller to Buyer on the immediate preceding €GC Day.

Securities are “**equivalent to**” other securities for the purposes of these RepoClear €GC Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; and (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.

“**Euroclear**” means Euroclear Bank.

“**€GC Basket**” means the issues of securities recognised by the Clearing House in accordance with the RepoClear Procedures which, together, comprise each basket of securities as set out in Part H of the Schedule to the RepoClear Regulations.

“**€GC Cut-Off Time**” means such time on each €GC day as is set out in the RepoClear Procedures (as the time after which on that day no further Eligible €GC Trades will be accepted by the Clearing House for registration which are to be settled on the same €GC day).

“**€GC Day**” means any day of the Term on which the RepoClear €GC service operates.

“**Euro Zone Countries**” means the countries which are member states of the European Union who have adopted the euro currency union.

“**Interest**” means with regard to this RepoClear €GC Contract, the amount obtained by deducting the Opening Cash Amount from the Closing Cash Amount.

“**Last €GC Date**” means, with regard to this RepoClear €GC Contract, the last date upon which Purchased Securities will be sold by Seller to Buyer in accordance with these RepoClear €GC Contract Terms.

“**Opening Cash Amount**” means the cash amount identified in the Economic Terms as set out in paragraph 1 below.

“**Purchased Securities**” means on any €GC Day, Eligible Securities transferable by Seller to Buyer on that €GC Day under these RepoClear €GC Contract Terms.

“**RepoClear Procedures**” means the part of the Rulebook of the Clearing House that contains provisions in respect of RepoClear €GC Contracts.

“**RepoClear €GC Contract**” means a RepoClear €GC Contract between Buyer and Seller on these RepoClear €GC Contract Terms and references to “this RepoClear €GC Contract” are to the particular RepoClear €GC Contract in question.

“**Return Amount**” means a cash amount which is equivalent in value to, and in the same currency as, the Opening Cash Amount.

“**Start Date**” means the €GC Day being the first day upon which Purchased Securities will be sold by Seller to Buyer as stated in the Economic Terms and in accordance with these RepoClear €GC Contract Terms.

“**Triparty Agent**” means CBL, Euroclear or any other agent as the Clearing House may appoint from time to time.

“**Term**” means the interval of time commencing on and including the Start Date and ending on and including the Last €GC Date.

“**Underlying €GC Basket**” means the €GC Basket identified in the Economic Terms of a RepoClear €GC Contract.

## 1. **Economic Terms**

In relation to this RepoClear €GC Contract, the terms in (a) to (g) below (the “**Economic Terms**”) will (i) where this RepoClear €GC Contract is dealt with through an Approved Trade Matching System, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear €GC Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.

The Economic Terms comprise details of:

- (a) Buyer;
- (b) Seller;
- (c) Underlying €GC Basket (identified by ISIN);
- (d) Trade date and time;
- (e) Start Date;
- (f) End Date;
- (g) Opening Cash Amount;
- (h) Closing Cash Amount;

PROVIDED, however, that, when such information presented or input (as the case may be) by any RepoClear Participants specifies such RepoClear Participant as (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear €GC Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear €GC Contract.

## 2. **Standard Terms**

2.1 RepoClear €GC Contracts shall arise in accordance with the Rulebook and shall be on these RepoClear €GC Contract Terms.

### Allocation of Eligible Securities

2.2 On each €GC Day of this RepoClear €GC Contract, Seller agrees that Purchased Securities shall be allocated from the Underlying €GC Basket in accordance with the terms of this RepoClear €GC Contract and the RepoClear Procedures. Purchased Securities may be allocated from more than one issue of securities in the Underlying €GC Basket. Following the application of paragraph 2.4, the value of Daily Purchased Securities to be allocated on any €GC Day shall be equal to the Daily Cash Amount

(subject to any discrepancies in value attributable to allocation methodologies as contemplated within the RepoClear Procedures from time to time).

#### Transfer of Securities and Cash

2.3 Subject to paragraph 2.4 below:

- (a) on the Start Date and each subsequent €GC Day, Seller shall transfer Purchased Securities to Buyer against payment of the Opening Cash Amount by Buyer, in accordance with the RepoClear Procedures;
- (b) on the €GC Day immediately after the Start Date and on each subsequent €GC Day and also the End Date, Buyer shall transfer Equivalent Securities to Seller against payment of the Return Amount, in accordance with the RepoClear Procedures.

2.4 Subject to the Default Rules:

- (a) the value of Purchased Securities transferable by Seller to Buyer under this RepoClear €GC Contract on any €GC Day and the value of Purchased Securities transferable by either party to the other under any other open RepoClear €GC Contract relating to the same Underlying €GC Basket on the same day shall be combined into a single calculation of a net value of securities of that €GC Basket transferable by one party to the other and the obligation to transfer securities of that net value and of that €GC Basket (the “**Daily Purchased Securities**”) through either CBL’s service under the AutoAssign Supplement, Euroclear’s AutoSelect service or any other equivalent service provided by a Triparty Agent, as the case may be, on that day shall be the only obligation of either party in respect of all Purchased Securities in relation to that €GC Basket so transferable and receivable on that day;
- (b) the Equivalent Securities transferable by Buyer to Seller under this RepoClear €GC Contract on any day and the Equivalent Securities transferable by either party to the other under any other open RepoClear €GC Contract relating to the same Underlying €GC Basket on the same day shall be replaced by a single obligation by one party (the “**delivering party**”) to transfer on that day to the other party (the “**receiving party**”) in the same manner as set out above at 2.4(a) securities equivalent to the Daily Purchased Securities that were transferred on the previous €GC Day by the receiving party to the delivering party (the “**Daily Equivalent Securities**”), and that obligation to transfer the Daily Equivalent Securities shall be the only obligation of either party in respect of all Equivalent Securities in relation to that €GC Basket so transferable and receivable on that day;
- (c) the Opening Cash Amount transferable by Buyer to Seller under this RepoClear €GC Contract on any €GC Day and any Opening Cash Amount transferable by either party to the other under any other open RepoClear €GC Contract in relation to the same Underlying €GC Basket on the same day shall be combined in a single calculation of a net cash amount (“**the Daily Cash Amount**”) transferable by one party to the other and the obligation to transfer the Daily Cash Amount shall be the only obligation of either party in respect of all Opening Cash Amounts in relation to the same Underlying €GC Basket so transferable and receivable on that day;

- (d) the Return Amount transferable by Seller to Buyer under this RepoClear €GC Contract on any day and any Return Amount transferable by either party to the other under any other open RepoClear €GC Contract in relation to the same Underlying €GC Basket on the same day shall be replaced by a single net obligation by one party (the “**paying party**”) to transfer to the other party (the “**receiving party**”) on that day cash equivalent in amount to, and of the same currency as, the Daily Cash Amount that was transferred on the previous €GC Day by the receiving party to the paying party (“**the Daily Return Amount**”), and that obligation to transfer the Daily Return Amount shall be the only obligation of either party in respect of all Return Amounts in relation to the same Underlying €GC Basket so transferable and receivable on that day;

PROVIDED ALWAYS THAT any obligation of a party to transfer any Daily Cash Amount shall not be combined with any obligation of a party to transfer any Daily Return Amount arising on the same day and payment of such Daily Cash Amount shall be made gross and separate from such Daily Return Amount in accordance with the RepoClear Procedures.

#### Terminology

- 2.5 Notwithstanding the use of expressions such as “margin”, “Equivalent Securities”, “Opening Cash Amount”, “Purchased Securities”, “Daily Cash Amount”, “Daily Return Amount”, “Daily Purchased Securities” and “Daily Equivalent Securities” which are used to reflect terminology used in the market for transactions of the kinds provided for in these RepoClear €GC Contract Terms, all right, title and interest in and to Daily Purchased Securities, Daily Cash Amount and Daily Return Amount transferred or paid under these RepoClear €GC Contract Terms and, all right, title and interest in Daily Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Daily Purchased Securities on any €GC Day shall be an obligation to transfer Daily Equivalent Securities on the next following day, at such time as is set out in the RepoClear Procedures.

#### Interest

- 2.6 Seller shall pay the Interest to Buyer on the End Date in accordance with these RepoClear €GC Contract Terms and the RepoClear Procedures.
- 2.7 Subject to the Default Rules, Interest payable under this RepoClear €GC Contract and Interest payable by either party to the other under any other RepoClear €GC Contract with the same End Date and settled through the same Triparty Agent shall be combined in a single calculation of a net cash amount payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.

#### Payment and Transfer

- 2.8 Each of the following, insofar as it is applicable to this RepoClear €GC Contract, shall be paid or transferred in accordance with the provisions set out in the RepoClear Procedures: Daily Purchased Securities; Daily Equivalent Securities; Daily Cash Amount; Daily Return Amount; Interest.
- 2.9 In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agrees that it shall remain liable under this RepoClear €GC Contract as principal.



- 2.10 The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities and in any Equivalent Securities shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.

### 3. General

#### Margin Maintenance

- 3.1 The provisions set out in the General Regulations and the Procedures in relation to margin and cover for margin shall be applicable to this RepoClear €GC Contract. Any cover for variation margin liability will be in the form of cash only denominated in Euro.

#### Withholding Tax Provisions

- 3.2 All money payable by a RepoClear Clearing Member to the Clearing House in respect of this RepoClear €GC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the RepoClear Clearing Member shall pay such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted.

- 3.3 All money payable by the Clearing House to a RepoClear Clearing Member in respect of this RepoClear €GC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted; PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear €GC Contract.

#### Regulations

- 3.4 This RepoClear €GC Contract shall be subject to the Regulations, which shall form a part of its terms.

#### Governing Law

- 3.5 This RepoClear €GC Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.

#### Third Party Rights

- 3.6 A person who is not a party to this RepoClear €GC Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of his RepoClear €GC



Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## SCHEDULE TO THE REPOCLEAR REGULATIONS

### Part H

#### Product Eligibility Criteria for Registration of A RepoClear €GC Contract

#### 1. Eligibility Criteria

Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear €GC Transaction or a €GC Trade as a RepoClear €GC Contract pursuant to receipt of details of such RepoClear €GC Transaction or €GC Trade where at the time the details are presented:

- (a) RepoClear €GC Transaction or €GC Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 and the Underlying €GC Basket appears in the list containing details of all Eligible €GC Baskets published for this purpose from time to time by the Clearing House; and
- (b) the details of such RepoClear €GC Transaction or €GC Trade are submitted for registration in accordance with the Rulebook and all such other requirements from time to time of the Clearing House; and
- (c) the parties to such RepoClear €GC Transaction or €GC Trade are RepoClear Participants,

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

#### 2. RepoClear €GC Transactions and €GC Trades

##### 2.1 *Product Eligibility Criteria for a RepoClear €GC Transaction or RepoClear €GC Trade*

Deal Types	Classic repo; reverse repo
Collateral Types	Securities combined in specifically named €GC Baskets
Structure	A series of one or more overnight (with respect to days on which the RepoClear €GC service is operational) repo transactions with immediate or forward start and Fixed rate repo.
€GC Baskets	RepoClear €GC AAA Euro Government Bond Basket (EB) ISIN code XS0334393260 RepoClear €GC AA Euro Government Bond Basket (EB) ISIN code XS0334393187 RepoClear €GC A Euro Government Bond Basket (EB) ISIN code XS0334392965 RepoClear €GC German Government Bond Basket (EB) ISIN code XS0417057287 RepoClear €GC German Sub-10 Government Bond Basket (EB) ISIN code XS0434408539 RepoClear €GC French Government Bond Basket (EB) ISIN code XS0417060588 RepoClear €GC Spanish Government Bond Basket (EB) ISIN code XS0417076584 RepoClear €GC Dutch Government Bond Basket (EB) ISIN code XS0417074969

RepoClear €GC Belgian Government Bond Basket (EB) ISIN code XS0417076741

RepoClear €GC Italian Government Bond Basket (EB) ISIN code XS0417087607

RepoClear €GC AAA Euro Government Bond Basket (CBL) ISIN code XS0333936523

RepoClear €GC AA Euro Government Bond Basket (CBL) ISIN code XS0333972080

RepoClear €GC A Euro Government Bond Basket (CBL) ISIN code XS0334012647

RepoClear €GC German Government Bond Basket (CBL) ISIN code XS0414733989

RepoClear €GC German Sub-10 Government Bond Basket (CBL) ISIN code XS0432413200

RepoClear €GC French Government Bond Basket (CBL) ISIN code XS0414742626

RepoClear €GC Spanish Government Bond Basket (CBL) ISIN code XS0414744325

RepoClear €GC Dutch Government Bond Basket (CBL) ISIN code XS0414743517

RepoClear €GC Belgian Government Bond Basket (CBL) ISIN code XS0414748748

RepoClear €GC Italian Government Bond Basket (CBL) ISIN code XS0414746965

Currency	Euro
Settlement	Clearstream Banking, Luxembourg or Euroclear Bank
Depository	
Term	
Minimum	Date of registration by the Clearing House, up to the €GC Cut-Off Time.
Opening Leg	
Maximum	Any valid €GC Day up to 374 days from the trade date
Opening Leg	
Minimum	Opening Leg plus 1 RepoClear Operating Day on which the €GC service operates.
Closing Leg	
Maximum	Any valid €GC settlement day which is 1 to 374 days later than the opening leg. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375
Closing Leg	

## 2.2 **Eligible €GC Baskets for a RepoClear €GC Transaction or €GC Trade**

The following €GC Baskets are available for trading as subject to these Rulebook provisions:

### **Eligible €GC Baskets for settlement at Euroclear Bank**

- (1) RepoClear €GC AAA Euro Government Bond Basket (EB) - ISIN code XS0334393260

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AAA.

- (2) RepoClear €GC AA Euro Government Bond Basket (EB) - ISIN code XS0334393187

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AA or AAA.

- (3) RepoClear €GC A Euro Government Bond Basket (EB) - ISIN code XS0334392965

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is A, AA or AAA.

- (4) RepoClear €GC German Government Bond Basket (EB) - ISIN code XS0417057287

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt.

- (5) RepoClear €GC German Sub-10 Government Bond Basket (EB) - ISIN code XS0434408539

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt with less than 10 years to maturity.

- (6) RepoClear €GC French Government Bond Basket (EB) - ISIN code XS0417060588

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated French government debt.

- (7) RepoClear €GC Spanish Government Bond Basket (EB) - ISIN code XS0417076584

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Spanish government debt.

- (8) RepoClear €GC Dutch Government Bond Basket (EB) - ISIN code XS0417074969

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Dutch government debt.

- (9) RepoClear €GC Belgian Government Bond Basket (EB) - ISIN code XS0417076741

Eligible Securities in this €GC Basket are such issues of Securities that are euro-denominated Belgian government debt.

- (10) RepoClear €GC Italian Government Bond Basket (EB) - ISIN code XS0417087607

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Italian government debt

**Eligible €GC Baskets for settlement at Clearstream Bank Luxembourg**

- (11) RepoClear €GC AAA Euro Government Bond Basket (CBL) -ISIN code XS0333936523

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AAA.

- (12) RepoClear €GC AA Euro Government Bond Basket (CBL)- ISIN code XS0333972080

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AA or AAA.

- (13) RepoClear €GC A Euro Government Bond Basket (CBL)- ISIN code XS0334012647

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the combined credit rating of the country is A, AA or AAA.

- (14) RepoClear €GC German Government Bond Basket (CBL) ISIN: XS0414733989

Eligible Securities in this €GC Basket are such issues of securities that are euro denominated German government debt.

- (15) RepoClear €GC German Sub-10 Government Bond Basket (CBL) ISIN: XS0432413200

Eligible Securities in this €GC Basket are such issues of securities that are euro denominated German government debt with less than 10 years to maturity.

- (16) RepoClear €GC French Government Bond Basket (CBL) ISIN: XS0414742626

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated French government debt.

- (17) RepoClear €GC Spanish Government Bond Basket (CBL) ISIN: XS0414744325

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Spanish government debt.

- (18) RepoClear €GC Dutch Government Bond Basket (CBL) ISIN: XS0414743517

Eligible Securities in this €GC Basket are such issues of securities that are euro denominated Dutch government debt.

- (19) RepoClear €GC Belgian Government Bond Basket (CBL) ISIN: XS0414748748

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Belgian government debt.

- (20) RepoClear €GC Italian Government Bond Basket (CBL) ISIN: XS0414746965

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Italian government debt.

For each of the above Eligible €GC Baskets, individual issues of securities which would otherwise meet the eligibility criteria defined for an Eligible €GC Basket, may be excluded from that Eligible €GC Basket at the sole discretion of the Clearing House, where that issue of securities does not meet the Clearing House's requirements for risk management purposes.

Notwithstanding that individual issues of securities meet the eligibility criteria defined for an Eligible €GC Basket, where the relevant Triparty Agent for that €GC Basket does not allow the allocation of that issue of security as part of its Autoselect or AutoAssign Supplement, that issue of securities will be excluded from the relevant basket.

#### DERIVATION OF COMBINED CREDIT RATING

Combined Credit Rating	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA
AA	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
A	A1	A+	A+
	A2	A	A
	A3	A-	A-

To determine the Combined Credit Rating of a country, the lowest rating allocated by Moody's, S&P and Fitch should be used.

### 3. Netting across Triparty Agent's accounts

When the triparty systems of Euroclear and CBL are able to support the necessary level of interoperability (the "Triparty Bridge"), the Clearing House reserves the right to:

- (a) cease to register new trades in the Eligible €GC Baskets defined in section 2.2; and
- (b) for each set of two Eligible €GC Baskets which have the same Eligible Securities, introduce one new Eligible €GC Basket which can be settled at either Euroclear or CBL, and re-register any existing trades in the original two Eligible €GC basket into the single Eligible €GC Basket which replaces them.

## EQUITYCLEAR REGULATIONS

### **Regulation 61 Application of EquityClear Regulations**

- (a) These EquityClear Regulations, which form part of the Regulations, together with the Regulations referred to in paragraph (b) apply to EquityClear Contracts, EquityClear Clearing Members and, insofar as relevant EquityClear NCMs.
- (b) The Default Rules, Default Fund Rules, the Definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (c), 10, 11, 12, 13, 23, 24, 26 to ~~39A~~39B inclusive (other than Regulation 35(a), Regulation 37(b) and Regulation 38(b)) of the Regulations apply to EquityClear Contracts, EquityClear Clearing Members and, insofar as relevant, to EquityClear NCMs.

**Regulation 62 EquityClear****Regulation 62A EquityClear (Equities) Open Offer for EquityClear (Equities) ATP Matches**

- (a) This Regulation 62A applies to EquityClear (Equities) ATP Matches arising on an ATP pursuant to Trading Platform Particulars submitted by or on behalf of an EquityClear Clearing Member (which shall, for the avoidance of doubt, exclude any Co-operating Clearing House in connection with the EquityClear service). In the event of any inconsistency between the Regulations, (including the terms of any agreement entered into between the EquityClear Clearing Member and the Clearing House) and the relevant ATP Market Rules, the Regulations shall prevail.
- (b) If an EquityClear Clearing Member has been given approval by the Clearing House to clear eligible EquityClear (Equities) ATP Matches in respect of the ATP specified in such approval and such approval has not been withdrawn by the Clearing House the Clearing House will enter into EquityClear Contracts with that EquityClear Clearing Member pursuant to such approval in accordance with and subject to the following provisions of this Regulation. The terms of a registered EquityClear Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant ATP and otherwise subject to the Regulations (and the Clearing House and the EquityClear Clearing Member party to the registered EquityClear Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations).
- (c) The Clearing House makes an open offer to the EquityClear Clearing Member to enter into an EquityClear (Equities) Contract in respect of an EquityClear (Equities) ATP Match made on the relevant ATP (as referred to in paragraph (b)) in accordance with paragraphs (e) to (g) of this Regulation 62A, as applicable, pursuant to the submission of Trading Platform Particulars by or on behalf of that EquityClear Clearing Member (including by an EquityClear NCM under the provisions of the relevant Approved EquityClear Clearing Agreement) provided that the following requirements ("the EquityClear (Equities) Open Offer Eligibility Criteria") shall have been satisfied:
- (i) where the EquityClear (Equities) ATP Match arises pursuant to Trading Platform Particulars submitted by an EquityClear NCM on behalf of the EquityClear Clearing Member, and without prejudice to the other provisions of Regulation 62A: (aa) there was in place at the time that the Trading Platform Particulars were submitted and up to and including the time the EquityClear (Equities) ATP Match was made (the "relevant times"), an Approved EquityClear Clearing Agreement relating to such ATP to which that EquityClear Clearing Member and that EquityClear NCM are party; (bb) such Approved EquityClear Clearing Agreement had not been terminated or suspended at the relevant times; (cc) the EquityClear NCM had not been suspended or removed from the Register of EquityClear NCMs at the relevant times; and (dd) the EquityClear (Equities) Open Offer had not, at the relevant times, been suspended by the Clearing House in respect of EquityClear (Equities) ATP Matches made on such ATP pursuant to the relevant Approved EquityClear Clearing Agreement;
  - (ii) at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
  - (iii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under subparagraph (v) of this paragraph (c) the EquityClear Clearing Member had not



- been declared a defaulter, by default notice or otherwise, by the Clearing House or the ATP, where applicable;
- (iv) the securities the subject of the EquityClear (Equities) ATP Match satisfy, at the relevant times, the EquityClear Eligible Equities criteria;
  - (v) all necessary details as required by the Clearing House from time to time in respect of the EquityClear (Equities) ATP Match shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (vi) the EquityClear Eligible Equities, which are the subject of the EquityClear (Equities) ATP Match, are not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by the relevant ATP;
  - (vii) at the relevant times, the EquityClear service or the EquityClear (Equities) Open Offer in respect of EquityClear (Equities) ATP Matches made on such ATP had not been suspended or withdrawn;
  - (viii) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;
  - (ix) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent, who may be the EquityClear NCM, where applicable) and an Approved EquityClear Settlement Provider for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of an EquityClear (Equities) ATP Match; and
  - (x) in the case of an EquityClear (Equities) ATP Match which is an EquityClear Mixed Member Match:
    - (1) the eligibility criteria (howsoever defined) of the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear (Equities) ATP Match or any contract between the Co-operating Clearing House and its member arising out of it; and
    - (2) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match pursuant to the agreement in place between them in relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and
    - (3) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (v) of this paragraph (c), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a defaulter by the other, by default notice or otherwise.

- (d) For the avoidance of doubt, Trading Platform Particulars are deemed to have been submitted by or on behalf of the EquityClear Clearing Member if the details of the EquityClear (Equities) ATP Match received by the Clearing House identify, in accordance with the relevant ATP Market Rules or the Procedures, the EquityClear (Equities) ATP Match as having been made by or on behalf of that EquityClear Clearing Member.
- (e) If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as seller (the "selling EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as buyer (the "buying EquityClear Clearing Member"), and the resulting EquityClear (Equities) ATP Match satisfies the EquityClear (Equities) Open Offer Eligibility Criteria, two EquityClear (Equities) Contracts shall arise immediately on the EquityClear (Equities) ATP Match being made, as follows:
- (i) the Clearing House shall be the buyer under one EquityClear (Equities) Contract to the selling EquityClear Clearing Member; and
  - (ii) the Clearing House shall be the seller under one EquityClear (Equities) Contract to the buying EquityClear Clearing Member.
- (f) If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member, (including on its behalf by an EquityClear NCM), as buyer (the "buying EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member, (including on its behalf by its EquityClear NCM), as seller (the "selling EquityClear Clearing Member"), and the resulting EquityClear (Equities) ATP Match satisfies the EquityClear (Equities) Open Offer Eligibility Criteria, two EquityClear (Equities) Contracts shall arise immediately on the EquityClear (Equities) ATP Match being made, as follows:
- (i) the Clearing House shall be the seller under one EquityClear (Equities) Contract to the buying EquityClear Clearing Member; and
  - (ii) the Clearing House shall be the buyer under one EquityClear (Equities) Contract to the selling EquityClear Clearing Member.
- (g) In respect of an EquityClear Mixed Member Match which is at EquityClear (Equities) ATP Match, where Trading Platform Particulars submitted by, or on behalf of, an EquityClear Clearing Member to the relevant ATP have been matched, in accordance with the ATP Market Rules, with Trading Platform Particulars submitted by, or on behalf of, a member of a relevant Co-operating Clearing House, the Clearing House shall, on receipt of details of such EquityClear (Equities) ATP Match through the ATP (or by such other means) and subject to the EquityClear (Equities) Open Offer Eligibility Criteria having been met with respect to such EquityClear Clearing Member and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:
- (i) where the EquityClear Clearing Member is identified in the EquityClear (Equities) ATP Match as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member

as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and

- (ii) where the EquityClear Clearing Member is identified in the EquityClear (Equities) ATP Match as the seller, (A) the Clearing House shall be the buyer under an EquityClear (Equities) Contract with the EquityClear Clearing Member as seller; and (B) the Clearing House shall be the seller under a Contract with the Co-operating Clearing House as buyer.
- (h) EquityClear (Equities) Contracts entered into by the Clearing House under paragraphs (e) to (g), as applicable, with EquityClear Clearing Members, shall be registered in the name of each EquityClear Clearing Member following receipt by the Clearing House of the details required by the Clearing House of such Contracts, such details to be made available to the Clearing House by the operator of the relevant ATP or the relevant approved agent, as applicable (in accordance with the arrangements made between the Clearing House and such ATP or approved agent from time to time).
- (i) If the details of EquityClear (Equities) Contracts arising under paragraphs (e) to (g) required by the Clearing House are not made available to the Clearing House by the operator of the relevant ATP or the relevant approved agent, as applicable, as required by the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details the Clearing House may decree that neither the Clearing House nor the EquityClear Clearing Member party thereto shall be obliged to perform their respective obligations under the EquityClear (Equities) Contracts arising under paragraphs (e) to (g), as applicable. If the Clearing House so decrees, the Clearing House shall issue directions to the affected EquityClear Clearing Members and such EquityClear (Equities) Contracts shall be performed in accordance with any such directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected EquityClear (Equities) Contract. Any directions given by the Clearing House under this paragraph (i) shall be binding on all affected EquityClear Clearing Members.
- (j) Subject to its rights to suspend the EquityClear (Equities) Open Offer and/or the EquityClear service generally or in respect of one or more ATPs and/or one or more EquityClear NCMs, or to withdraw the EquityClear service in whole or in part, as set out in an Approved EquityClear Clearing Agreement, these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 62A until such EquityClear Clearing Member is no longer eligible to have EquityClear (Equities) Contracts registered in its name or has withdrawn from trading through each ATP notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATP must be notified to the Clearing House in accordance with the Procedures.
- (k) Without prejudice to Regulation 39A, the Clearing House shall not be liable to any EquityClear Clearing Member (or anyone else, including but not limited to any EquityClear NCM), for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any EquityClear (Equities) Contract arising under paragraphs (e) to (g) if the Clearing House does not receive the relevant details referred to in paragraph (i) by the time referred to in such paragraph (i) in respect of such EquityClear (Equities) Contract and has not pursuant to paragraph (i) performed its obligations under any such contract.
- (l) Notwithstanding the provisions of paragraph (c), if the Clearing House or its approved agent receives details of an EquityClear (Equities) ATP Match in respect of an

EquityClear Clearing Member from an ATP specified by the EquityClear Clearing Member by notice given under paragraph (b) and which has not been withdrawn in respect of that ATP, and the details of the EquityClear (Equities) ATP Match purportedly meet the relevant EquityClear (Equities) Open Offer Eligibility Criteria in paragraph (c) the EquityClear Clearing Member shall be bound by any EquityClear (Equities) Contract registered in his name in respect of such EquityClear (Equities) ATP Match and the terms of such registered EquityClear (Equities) Contract shall be as set out in paragraph (b).

- (m) Without prejudice to paragraph (l), the Clearing House may with the agreement of each EquityClear Clearing Member party to any corresponding EquityClear (Equities) Contract and the relevant ATP, set aside or take such other steps with respect to such Contracts on such terms as may be agreed between each such EquityClear Clearing Member and the Clearing House, if any such EquityClear Clearing Member considers that a Contract has been entered into in error or certain terms of the Contract have been agreed in error.
- (n) In the event of a dispute:
  - (i) arising out of, or in respect of, the existence of an EquityClear (Equities) ATP Match or, where applicable, whether it was identified to the ATP by the relevant EquityClear Participants as an EquityClear (Equities) ATP Match to be registered by the Clearing House as an EquityClear (Equities) Contract such dispute shall be settled as provided for in the ATP Market Rules without recourse to the Clearing House;
  - (ii) in respect of registered EquityClear (Equities) Contracts a dispute arising out of, or in respect of, such registered EquityClear (Equities) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (Equities) Contracts, other than a dispute referred to in (i) above, shall be referred to arbitration and settled as provided in Regulation 23 where the relevant ATP Market Rules provide for arbitration. Where the relevant ATP Market Rules do not include relevant arbitration provisions, or the application of such arbitration provisions to EquityClear (Equities) Contracts is disapplied in these Regulations or the Procedures, a dispute arising out of, or in respect of, such registered

EquityClear (Equities) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (Equities) Contracts, shall be settled in accordance with the Regulations and the Procedures, as applicable.

- (o) Without prejudice to the generality of Regulation 39 or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, any liability of the Clearing House (and each other member of the LCH.Clearent Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any client of a Member) which might otherwise arise in connection with the EquityClear service shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material respect in its provision of the EquityClear service (including, without limitation, an Approved EquityClear Trading Platform, Approved EquityClear Settlement Provider, a Co-operating Clearing House or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.

**Regulation 62B EquityClear Novation Transactions**

- (a) Details of any EquityClear Novation Transaction in respect of an ATP which is to be submitted for registration must be submitted in accordance with the Procedures by or on behalf of the EquityClear Clearing Member (including by an EquityClear NCM on their behalf under the provisions of the relevant Approved EquityClear Clearing Agreement or by any person acting on behalf of such an EquityClear NCM) who is party to, or is providing clearing services to a party to, such EquityClear Novation Transaction. For the avoidance of doubt, where the particulars of an EquityClear Novation Transaction submitted by or on behalf of an EquityClear Clearing Member and received by the Clearing House identify, in accordance with the relevant ATP Market Rules or the Procedures, that EquityClear Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the EquityClear Novation Transaction, the Clearing House will enter into an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable with that EquityClear Clearing Member in accordance with and subject to the following provisions of this Regulation 62B.
- (b) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation 62B, an EquityClear Clearing Member shall be bound by an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract registered in its name pursuant to the presentation of details of an EquityClear Novation Transaction by it or on its behalf (including on its behalf by an EquityClear NCM or any person acting on behalf of an EquityClear NCM in respect of an EquityClear (Equities) Contract only).
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation 62B, an EquityClear Novation Transaction, particulars of which are submitted for registration as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract by or on behalf of an EquityClear Clearing Member, must meet the following eligibility criteria at the time when the particulars of such EquityClear Novation Transaction are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time (each such time, for the purposes of this Regulation 62B, the "relevant times") in order to be registered as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable:
- (i) without prejudice to the other provisions of this Regulation 62B, in the case of particulars of any EquityClear Novation Transaction submitted by an EquityClear NCM (or by any person acting on behalf of an EquityClear NCM) on behalf of an EquityClear Clearing Member:
- (1) there is in place at the relevant times an Approved EquityClear Clearing Agreement in a form approved in writing by the Clearing House to which that EquityClear NCM and the EquityClear Clearing Member are party; and
  - (2) such Approved EquityClear Clearing Agreement has not been terminated or suspended at the relevant times;
  - (3) at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
  - (4) at the relevant times, the EquityClear Clearing Member has not been declared a defaulter, by default notice or otherwise, by the Clearing House or the ATP, where applicable;



- (ii) either (x) the securities the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible Equities or (y) the financial instruments the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible ccCFD Underlying Instruments, as applicable;
- (iii) all necessary details as required by the Clearing House from time to time in respect of the EquityClear Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
- (iv) the EquityClear Eligible Equities, which are the subject of the EquityClear Novation Transaction, are not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of the ATP;
- (v) at the relevant times, the EquityClear services for the relevant ATP has not been suspended or withdrawn, generally or in relation to the relevant EquityClear Eligible Equities or EquityClear Clearing Member;
- (vi) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;
- (vii) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent, who may be an EquityClear NCM or any person acting on behalf of an EquityClear NCM, where applicable) and an ASP for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of the EquityClear Novation Transaction; and
- (viii) in the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match:
  - (1) the eligibility criteria (howsoever defined) of the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it; and
  - (2) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction pursuant to the agreement in place between them in relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and
  - (3) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (v) of this paragraph (c), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a defaulter by the other, by default notice or otherwise.

- (d) The Clearing House shall be deemed to register an EquityClear (Equities) Contract and/or EquityClear (ccCFD) Contract, as the case may be, in accordance with Regulation 62B, in the name of an EquityClear Clearing Member at the time prescribed in the Procedures ("Registration Time").
- (e) For the avoidance of doubt, any transaction of which details have been presented by or on behalf of EquityClear Clearing Members (including on their behalf by an EquityClear NCM or any person acting on behalf of an EquityClear NCM) for registration as an EquityClear (Equities) Contract and/or EquityClear (ccCFD) Contract, as the case may be which is not so registered will remain in effect between the original parties to that transaction or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules), and the Clearing House shall have no obligations or liability in relation thereto.
- (f) If at any time after registration of an EquityClear (Equities) Contract and EquityClear (ccCFD) Contract, as the case may be the Clearing House determines that the EquityClear Novation Transaction did not, at the Registration Time, meet the eligibility criteria for registration as an EquityClear (Equities) Contract or an EquityClear (ccCFD) Contract, as the case may be, the Clearing House shall, as soon as practicable thereafter, set aside such EquityClear (Equities) Contract or EquityClear (ccCFD) Contract. Upon an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract being set aside under this Regulation 62B, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect between the original parties to that transaction or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules). Any payment made under, or in respect of, an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 62B, the Clearing House (and each other of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract .
- (g) Without prejudice to the Clearing House's rights to effect further novation under Regulation 3(b), particulars of an EquityClear Novation Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in accordance with the Procedures as two EquityClear (Equities) Contracts or two EquityClear (ccCFD) Contracts, as the case may be, in each case, one between the First EquityClear Clearing Member being the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second EquityClear Clearing Member being the buyer as principals to such contract. For the purposes of this Regulation 62B(g):
- (i) "First EquityClear Clearing Member" is an EquityClear Clearing Member who was, before registration of the EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable, identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the seller;

- (ii) "Second EquityClear Clearing Member" is an EquityClear Clearing Member who was, before registration of the EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable, identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer.

In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match.

The Clearing House shall, on receipt of details of such EquityClear Novation Transaction and subject to Regulation 62B(c) having been met with respect to such EquityClear Novation Transaction and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:

- (1) where the EquityClear Clearing Member is identified in the EquityClear Novation Transaction as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and
  - (2) where the EquityClear Clearing Member is identified in the EquityClear Novation Transaction as the seller, (A) the Clearing House shall be the buyer under an EquityClear (Equities) Contract with the EquityClear Clearing Member as seller; and (B) the Clearing House shall be the seller under a Contract with the Co-operating Clearing House as buyer.
- (h) With effect from registration of an EquityClear Novation Transaction as two EquityClear (Equities) Contracts or EquityClear (ccCFD) Contracts, as the case may be under paragraph (g) of this Regulation:
- (i) the parties to the corresponding EquityClear Novation Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each EquityClear (Equities) Contract or EquityClear (ccCFD) Contract registered under paragraph (g) of this Regulation 62B shall be governed by the relevant EquityClear (Equities) Contract Terms or EquityClear (ccCFD) Contract Terms as applicable to that Contract and the General Regulations and Procedures.
  - (iii) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First EquityClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective EquityClear (Equities) Contract or EquityClear (ccCFD) Contract Terms to which it is a party as the party which is identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the seller; and
  - (iv) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second EquityClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable to which it is a party as the party which is identified in the particulars of the



corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer.

In subparagraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding EquityClear Novation Transaction (it being assumed, for this purpose, that such EquityClear Novation Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the EquityClear (Equities) Contract Terms or EquityClear (ccCFD) Contract Terms, as applicable.

If an EquityClear Novation Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any EquityClear (Equities) Contract arising under this Regulation or Regulation 3(b).

In the case of an EquityClear (Equities) Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 62B shall take effect.

**Regulation 62C EquityClear Open Offer for EquityClear (ccCFD) ATP Matches ("EquityClear (ccCFD) Open Offer")**

- (a) This Regulation 62C applies to EquityClear (ccCFD) ATP Matches arising pursuant to Trading Platform Particulars submitted by or on behalf of an EquityClear Clearing Member.
- (b) If an EquityClear Clearing Member has been given approval by the Clearing House to clear eligible EquityClear (ccCFD) ATP Matches in respect of the ATP specified in such approval and such approval has not been withdrawn by the Clearing House, the Clearing House will enter into EquityClear (ccCFD) Contracts with that EquityClear Clearing Member pursuant to such approval in accordance with and subject to the following provisions of this Regulation. The terms of a registered EquityClear (ccCFD) Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant EquityClear Clearing Member and otherwise subject to the Regulations (and the Clearing House, and the EquityClear Clearing Members party to the registered EquityClear (ccCFD) Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations).
- (c) The Clearing House makes an open offer to EquityClear Clearing Members to enter into an EquityClear (ccCFD) Contract in respect of an EquityClear (ccCFD) ATP Match in accordance with paragraph (e) or (f) of this Regulation 62C, as applicable, pursuant to the submission of Trading Platform Particulars by or on behalf of those EquityClear Clearing Members (including by an EquityClear NCM on behalf of EquityClear Clearing Member under the provisions of the relevant Approved EquityClear Clearing Agreement) provided that the following requirements ("the EquityClear (ccCFD) Open Offer Eligibility Criteria") shall have been satisfied:
- (i) where the EquityClear (ccCFD) ATP Match arises pursuant to Trading Platform Particulars submitted by an EquityClear NCM on behalf of an EquityClear Clearing Member, and without prejudice to the other provisions of Regulation 62C;
- (1) there was in place at the time that the Trading Platform Particulars were submitted and up to and including the time the EquityClear (ccCFD) ATP Match was made (the "relevant times"), an Approved EquityClear Clearing Agreement relating to such ATP to which that EquityClear Clearing Member and that EquityClear NCM are party;
- (2) such Approved EquityClear Clearing Agreement had not be terminated or suspended at the relevant times;
- (3) the EquityClear NCM had not been suspended or removed from the Register of EquityClear NCMs at the relevant times; and
- (4) the EquityClear (ccCFD) Open Offer had not, at the relevant times, been suspended by the Clearing House in respect of EquityClear (ccCFD) ATP Matches made pursuant to the relevant Approved EquityClear Clearing Agreement;
- (ii) at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
- (iii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-

paragraph (v) of this paragraph (c) the EquityClear Clearing Member has not been declared a defaulter, by default notice or otherwise, by the Clearing House or the ATP, where applicable;

- (iv) the financial instruments the subject of the EquityClear (ccCFD) ATP Matches satisfy, at the relevant times, the EquityClear Eligible ccCFD criteria;
  - (v) all necessary details as required by the Clearing House from time to time in respect of the EquityClear (ccCFD) ATP Matches shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (vi) the EquityClear Eligible ccCFD, which is the subject of the EquityClear (ccCFD) ATP Match, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by the relevant ATP;
  - (vii) at the relevant times, the EquityClear service or any relevant part of it or the EquityClear (ccCFD) Open Offer in respect of EquityClear (ccCFD) ATP Matches made on such ATP had not been suspended or withdrawn; and
  - (viii) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service.
- (d) For the avoidance of doubt, Trading Platform Particulars are deemed to have been submitted by or on behalf of the EquityClear Clearing Member if the details of the EquityClear (ccCFD) ATP Matches received by the Clearing House identify, in accordance with the relevant Regulations or the Procedures, the EquityClear (ccCFD) ATP Matches as having been made by or on behalf of that EquityClear Clearing Member.
- (e) If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as seller (the "selling EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as buyer (the "buying EquityClear Clearing Member"), and the resulting EquityClear (ccCFD) ATP Match satisfies the EquityClear (ccCFD) Open Offer Eligibility Criteria, two EquityClear (ccCFD) Contracts shall arise immediately on the EquityClear (ccCFD) ATP Match being made, as follows:
- (i) the Clearing House shall be the buyer under one EquityClear (ccCFD) Contract to the selling EquityClear Clearing Member; and
  - (ii) the Clearing House shall be the seller under one EquityClear (ccCFD) Contract to the buying EquityClear Clearing Member.
- (f) If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member (including on its behalf by an EquityClear NCM) as buyer (the "buying EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member, (including on its behalf by its EquityClear NCM), as seller (the "selling EquityClear Clearing Member"), and the

resulting EquityClear (ccCFD) ATP Match satisfies the EquityClear (ccCFD) Open Offer Eligibility Criteria, two EquityClear (ccCFD) Contracts shall arise immediately on the EquityClear (ccCFD) ATP Match being made, as follows:

- (i) the Clearing House shall be the seller under one EquityClear (ccCFD) Contract to the buying EquityClear Clearing Member; and
  - (ii) the Clearing House shall be the buyer under one EquityClear (ccCFD) Contract to the selling EquityClear Clearing Member.
- (g) EquityClear (ccCFD) Contracts entered into by the Clearing House under paragraphs (e) or (f), as applicable, with EquityClear Clearing Members, shall be registered in the name of each respective EquityClear Clearing Member following receipt by the Clearing House of the details required by the Clearing House of such Contracts, such details to be made available to the Clearing House by the operator of the ATP or the relevant approved agent, as applicable, in accordance with the arrangements made between the Clearing House and such ATP or approved agent from time to time.
- (h) If the details of EquityClear (ccCFD) Contracts arising under paragraphs (e) or (f) required by the Clearing House are not made available to the Clearing House by the operator of the relevant ATP or the relevant approved agent, as applicable, as required by the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details the Clearing House may decree that neither the Clearing House nor the EquityClear Clearing Member party thereto shall be obliged to perform their respective obligations under the EquityClear (ccCFD) Contracts arising under paragraphs (e) or (f), as applicable. If the Clearing House so decrees, the Clearing House shall issue directions to the affected EquityClear Clearing Members and such EquityClear (ccCFD) Contracts shall be performed in accordance with any such directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected EquityClear (ccCFD) Contract. Any directions given by the Clearing House under this paragraph (h) shall be binding on all affected EquityClear Clearing Members.
- (i) Subject to its rights to suspend the EquityClear (ccCFD) Open Offer and/or the EquityClear service generally or in respect of one or more ATPs and/or one or more EquityClear NCMs, or to withdraw the EquityClear service in whole or in part, as set out in an Approved EquityClear Clearing Agreement, these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 62C until such EquityClear Clearing Member is no longer eligible to have EquityClear (ccCFD) Contracts registered in its name or has withdrawn from trading through each ATP notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATP must be notified to the Clearing House in accordance with the Procedures.
- (j) Without prejudice to Regulation 39A, the Clearing House shall not be liable to any EquityClear Clearing Member (or anyone else, including but not limited to any EquityClear NCM), for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any EquityClear (ccCFD) Contract arising under paragraphs (e) or (f) if the Clearing House does not receive the relevant details referred to in paragraph (h) by the time referred to in such paragraph (h) in respect of such EquityClear (ccCFD) Contract and has not pursuant to paragraph (h) performed its obligations under any such contract.

- (k) Notwithstanding the provisions of paragraph (c), if the Clearing House or its approved agent receives details of an EquityClear (ccCFD) ATP Match, and the details of the EquityClear (ccCFD) ATP Match purportedly meet the relevant EquityClear (ccCFD) Open Offer Eligibility Criteria in paragraph (c), the EquityClear Clearing Members shall each be bound by any EquityClear (ccCFD) Contract registered in his name in respect of such EquityClear (ccCFD) ATP Match and the terms of such registered EquityClear (ccCFD) Contract shall be as set out in paragraph (b).
- (l) Without prejudice to paragraph (k), the Clearing House may with the agreement of an EquityClear Clearing Member party to an EquityClear (ccCFD) Contract and the relevant ATP, set aside or take such other steps with respect to such Contracts on such terms as may be agreed between each such EquityClear Clearing Member and the Clearing House, if any such EquityClear Clearing Member considers that a Contract has been entered into in error or certain terms of the Contract have been agreed in error.
- (m) In the event of a dispute:
- (i) arising out of, or in respect of, the existence of an EquityClear (ccCFD) ATP Match or, where applicable, whether it was identified to the ATP by the relevant EquityClear Trading Participants as an EquityClear (ccCFD) ATP Match to be registered by the Clearing House as an EquityClear (ccCFD) Contract such dispute shall be settled as provided for in the ATP Market Rules without recourse to the Clearing House;
  - (ii) in respect of registered EquityClear (ccCFD) Contracts, arising out of, or in respect of, such registered EquityClear (ccCFD) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (ccCFD) Contracts, other than a dispute referred to in (i) above, shall be referred to arbitration and settled as provided in Regulation 23 where the relevant ATP Market Rules provide for arbitration. Where the relevant ATP Market Rules do not include relevant arbitration provisions, or the application of such arbitration provisions to EquityClear (ccCFD) Contracts is disappplied in these Regulations or the Procedures, a dispute arising out of, or in respect of, such registered EquityClear (ccCFD) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (ccCFD) Contracts, shall be settled in accordance with the Regulations and the Procedures, as applicable.
- (n) Without prejudice to the generality of Regulation 39 or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, any liability of the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any client of a Member) which might otherwise arise in connection with the EquityClear service shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material respect in its provision of the EquityClear service (including, without limitation, an Approved EquityClear Trading Platform, or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.

**Regulation 63 EquityClear NCMs**

- (a) A person who is not a Member but who is party to an Approved EquityClear Clearing Agreement shall be admitted by the Clearing House to the Register of EquityClear NCMs and shall remain on the Register for so long as that Approved EquityClear Clearing Agreement subsists.
- (b) The Clearing House shall suspend from the Register of EquityClear NCMs any EquityClear NCM who is party to an Approved EquityClear Clearing Agreement with an EquityClear Clearing Member whose Clearing Membership Agreement has been terminated or who is no longer eligible to have EquityClear Contracts registered in its name, for such period as the Clearing House may determine.

**Regulation 64 Delivery (or Other) Failures**

- (a) Without prejudice to the Default Rules and the Procedures, if an EquityClear Clearing Member as seller fails to deliver financial instruments to the Clearing House under an EquityClear Contract by the due time therefor, the Clearing House may issue directions, in accordance with the Procedures, to the seller and to an EquityClear Clearing Member as buyer under a corresponding EquityClear Contract regarding the performance of such contracts and such directions shall be binding on such members.
- (b) The Clearing House shall be entitled to call for cover for margin in such amounts and in such form as it may require in accordance with the Procedures from the selling EquityClear Clearing Member who has failed to deliver securities under an EquityClear Contract by the due time therefor and from the buying EquityClear Clearing Member under the corresponding EquityClear Contract.
- (c) Without prejudice to the Default Rules, if a selling EquityClear Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under EquityClear Contracts (other than in circumstances where Regulations 26 and/or 27 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the EquityClear Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the EquityClear Clearing Member's ability to have EquityClear Contracts registered in his name and to require him to liquidate or transfer under Regulation 11 open contracts, being EquityClear Contracts registered in his name.

**Regulation 65    Suspension of the EquityClear service or the EquityClear Open Offer**

The Clearing House may, from time to time, in its absolute discretion suspend the EquityClear service or the EquityClear Open Offer in respect of ATP Matches or the EquityClear (ccCFD) Open Offer in respect of EquityClear (ccCFD) ATP Matches or its service in respect of any EquityClear Novation Transaction on one or more ATPs for such period of time as it may determine.



**Regulation 66 Withdrawal of EquityClear Service by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw part or the whole of the EquityClear service it shall give not less than six months' notice to all affected EquityClear Clearing Members of the date on which the service will be withdrawn ("the EquityClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation 66 by, one or more affected EquityClear Clearing Members shall not invalidate the EquityClear Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the EquityClear Withdrawal Date.
- (c) If, at the EquityClear Withdrawal Date, an EquityClear Clearing Member has open Contracts, being affected EquityClear Contracts, registered in its name, the Clearing House shall, at its sole discretion, be entitled to liquidate any such EquityClear Contracts and effect cash settlement in respect of them with the EquityClear Clearing Member.
- (d) The Clearing House shall have the right to postpone the EquityClear Withdrawal Date until such time as the Clearing House determines.

**Regulation 67 Rejection of ATP Matches and of EquityClear Novation Transactions**

- (a) Any EquityClear (Equities) ATP Match, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear Contract, which does not meet the EquityClear (Equities) Open Offer Eligibility Criteria as set out in Regulation 62A (or any EquityClear (Equities) ATP Match which is an EquityClear Mixed Member Match where the relevant Co-operating Clearing House subsequently declines to register, rejects, cancels, avoids or terminates such EquityClear (Equities) ATP Match or any contract between the Co-operating Clearing House and its member arising out of it and any balancing contract deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match), or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (c), be rejected by the Clearing House and no EquityClear Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 39, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person (including but not limited to any EquityClear NCM) with regard to the rejection by it of any such EquityClear (Equities) ATP Match.
- (b) Any EquityClear Novation Transaction, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear Contract, which does not meet the applicable eligibility criteria as set out in Regulation 62B (or any EquityClear Novation Transaction which is an EquityClear Mixed Member Match where the relevant Co-operating Clearing House subsequently declines to register, rejects, cancels, avoids or terminates such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it and any balancing contract deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction), or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (c), be rejected by the Clearing House and no EquityClear Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 39, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person (including but not limited to any EquityClear NCM) with regard to the rejection by it of any such EquityClear Novation Transaction.
- (c) The Clearing House may, in its absolute discretion, agree to register an EquityClear Contract, notwithstanding that it does not meet the EquityClear (Equities) Open Offer Eligibility Criteria or the eligibility criteria set out in Regulation 62B(c) (as applicable) or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the Procedures.

**Regulation 67A Rejection of EquityClear (ccCFD) ATP Matches**

- (a) Any EquityClear (ccCFD) ATP Match, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear (ccCFD) Contract, which does not meet the EquityClear (ccCFD) Open Offer Eligibility Criteria (as set out in Regulation 62C) as the case may be, or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (b), be rejected by the Clearing House and no EquityClear (ccCFD) Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 39, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person (including but not limited to any EquityClear NCM) with regard to the rejection by it of any such EquityClear (ccCFD) ATP Match.
- (b) The Clearing House may, in its absolute discretion, agree to register an EquityClear (ccCFD) Contract, notwithstanding that it does not meet the EquityClear (ccCFD) Eligibility Criteria or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the Procedures.

**SCHEDULE TO THE EQUITYCLEAR REGULATIONS****Part A****EquityClear (Equities) Contract Terms**

The terms of an EquityClear Contract shall comprise the Economic Terms and the General Terms.

1. The Economic Terms of an EquityClear (Equities) Contract shall comprise:
  - (a) Buyer;
  - (b) Seller;
  - (c) Security (type and number);
  - (d) Price;
  - (e) Settlement date.
2. The General Terms shall comprise such further and other provisions as may be set out in this Part A and the Procedures.
3. Obligations regarding taxes and corporate events shall be as set out in the Procedures.
4. Economic Terms will be as set out in the information received by the Clearing House from the relevant ATP in respect of the EquityClear (Equities) ATP Match or EquityClear Novation Transaction giving rise to the EquityClear (Equities) Contract except that :
  - (c) in respect of an EquityClear (Equities) ATP Match or EquityClear Novation Transaction under Regulation 62A or 62B respectively, where such information specifies the EquityClear Clearing Members as the
    - (i) Buyer under the EquityClear (Equities) ATP Match or EquityClear Novation Transaction, with the other party as Seller, the Clearing House will be Seller under the EquityClear (Equities) Contract; or
    - (ii) Seller under the EquityClear (Equities) ATP Match or EquityClear Novation Transaction, with the other party as Buyer, the Clearing House will be the Buyer under the EquityClear (Equities) Contract.

**5. Third Party Rights**

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

**6. Regulations**

Each EquityClear (Equities) Contract shall be subject to the Regulations, which shall form a part of its terms.

**7. Governing Law**

Each EquityClear (Equities) Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.

**8. EquityClear (Equities) ATP Matches and EquityClear Novation Transactions**

Without prejudice to these Regulations or the Procedures, the relevant ATP Market Rules shall apply in respect of EquityClear (Equities) Contracts, and such EquityClear (Equities) Contracts shall be settled in accordance with the ATP Market Rules, the settlement rules of the relevant Approved EquityClear Settlement Provider, and these Regulations and Procedures, including but not limited to the relevant provisions in respect of suspension of settlement, for instance on the insolvency of the issuer of the relevant securities, or otherwise. Where there is any conflict between any term of any ATP Market Rule or any term of the settlement rules of any Approved EquityClear Settlement Provider, and the Regulations and Procedures of the Clearing House, the latter shall prevail.

**SCHEDULE TO THE EQUITYCLEAR REGULATIONS**

**Part B**

**EquityClear Eligible (Equities)**

Such securities, as are prescribed, for these purposes from time to time by the Clearing House, and published by the Clearing House, in accordance with the Procedures.

**SCHEDULE TO THE EQUITYCLEAR REGULATIONS****Part C****EquityClear (ccCFD) Contract Terms**

The terms of an EquityClear (ccCFD) Contract shall include these EquityClear (ccCFD) Contract Terms which shall comprise:

- (1) Interpretation section;
- (2) Economic Terms; and
- (3) Standard Terms – (i) Specific Standard Terms and (ii) General Standard Terms.

**1. Interpretation Section**

1.1 Save as otherwise specified herein, words and phrases defined elsewhere in the General Regulations, Procedures and Default Rules of the Clearing House (together, and as amended from time to time, the "**Rulebook**") shall have the same meanings in these EquityClear (ccCFD) Contract Terms.

1.2 In the event of any inconsistency between these LCH EquityClear (ccCFD) Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

1.3 In these EquityClear (ccCFD) Contract Terms, the following terms have the following meanings:

**"Benchmark Interest Rate"** means the relevant interbank cash interest rate applicable to the Relevant Currency;

**"Contract Date"** means the date on which the EquityClear (ccCFD) Contract is first entered into by the Clearing House;

**"Contract Quantity"** means the number of Units bought or sold under the EquityClear (ccCFD) Contract;

**"Relevant ATP"** means the ATP on which the EquityClear ATP Match underlying this EquityClear (ccCFD) arises;

**"Relevant Currency"** means the currency in which an EquityClear (ccCFD) Contract is traded and will be settled, as identified in the Economic Terms;

**"Spread Charge"** means the daily cost charged by LCH for holding an open position in an EquityClear (ccCFD) Contracts;

**"Underlying Exchange"** means the exchange on which an Underlying Security is listed;

**"Underlying Instrument"** means the Underlying Security, index, commodity, currency pair or other asset or product that is the subject matter of an EquityClear (ccCFD) Contract;

**"Underlying Security"** Means the equity security listed by the Underlying Exchange and identified as the Underlying Instrument in the Economic Terms

“Unit” means the minimum quantity of the relevant Underlying Instrument may be bought or sold under an EquityClear (ccCFD) Contract.

**2. Economic Terms**

2.1 The Economic Terms of a EquityClear (ccCFD) Contract shall comprise details of:

- (a) Buyer
- (b) Seller
- (c) Price
- (d) Contract Quantity
- (e) Relevant Currency
- (f) Underlying Instrument
- (g) Unit

2.2 The Economic Terms of an EquityClear (ccCFD) Contract will be as set out in the information received by the Clearing House from the relevant ATP in respect of an EquityClear ATP Match except that (a) where such information specifies an EquityClear Clearing Member as the buyer, the Clearing House shall be the seller; and (b) where such information specifies an EquityClear Clearing Member as the seller, the Clearing House shall be the buyer.

**3. Specific Standard Terms**

**3.1 Contracts for Difference on Equities**

<b>Type of Contract</b>	Equity Contract for Difference
<b>Description</b>	Contract for Difference on the Underlying Security
<b>Unit</b>	One Unit represents 1 share of the Underlying Security. Follows Underlying Exchange electronic order book price format
<b>Minimum contract size</b>	One Unit
<b>Relevant Currency</b>	The currency in which the Underlying Security is denominated
<b>Trading hours</b>	7.30 am to 5.30pm GMT
<b>Daily settlement price</b>	The price is equal to that of the closing price as determined by Clearing House
<b>Contract Standard</b>	Daily margining based on Daily Settlement Price Closure of the contract is performed by an equal and opposite transaction.
<b>Benchmark Interest Rate</b>	Seller: Receives Benchmark Interest Rate (or Relevant Currency equivalent) Buyer: Pays Benchmark Interest Rate (or Relevant Currency equivalent)



<b>Spread Charge</b>	Seller: Pays or receives daily Spread Charge Buyer: Pays or receives daily Spread Charge
<b>Financing Amount</b>	The net amount of the Benchmark Interest Rate and the Spread Charge paid or received daily
<b>Expiry</b>	N/A
<b>Cash Equivalent Dividend Payment</b>	If a dividend is declared in respect of the Underlying Security of an EquityClear (ccCFD) Contract, then the Seller must pay to the Buyer an amount calculated in accordance with the Rulebook and payable at the time specified in the Rulebook. UK Equities Seller: Net cash equivalent paid at the applicable rate . Buyer: Net cash equivalent received at the applicable rate.

#### 4. General Standard Terms

The following General Standard Terms apply to all EquityClear (ccCFD) Contracts:

##### 4.1 Term

This EquityClear (ccCFD) Contract shall be of indefinite duration, subject to termination in accordance with the Rulebook.

##### 4.2 Daily Settlement

This EquityClear (ccCFD) Contract shall be subject to daily settlement in accordance with the Rulebook.

##### 4.3 Lack of Daily Settlement Price

If no Daily Settlement Price is available, for whatsoever reason, the Clearing House may, in consultation with the Relevant ATP, fix an alternative at a price determined by them, in their absolute discretion, as being consistent with cash market values of the Underlying Instrument.

##### 4.4 Financing Amount

A daily Financing Amount will be calculated and payable daily by reference to the net number of those open EquityClear (ccCFD) Contracts held by the Buyer and Seller in its House account and Client account. The Financing Amount will be calculated in arrears commencing 3 days from the trade date.

The daily Financing Amount is based on two components: (i) the Benchmark Interest Rate; and (ii) the Spread Charge. Holders of long positions pay the daily Benchmark Interest Rate and pay or receive the Spread Charge. Holders of short positions receive the daily Benchmark Interest Rate and pay or receive the Spread Charge. At the end of each day, the daily Financing Amount of each position is calculated, using the following formula:

Long CFD (adjustable by trade source and currency)

$$F = n \times p \times (L \pm \text{CMIs}) \times (d / b)$$

Short CFD (adjustable by trade source and currency)

$$F = n \times p \times (L \pm \text{CMss}) \times (d / b)$$

Where:

F	is the daily Financing Amount per ISIN paid to or received from the Buyer or Seller.
n	is the end of day position quantity per ISIN.
p	is the end of day daily price
L	is the applicable Benchmark Rate (or Relevant Currency equivalent).
CMIs or CMss	is the applicable long (or short) Spread Charge charged or paid by the Buyer or Seller. Note, the short Spread Charge also includes the stock borrow rate for equities. Can be positive or negative.
d	is the number of days position is financed for, (between current business day and next cost of carry run) using a currency calendar. For example, one for overnight calculations and 3 days for standard weekends.
b	is the standard days basis for the settlement currency. For UK 365 days is used.

#### 4.5 Third Party Rights

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

#### 4.6 Regulations

Each EquityClear (ccCFD) Contract shall be subject to the Regulations, which shall form a part of its terms.

#### 4.7 Governing Law

Each EquityClear (ccCFD) Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts

## LCH ENCLEAR OTC REGULATIONS

### **Regulation 68**    **Application of LCH EnClear OTC Regulations**

- (a)        The LCH EnClear OTC Regulations, which form part of the Regulations, together with the Regulations referred to in paragraph (b) apply to LCH EnClear OTC Contracts and LCH EnClear OTC Clearing Members.
  
- (b)        The Default Rules, Default Fund Rules, the definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (c), 10, 11, 12, 14, 16, 23, 24, 26 to ~~39A~~39B inclusive (other than Regulation 35(a) and Regulation 37(b)) of the General Regulations apply to LCH EnClear OTC Contracts and LCH EnClear OTC Clearing Members.

**Regulation 69**    **Registration of LCH EnClear Contracts**

[Regulations 69-73 (inclusive) are no longer in force.]

**Regulation 70 LCH EnClear Contracts**

[Regulations 69-73 (inclusive) are no longer in force.]

**Regulation 71** LCH EnClear Third Party Clearing Participants

[Regulations 69-73 (inclusive) are no longer in force.]

**Regulation 72 Daily Settlement**

[Regulations 69-73 (inclusive) are no longer in force.]

**Regulation 73**    **Withdrawal of the LCH EnClear Service by the Clearing House**

[Regulations 69-73 (inclusive) are no longer in force.]



**Regulation 73A Registration of LCH EnClear OTC Contracts**

- (a) An LCH EnClear OTC Clearing Member must submit particulars of an Eligible OTC Trade for registration as an LCH EnClear OTC Contract, through such means as shall be prescribed by the Procedures.
- (b) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, an LCH EnClear OTC Clearing Member shall be bound by an LCH EnClear OTC Contract registered in its name pursuant to the presentation of particulars of an Eligible OTC Trade by it or on its behalf, or by an Approved Broker or presented by another LCH EnClear OTC Clearing Member provided that the particulars of such Eligible OTC Trade are submitted to the Clearing House through such means as shall be prescribed by the Procedures.
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, an Eligible OTC Trade, particulars of which are submitted for registration as an LCH EnClear OTC Contract, must meet the eligibility criteria prescribed in these Regulations and the Procedures at the time the particulars of such Eligible OTC Trade are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an LCH EnClear OTC Contract.
- (d) The Clearing House shall be deemed to register an LCH EnClear OTC Contract, in accordance with Regulation 73A in the name of an LCH EnClear OTC Clearing Member at the time prescribed in the LCH EnClear Procedures ("Registration Time").
- (e) For the avoidance of doubt, any transaction of which details have been submitted by or on behalf of, a LCH EnClear OTC Clearing Member or by an Approved Broker for registration as an LCH EnClear OTC Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (f) If at any time after registration of an LCH EnClear OTC Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not an Eligible OTC Trade or did not, at the Registration Time, meet the eligibility criteria for registration as an LCH EnClear OTC Contract, the Clearing House shall, as soon as practicable thereafter, set aside such LCH EnClear OTC Contract. Upon the LCH EnClear OTC Contract being set aside under this Regulation 73A(f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto. Any payment made under, or in respect of, an LCH EnClear OTC Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 73A(f), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an LCH EnClear OTC Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an LCH EnClear OTC Contract.

**Regulation 73B LCH EnClear OTC Contracts**

- (a) Without prejudice to the Clearing House's rights to effect further novation under Regulation 3(b), an Eligible OTC Trade presented for registration to, and accepted by the Clearing House, shall be registered by the Clearing House as two LCH EnClear OTC Contracts, one between the First LCH EnClear OTC Clearing Member being the seller, or party paying a Fixed Price (as the case may be) and the Clearing House as buyer, or the party paying a Floating Price (as the case may be) as principals to such contract, and the other between the Clearing House as the seller or party paying a Fixed Price (as the case may be) and the Second LCH EnClear OTC Clearing Member being the buyer or the party paying a Floating Price (as the case may be) as principals to such contract. For the purposes of this Regulation:
- (i) "First LCH EnClear OTC Clearing Member" is an LCH EnClear OTC Clearing Member who was, before registration of the LCH EnClear OTC Contract, party to the corresponding Eligible OTC Trade as the seller, or party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such Eligible OTC Trade in accordance with the relevant Procedures; and
  - (ii) "Second LCH EnClear OTC Clearing Member" is an LCH EnClear OTC Clearing Member who was, before registration of the LCH EnClear OTC Contract, party to the corresponding Eligible OTC Trade as the buyer, or the party paying a Floating Price (as the case may be), or, if appropriate, who has accepted such Eligible OTC Trade in accordance with the relevant Procedures.

For the purposes of this Regulation 73B, "Accepted" shall mean that the relevant LCH EnClear OTC Clearing Member has agreed, by such means as may be prescribed from time to time by the Procedures, to become counterparty with the Clearing House to such LCH EnClear OTC Contract.

- (b) With effect from registration of an Eligible OTC Trade as two LCH EnClear OTC Contracts under paragraph (a) of this Regulation:
- (i) the parties to the corresponding Eligible OTC Trade, to the extent that they are bound by these Regulations, shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding OTC Eligible Trade are not bound by these Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;
  - (ii) each LCH EnClear OTC Contract registered under paragraph (a) of this Regulation shall be governed by the relevant LCH EnClear OTC Contract Terms as applicable to that Contract;
  - (iii) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First LCH EnClear OTC Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the LCH EnClear OTC Contract to which it is party as the seller had and owed in respect of its counterparty under the corresponding Eligible OTC Trade; and
  - (iv) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second LCH EnClear OTC Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the LCH EnClear OTC Contract to which it is party as the buyer, had and owed in respect of its counterparty under the corresponding Eligible OTC Trade.

In sub-paragraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding Eligible OTC Trade (it being assumed, for this purpose, that such Eligible OTC Trade was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (c) If an Eligible OTC Trade is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any LCH EnClear OTC Contract arising under this Regulation, Regulation 3(b) or Regulation 11.
- (d) In the case of a LCH EnClear OTC Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 73B shall take effect.

**Regulation 73C Daily Settlement**

- (a) Where the LCH EnClear OTC Procedures so provide, in respect of any Eligible OTC Trade, and any LCH EnClear OTC Contract arising therefrom the Clearing House may affect the daily settlement to market, of such open LCH EnClear OTC Contracts in accordance with the Procedures.
- (b) The Clearing House may, in accordance with the Procedures, in respect of each such open LCH EnClear OTC Contract in an LCH EnClear OTC Clearing Member's name which is subject to daily settlement to market, effect and register a settlement contract, being a contract on the same terms (except as to price) as the open contract, save that where that Clearing Member is the seller or the party paying a Fixed Price (as the case may be) under the terms of the open contract, that Clearing Member shall be the buyer or the party paying a Floating Price (as the case may be) under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each open contract against the respective settlement contract in accordance with the Procedures.
- (c) Upon completion of the procedure set out in paragraph (b) above, the Clearing House may, if the Procedures so provide, calculate the daily settlement amounts in accordance with the Procedures and may thereafter make up the LCH EnClear OTC Clearing Member's account and upon the Clearing House so doing, that Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising in accordance with the arrangements set out in the Procedures in respect of the relevant LCH EnClear OTC Contract.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures, in respect of those open LCH EnClear OTC Contracts in an LCH EnClear OTC Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the Reference Price referred to in paragraph (b) above, which price shall be deemed to be the Traded Price, contracts in that Clearing Member's name as open LCH EnClear OTC Contracts on the same terms (except as to price) as the settled open contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that Clearing Member's name.
- (e) [This provision has been left blank intentionally]
- (f) [This provision has been left blank intentionally]
- (g) [This provision has been left blank intentionally]
- (h) [This provision has been left blank intentionally]
- (i) [This provision has been left blank intentionally]
- (j) [This provision has been left blank intentionally]

**Regulation 73D** *[This provision has been left blank intentionally]*

**Regulation 73E Withdrawal of the LCH EnClear OTC Services by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw its LCH EnClear OTC Services (or any part of it) it shall give not less than six months' notice in accordance with the Procedures to all LCH EnClear OTC Clearing Members of the date on which the service will be withdrawn ("the LCH EnClear OTC Services Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation by a LCH EnClear OTC Clearing Member shall not invalidate the LCH EnClear OTC Services Withdrawal Date. Where only a part of the LCH EnClear OTC Services is being withdrawn, notice shall only be given to those LCH EnClear OTC Clearing Members authorised or approved to participate in that part of the Services.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an LCH EnClear OTC Contract, other than a closing-out contract after notice to withdraw the service has been given under Regulation 73E(a).
- (c) If, at the LCH EnClear OTC Services Withdrawal Date, an LCH EnClear OTC Clearing Member has not closed out all open LCH EnClear OTC Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:
  - (i) liquidate any or all of such LCH EnClear OTC Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and
  - (ii) postpone the LCH EnClear OTC Services Withdrawal Date until such time as the Clearing House determines.

**SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS****Part A****LCH EnClear OTC Contract Terms**

Where an LCH EnClear OTC Contract arises between the Clearing House and an LCH EnClear OTC Clearing Member pursuant to the Regulations and the terms of any agreement between them, the terms of a registered LCH EnClear OTC Contract shall include these LCH EnClear OTC Contracts Terms which shall comprise:

- (1) Interpretation and Definitions;
- (2) Economic Terms;
- (3) Specific Standard Terms\*; and
- (4) General Standard Terms

**Section 1 Interpretation and Definitions: General**

- 1.1 [This section has been removed.]
- 1.2 Words and expressions used in these LCH OTC EnClear OTC Contract Terms shall have the same meaning as in the General Regulations, Default Rules and Procedures of the Clearing House (together, and as amended from time to time, the "Regulations").
- 1.3 The accidental omission to give any notice which may be required under the Regulations or Procedures for the amendment of these Contract Terms, or the non-receipt of any such notice by any LCH EnClear OTC Clearing Member shall not invalidate the amendment with which such notice is concerned.
- 1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.
- 1.5 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.
- 1.6 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.
- 1.7 "US Business Day" means a day upon which banks in the United States of America are generally open to settle payments and for general business. "UK Business Day" means a day upon which banks in England and Wales are generally open to settle payments and for general business.

**Section 2 Economic Terms**

- 2.1 The Economic Terms of an LCH EnClear OTC Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding Eligible OTC Trade in respect of the terms designated as Economic Terms in this Schedule.

- 2.2 It is part of the eligibility criteria for registration as an LCH EnClear OTC Contract that the particulars of an Eligible OTC Trade presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the Procedures.
- 2.3 The Economic Terms comprise:
- (a) Fixed Rate Payer or seller;
  - (b) Floating Rate Payer or buyer;
  - (c) Contract;
  - (d) Contract Series;
  - (e) Quantity;
  - (f) Delivery Period (where applicable);
  - (g) Fixed Price or Traded Price (as the case may be);
  - (h) Floating Price (where applicable).

PROVIDED, however, that, as set out in Regulation 73B where the Eligible OTC Trade specifies an LCH EnClear OTC Clearing Member as the party paying the Fixed Price or being the seller (“the First LCH EnClear OTC Clearing Member”) with the other LCH EnClear OTC Clearing Member as the party paying the Floating Price or being the buyer (“the Second LCH EnClear OTC Clearing Member”) the Clearing House, in respect of each LCH EnClear OTC Contract it is party to pursuant to the corresponding Eligible OTC Trade, shall be (i) the party paying the Floating Price or the buyer to the First LCH EnClear OTC Clearing Member under the LCH EnClear OTC Contract; and (ii) the party paying the Fixed Price or seller to the Second LCH EnClear OTC Clearing Member under the LCH EnClear OTC Contract.

### **Section 3 Specific Standard Terms For LCH EnClear OTC Contracts**

[Sections 3.1 and 3.2 no longer in force]

#### **3.3 LCH EnClear OTC Services: Energy Division**

The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade in the Energy Division of the LCH EnClear OTC Services.

Section	Contract
3.3A	No longer in force
3.3B	No longer in force
3.3C and 3.3D	OTC Emissions – EUAs
3.3C and 3.3E	OTC Emissions – CERs
3.3F	OTC Emissions – EUA Spot
3.3G	OTC Emissions – CER Spot
3.3H	OTC Emissions – EUA Options
3.3I	OTC Emissions – CER Options
3.3A	<b>No longer in force</b>



3.3B **No longer in force**3.3C **LCH EnClear OTC Services: Energy**3.3C.1 **Standard Terms: Additional Definitions**

The following additional definitions shall apply to any LCH EnClear OTC Contract within the LCH EnClear OTC Services: Energy Division.

Defined Term	Definition
CER	A certified emissions reduction, as defined in the Directive, that may be used for determining compliance with emissions limitation commitments pursuant to and in accordance with the Scheme, excluding allowances generated by hydroelectric projects with a generating capacity exceeding 20MW.
CITL	The independent transaction log provided for in Article 20(1) of the Directive.
Commitment Period Reserve	The commitment period reserve requirements set out in paragraphs 6 and 7 of the Annex to Decision 11 of the Meeting of the Parties to the UNFCCC (modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol), as amended from time to time.
Compliance Period	The first five-year period referred to in Article 11(2) of the Directive, namely 2008 to 2012 inclusive.
Delivery Period	The period beginning at 09.30 hours on the first business day following the last trading day and ending at 19.30 hours on the third business day following the last trading day.
Directive	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended from time to time.
EUA	An allowance to permit the emission of one tonne of carbon dioxide equivalent during the relevant period that has been issued by a competent authority pursuant to the Directive for the purposes of the Scheme.
Holding Account	A holding account maintained pursuant to the Registry Regulation.
ITL	The international transaction log established pursuant to paragraph 38 of the Annex to Decision 13 of the Conference of the Parties to the UNFCCC.
ITL Operation	The establishment and continuing functioning of the link between the ITL, the CITL, the relevant Registry or Registries and, where applicable, the UNFCCC Clean Delivery Mechanism Registry.
LEBA Index	The index as published daily by the London Energy Brokers Association.
Registry Regulation	The EU Commission Regulation (EC) No 2216/2004 for a standardised and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time.
Scheme	The scheme for transferring emissions allowances, including EUAs and CERS, established pursuant to the Directive and the

Defined Term	Definition Registry Regulation and as implemented by the national laws of EU member states.
Suspension Event	(i) The absence of ITL Operation; (ii) the suspension of the Scheme; or (iii) the inability of a party to perform its obligations under an LCH EnClear OTC Contract as a result of a breach or breaches of the Commitment Period Reserve in each of the member states in which that party maintains a Holding Account.
UNFCCC	The United Nations Framework Convention on Climate Change.

### 3.3C.2 Standard Terms: Additional Provisions

#### (a) Suspension Event

If and to the extent that the performance of any LCH EnClear OTC Contract is frustrated by a Suspension Event, that event shall be deemed to be an event beyond the reasonable control of the parties for the purposes of Regulation 27 of the General Regulations and the Clearing House may act accordingly. In such circumstances, the Clearing House may, without limitation and acting in its sole discretion, issue directions such that the obligations of the Clearing Members under any affected LCH EnClear OTC Contract shall be fulfilled at such future time and by such means as the Clearing House may acting in its sole discretion determine.

#### (b) Abandonment of ITL Operation

Without prejudice to or limitation of any powers that the Clearing House may have under the General Regulations, if by official announcement of the European Commission or the UNFCCC or by joint announcement of those bodies it is established that ITL Operation will not be achieved during the Compliance Period, the Clearing House may invoice back such LCH EnClear OTC Contracts as are open at the relevant time. If and when LCH EnClear OTC Contracts are invoiced back in such circumstances, opposite contracts shall be effected and registered at the LEBA Index price published on the business day immediately preceding the day on which the official announcement referred to above is made. If such price is not available for whatever reason, or if in all the circumstances it would be unreasonable to use such price in the opinion of the Clearing House, opposite contracts shall be effected and registered at such other price as the Clearing House shall, acting in its sole discretion, reasonably determine.

#### (c) Exclusion of Liability

Without prejudice to the General Regulations, including without limitation those provisions of the General Regulations concerning liability, the Clearing House excludes all liability of any kind to the fullest extent possible in respect of any performance of or failure to perform an LCH EnClear OTC Contract that may be attributable to:

- (i) the lack of availability, failure and/or malfunction of any system, device, software or hardware which forms part of the Scheme or which has been designed for use in connection with it;
- (ii) any act or omission by any third party in connection with the Scheme.

### 3.3D Standard Terms: Basic Provisions – EUAs

<b>Description</b>	Physically settled contracts for the forward delivery of EUAs.
<b>Unit of Trading</b>	One lot of 1000 EUAs.
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	Euros.
<b>Tick Size</b>	One euro cent (ten euros per lot).
<b>Reference Price for Daily Settlement</b>	LEBA EUA closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	LEBA EUA closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Fluctuation</b>	<b>Price</b> One euro cent.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Annual December contract months beginning December 2008 and ending December 2015.
<b>Business Days</b>	UK Business days plus the UK Bank Holiday at the end of May and the UK Bank Holiday in August.
<b>Expiry/Last Trading Date</b>	Contracts will expire at 18:00 on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.
<b>Settlement</b>	Physical delivery by the transfer of EUAs in accordance with the Procedures.
<b>Final Payment Date</b>	The business day following the last trading day.

### 3.3E Standard Terms: Basic Provisions – CERs

Description	Physically settled contracts for the forward delivery of CERs.
Nature	of A contract for the transfer of CERs as specified for

Contract		that contract.
Unit of Trading		One lot of 1000 CERs.
Minimum Contract Size		One lot.
Currency		Euros.
Tick Size		One euro cent (ten euros per lot).
Reference Price for Daily Settlement	Price	LEBA CER closing price or such other price as may be prescribed by the Clearing House from time to time.
Final Settlement		LEBA CER closing price or such other price as may be prescribed by the Clearing House from time to time.
Minimum Fluctuation	Price	One euro cent.
Maximum Fluctuation	Price	Unlimited.
Contract Series		Annual December contract months beginning December 2008 and ending December 2015.
Business Days		UK Business days plus the UK Bank Holiday at the end of May and the UK Bank Holiday in August.
Expiry/Last Trading Date		Contracts will expire at 18:00 on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.
Settlement		Physical delivery by the transfer of CERs in accordance with the Procedures.
Final Date	Payment	The business day following the last trading day.

### 3.3F **Standard Terms: Basic Provisions EUA Spot Contract**

<b>Description</b>	Physically settled day ahead spot contract for the delivery of EU Allowances issued in accordance with the terms of Directive 1003/87/EC.
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<b>Lot Size</b>	One lot is equal to 1000 EU Allowance units. A unit being the right to emit 1 tonne of CO2 equivalent.
<b>Minimum Contract Size</b>	One Lot
<b>Currency</b>	Euros (€)
<b>Minimum Tick Size</b>	One Euro cent per tonne, €0.01/tonne
<b>Settlement Price</b>	LEBA EUA closing price or such or other price as may be prescribed by LCH.Clearnet from time to time.
<b>Contract Series</b>	Rolling day ahead spot contract for business days only. Contracts for Monday delivery are made available for trading on the Friday prior to delivery.
<b>Expiry Day</b>	Contracts will expire at 18:00 on the trading day.
<b>Delivery</b>	Delivery is fulfilled by the transfer of EU Allowances from the Holding Account at a designated Registry of the Seller to the Holding Account of LCH.Clearnet Ltd at the UK Emissions Trading Registry and from there to the Holding Account at the designated Registry of the Buyer.

### 3.3G **Standard Terms: Basic Provisions CER Spot Contract**

<b>Description</b>	Physically settled day ahead spot contract for the delivery of Certified Emissions Reductions issued pursuant to Article 12 of the Kyoto Protocol that may be used for determining compliance with emissions limitation commitments in accordance with the EU Emissions Trading Scheme. Excluding allowances generated by hydroelectric projects with a generating capacity exceeding 20MW.
<b>Lot Size</b>	One lot is equal to 1000 Certified Emission Reductions units. A unit being the right to emit 1 tonne of CO2 equivalent.
<b>Minimum Contract Size</b>	One lot
<b>Currency</b>	Euros (€)
<b>Minimum Tick Size</b>	One Euro cent per tonne, €0.01/tonne
<b>Settlement Price</b>	LEBA CER closing price or such or other price as may be prescribed by LCH.Clearnet from time to

time.

<b>Contract Series</b>	Rolling day ahead spot contract for business days only. Contracts for Monday delivery are made available for trading on the Friday prior to delivery.
<b>Expiry Day</b>	Contracts will expire at 18:00 on the trading day.
<b>Delivery</b>	Delivery is fulfilled by the transfer of Certified Emissions Reductions from the Holding Account at a designated Registry of the Seller to the Holding Account of LCH.Clearnet Ltd at the UK Emissions Trading Registry and from there to the Holding Account at the designated Registry of the Buyer.

### 3.3H **Standard Terms: Basic Provisions – EUA Options Contract**

<b>Description</b>	Physically settled Premium Paid Option on the underlying EUA Forward contract for the corresponding December expiry.  These contracts, if “in the money” expire into their underlying EUA Forward contracts with a traded price equal to the Strike Price (see below)
<b>Lot size</b>	1000 tonnes
<b>Currency</b>	Euro
<b>Pricing</b>	Euro and Euro cents per metric tonne
<b>Minimum tick</b>	€0.01 per tonne
<b>Option Type</b>	Options are European style and will be automatically exercised on the expiry day if they are “in the money”. If an option is “out of the money” it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last trading day</b>	Contracts will expire at 18:00 hours UK time 3 business days prior to the last Monday of the options contract month.  Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be 3 days prior to the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be 3 days prior to the

third last Monday of the contract month.

**Expiry**

18:00 hours UK time on the last trading day

Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.

**Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.**

The reference price will be a price in Euros and Euro cents, equal to the daily settlement price for the December EUA Forward contract of the corresponding year.

For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying EUA forward contract.

**Contract series**

Four rolling month contracts (March, June, September and December) plus an additional two December contracts

All option contracts expire into the underlying December contract of the corresponding year.

**Strike Price**

Fifty strike prices in increments of €0.50 above and below the "at-the-money" strike price in all contract series.

Where the "at the money" strike price of the underlying commodity moves, additional strikes will be added each business day

**Margin**

Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.

**Business Days**

UK business days

### 3.3I **Standard Terms: Basic Provisions – CER Options Contract**

**Description**

Physically settled Premium Paid Option on the underlying CER Forward contract for the corresponding December expiry.

These contracts, if "in the money" expire into their underlying CER Forward contracts with a traded price equal to the Strike Price (see below)

**Lot size**

1000 tonnes

**Currency**

Euro

<b>Pricing</b>	Euro and Euro cents per metric tonne
<b>Minimum tick</b>	€0.01 per tonne
<b>Option Type</b>	Options are European style and will be automatically exercised on the expiry day if they are “in the money”. If an option is “out of the money” it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last trading day</b>	Contracts will expire at 18:00 hours UK time 3 business days prior to the last Monday of the options contract month.  Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be 3 days prior to the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be 3 days prior to the third last Monday of the contract month.
<b>Expiry</b>	18:00 hours UK time on the last trading day  Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.  <b>Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.</b>  The reference price will be a price in Euros and Euro cents, equal to the daily settlement price for the December EUA Forward contract of the corresponding year  For these purposes “final settlement price” means the final settlement price on the expiry day of the underlying EUA forward contract.
<b>Contract series</b>	Four rolling month contracts (March, June, September and December) plus an additional two December contracts.  All option contracts expire into the underlying December contract of the corresponding year.



<b>Strike Price</b>	Fifty strike prices in increments of €0.50 above and below the “at-the-money” strike price in all contract series.  Where the “at the money” strike price of the underlying commodity moves, additional strikes will be added each business day
<b>Margin</b>	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.
<b>Business Days</b>	UK business days

### 3.4 LCH EnClear OTC Services: Freight Division

The following terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade in the Freight Division of the LCH EnClear OTC Service.

#### 3.4.1 Standard Terms: Additional Definitions

“*Baltic Exchange*” means The Baltic Exchange Limited of St Mary Axe, London EC3A 8BH, UK.

“*FIS*” means Freight Investor Services Pte Ltd of 16 Collyer Quay, 10-01 Hitachi Tower, Singapore.

“*Flat Rate*” means an amount in respect of each pricing date expressed in US\$/mt for that route for that pricing date as published by the Worldscale Association (London) Ltd, and the Worldscale Association (NYC) Inc.

“*LEBA*” means The London Energy Brokers Association

“*mt*” means metric tonnes.

“*Reference Price*” means the daily or final settlement price, as the case may be, for that route, as set out herein below.

“*Shanghai Shipping Exchange*” means Shanghai Shipping Exchange of 88 Yang Shu Pu Road, Shanghai 200082, PRC.

“*TSI*” means The Steel Index Limited of Palladium House, 1-4 Argyll Street, London W1F 7LD.

“*Worldscale Point*” or “*WS Point*” means a point of the pricing index operated by the Worldscale Association.

“*Worldscale Rate*” or “*WS Rate*” means the number of Worldscale Points.

Tanker Voyage Routes, Dry Voyage Routes, Dry Timecharter Basket Routes, Dry Trip Timecharter Routes and Timecharter Voyage Routes are those defined by the Baltic Exchange.

#### 3.4.2 The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade (Freight Division).

The table below shows which set of terms (identified by the individual sub-section number of this section 3) applies to the relevant type of freight forward contract or option contract and route:

<b>Name of freight contract and route</b>	<b>Section</b>
Tanker Voyage Routes	Section 3.4A
\$ Per Tonne Tanker Voyage Routes	Section 3.4B
Dry Voyage Routes	Section 3.4C
Dry Timecharter Basket Routes - Forwards	Section 3.4D
Dry Trip Timecharter Routes	Section 3.4E
Timecharter Voyage Route	Section 3.4F
Dry Timecharter Basket Routes - Options	Section 3.4G
Baltic Exchange Dry Index	Section 3.4H
Iron Ore Swap	Section 3.4I
Fertilizer Swaps	Section 3.4J
Container Swaps	Section 3.4K
API 2 cif ARA (Argus/McCloskey) Coal Swap Contract	Section 3.4L
API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract	Section 3.4M
European Hot Rolled Coil Steel Swaps	Section 3.4N
Chinese Hot Rolled Coil Steel Swap	Section 3.4O
Turkish Import Scrap Steel Swap	Section 3.4P
Chinese Domestic Hot Rolled Ribbed Bar Steel Swap	Section 3.4Q
API 2 of ARA (Argus/McCloskey) Coal Option Contract	Section 3.4R
API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract	Section 3.4S

### 3.4A **Cash Settled Freight Forward Contracts: Tanker Voyage Routes**

Description Cash settled freight forward contracts on any of the following Tanker Voyage Routes:

Baltic TD3 (260,000 mt ME Gulf – Japan)

Baltic TD5 (130,000 mt W Africa – USAC)  
 Baltic TD7 (80,000 mt North Sea – Cont)  
 Baltic TC2 (37,000 mt Continent – USAC)  
 Baltic TC4 (30,000 mt Singapore – Japan)  
 Baltic TC5 (55,000 mt ME – Japan)  
 Baltic TC6 (30,000 mt Algeria/Euromed)

Lot Size	1,000 mt
Currency	US Dollars
Minimum Tick	US\$0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price, calculated as Flatrate x WS Rate /100
Floating Price	In respect of daily revaluation, the floating price will be calculated as Flat Rate x WS Rate/100, where the WS rate is the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be a price in US\$ per mt calculated as the mean of the Baltic Exchange WS rate spot price assessments multiplied by the Flat Rate divided by 100 for each pricing date in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th December is a non working day.
Contract Series	Front 6 Months, Front 5 Quarters (TC2, TC6, TD3, TD5, TD7), Front 4 Quarters (TC4, TC5), Front 2 Whole Calendar years. Out to a maximum of 36 months
Final Payment Date	The first business day following the expiry day
Business Days	UK business days

### 3.4B **Cash Settled Freight Forward Contracts: \$ Per Tonne Tanker Voyage Routes**

Description	Cash settled \$ per tonne freight forward contracts on the following Tanker Voyage Routes:  Baltic TC2 (DC2) (37,000 mt Continent – USAC)  Baltic TD3 (DD3) (260,000 mt ME Gulf – Japan)
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Baltic TD5 (DD5) (130,000 mt W Africa – USAC)

Baltic TD7 (DD7) (80,000 mt North Sea – Cont)

Lot Size	1,000 mt
Currency	US Dollars
Pricing	US \$/tonne
Minimum Tick	US \$ 0.0001 to account for final settlement
Fixed Price	The traded price (in \$/t) or the previous day's settlement price, as supplied end of day by the Baltic Exchange
Floating Price	In respect of daily settlement, the floating price is the end of day price (in \$/t) as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be a price in US\$ per mt calculated as the mean of the Baltic Exchange WS rate spot price assessments multiplied by the Flate Rate divided by 100 for each pricing date in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th December is a non-working day.
Contract Series	Front 6 Months, Front 5 Quarters, Front 2 Whole Calendar Years. Out to a maximum of 35 months
Final Payment	The first business day following the expiry day.
Business Days	UK business days.

### 3.4C **Cash Settled Freight Forward Contracts: Dry Voyage Routes**

Description	Cash settled freight forward contracts on any of the following Dry Voyage Routes:  C3E (Tubarao – Beilun/Baoshan)  C4E (Capesize Richards Bay – Rotterdam)  C5E (W Australia – Beilun/Baoshan)  C7E (Capesize Bolivar – Rotterdam)
Lot Size	1,000 mt
Currency	US Dollars

Pricing	US \$/mt, \$0.01
Minimum Tick	US \$ 0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th December is a non working day
Contract Series	C4E and C7E – out to a time horizon of 3 whole Calendar Years (max 47 months), traded as either monthly contracts, quarters or Calendar Years.  C3E and C5E - Front 3 months, 4 whole quarters
Final Payment Date	The first business day following the expiry day
Business Days	UK Business Days

#### 3.4D **Cash Settled Freight Forward Contracts: Dry Timecharter Basket Routes**

Description	Cash settled freight forward contracts on any of the following Dry Timecharter Basket Routes:  CTC (Capesize TC Avg 4 routes)  PTC (Panamax TC Avg 4 routes)  STC (Supramax TC Avg 6 routes)  HTC (Handysize TC Avg 6 routes)
Lot Size	1 day
Currency	US Dollars
Pricing	US \$ per day
Minimum Tick	US \$ 0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange

Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th December is a non working day
Contract Series	Front 1 or 2 months (remaining from expired front quarter) Front 4 Quarters, Front 2 Half Years, Front 5 Calendar Years.
Final Payment Date	The first business day following the expiry day
Business Days	UK Business Days

#### 3.4E **Cash Settled Freight Forward Contracts: Dry Trip Timecharter Routes**

Description	Cash settled freight forward contracts on any of the following Dry Trip Timecharter routes: P1A, P1E (Panamax Transatlantic RV)  P2A (Panamax Cont Trip Far East)  P3A (Panamax trans Pacific round voyage)
Lot Size	1 day
Currency	US Dollars
Pricing	US\$ per/day
Minimum Tick	US\$0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied by the Baltic Exchange
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the last 7 Baltic Exchange spot price assessments in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th

	December is a non working day
Contract Series	P1A, P1E – Front 6 Months, front 4 whole quarters P2A, P3A – Front 6 Months, front 3 whole quarters
Final Payment Date	The first business day following the expiry day
Business Days	UK Business Days

#### 3.4F **Timecharter Voyager Route**

Description	Cash settled freight forward contract on the following Timecharter Voyage Route:  S7 (East coast India – China)
Lot Size	1 day
Currency	US Dollars
Pricing	US \$ per day
Minimum tick	US \$ 0.0001 to account for final settlement
Fixed price	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange
Floating price	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th December is a non-working day.
Contract series	Current quarter and following 4 quarters
Final payment	The first business day following the last trading day
Business days	UK business days

#### 3.4G **Cash Settled Premium Paid Options: Dry Timecharter Basket Routes**

Description	Cash settled Premium Paid Options on any of the following Dry Timecharter Basket Routes: -  CTO (Capesize TC Avg 4 routes)
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PTO (Panamax TC Avg 4 routes)

STO (Supramax TC Avg 6 routes)

HTO (Handysize TC Avg 6 routes)

These contracts, if “in the money” expire into their underlying freight forward contracts with a traded price equal to the Strike Price (see below)

Lot Size	1 day
Currency	US Dollars
Pricing	US\$ per day
Minimum Tick	US\$1 per day
Option Type	Options are European style and will be automatically exercised on the expiry day if they are “in the money”. If an option is “out of the money” it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
Option Premium	The Premium is paid at the time of purchase.
Last Trading Day	At 17:00 hours UK time on last Business Day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous Business Day, where the 24th December is a non working day
Expiry	17:00 hours UK time on the Last Trading Day  Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater in-the-money when compared to the relevant reference price.  Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.  The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying freight forward contracts.  For these purposes “final settlement price” means the final settlement price on the expiry day of the underlying freight forward contracts.



Contract Series	Front 1 or 2 months (remaining from expired front quarter)  Front 4 Quarters, Front 3 Calendar Years.
Strike Price	CTO – Sixty strike prices in increments of \$250 per day both above and below the “at-the-money” strike price in all contract series.  STO - Thirty strike prices in increments of \$250 per day both above and below the “at-the-money” strike price in all contract series.  PTO - Thirty strike prices in increments of \$250 per day both above and below the “at-the-money” strike price in all contract series.  HTO - Thirty strike prices in increments of \$100 per day both above and below the “at-the-money” strike price in all contract series.  Where the “at the money” strike price of the underlying commodity moves additional strikes will be added each Business Day.
Business Days	UK Business Days

#### 3.4H **Cash Settled Freight Index Contract: Baltic Exchange Dry Index**

Description	Cash settled freight swap on the Baltic Exchange Dry Index (BDI)
Lot Size	1 BDI tick
Currency	US Dollars
Pricing	1 BDI tick = US \$1
Minimum Tick	US \$ 0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange BDI assessments for every trading day in the expiry month.
Last Trading Day	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous business day, where the 24th

December is a non working day.

Contract Series Front 4 Months, Front 4 Quarters, One Whole Calendar

Final Payment Date The first business day following the expiry day

Business Days UK Business days

#### 3.4I **Iron Ore Swap**

Description Iron ore swap contract – settled against the daily TSI index (The Steel Index) 62% fe

Contract Code TSI

Lot Size 1,000mt

Currency US Dollars

Minimum Tick \$0.01/mt

Fixed Price The traded price or the previous day's settlement price as supplied end of day by IOSDA or such other price as may be prescribed by the Clearing House from time to time.

Floating Price In respect of daily settlement, the floating price will be the end of day price as supplied by IOSDA or such other price as may be prescribed by the Clearing House from time to time.

In respect of final settlement, the floating price will be the mean of the daily TSI spot indices for that month.

Contract Series Front 3 months, 4 quarters, 2 calendar years.

Expiry/Settlement Last business day of the contract month.

Delivery Cash settled monthly against the arithmetic average of all the indices in the contract month.

Final Payment The first business day following expiry.

Business Days UK Business Days

#### 3.4J **Fertilizer Swaps**

Description Fertilizer swap contracts cash settled against:

UREA – New Orleans (UNO)

UREA – Yuzhnyy (UYZ)

UREA – Egypt (UNE)

	DAP – Tampa (DTA)
	DAP – New Orleans (DNO)
	UAN – NOLA (UAN)
Lot Size	500mt – UYZ, DTA, UNE 500st – UNO, DNO, UAN
Currency	US Dollars
Minimum Tick	US\$0.0001
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by FIS.
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS.  In respect of final settlement, the floating price will be the arithmetic average of the relevant weekly indices for that contract as supplied by FIS for that month.
Contract Series	Front 6 months, 4 quarters
Expiry	Last publication day of the relevant index in the contract month (i.e. the last business Thursday of every month).  Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year.  Where the last Thursday of the month is a non-business day, the expiry day will be the first business day preceding that Thursday
Settlement	The first business day following the expiry day
Delivery	Cash settled monthly against the average of all the relevant indices for that contract during the month.
Business Days	UK Business Days

### 3.4K **Container Freight Swap Agreement**

Description	SCFI cash settled container freight swap agreements on the following routes:  CNW (Shanghai – North West Europe)  CMD (Shanghai – Mediterranean)
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	CSW (Shanghai – US West Coast)
	CSE (Shanghai – US East Coast)
Lot Size	1 TEU 20ft container (CMD and CNW) 1 FEU 40ft container (CSE and CSW)
Currency	US Dollars
Pricing	US \$ per TEU (CMD and CNW) US \$ per FEU (CSE and CSW)
Minimum Tick	US \$ 0.01 to account for final settlement.
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by Approved OTC brokers, or such other price as may be prescribed by the Clearing House from time to time.
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by Approved OTC brokers, or such other price as may be prescribed by the Clearing House from time to time.  In respect of final settlement, the floating price will be the mean of the all the SCFI weekly spot assessments for the contract route as published by the Shanghai Shipping Exchange each Friday during the contract month.
Contract Series	Front 3 months, front quarter + following 3 quarters, 1 whole calendar year (out to a maximum of 23 months).
Last Trading Day	Last publication day of the relevant index in the contract month (i.e. the last Chinese business Friday of every month).  Where the last Friday of the month is a UK business day but a Chinese holiday, the last trading day will be the previous publication day.  Where the last Friday of the month is a Chinese business day but a UK holiday, the last trading day will be the previous UK business day.
Delivery	Cash settled monthly against the arithmetic average of all the <u>SCFI</u> indices in the contract month.
Final payment	The first UK Business Day following the Last Trading Day.
Business days	Chinese business days for the purpose of Index publication.

UK Business Days for the purpose of trade registration, confirmation and final payment.

### 3.4L **API 2 (cif ARA) Coal Swap Contract**

Description	Cash settled API 2 cif ARA (Argus/McCloskey) coal swap contract.
Lot Size	1000 tonnes
Minimum Contract Size	Five Lots
Currency	US Dollars
Minimum Tick	\$0.05/tonne
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by LEBA, or such other price as may be prescribed by the Clearing house from time to time.
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA, or such other price as may be prescribed by the Clearing house from time to time.  In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 2 (cif ARA) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.
Contract Series	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.
Expiry / Last Trading Day	Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.
Delivery	Cash settled at the average of weekly Argus/McCloskey API 2 (cif ARA) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.
Business Days	UK Business Days

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**3.4M API 4 (fob Richards Bay) Coal Swap Contract**

Description	Cash settled API 4 fob Richards Bay (Argus/McCloskey) coal swap contract.
Lot Size	1000 tonnes
Minimum Contract Size	Five Lots
Currency	US Dollars
Minimum Tick	\$0.05/tonne
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by LEBA, or such other price as may be prescribed by the Clearing house from time to time.
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA, or such other price as may be prescribed by the Clearing house from time to time.  In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 4 (fob Richards Bay) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.
Contract Series	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.
Expiry / Last Trading Day	Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.
Delivery	Cash settled at the average of weekly Argus/McCloskey API 4 (fob Richards Bay) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.
Business Days	UK Business Days

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**3.4N European Hot Rolled Coil Steel Swaps**

Description	European Hot Rolled Coil Steel swaps, cash settled against The Steel Index:  Hot Rolled Coil – Northern Europe, domestic (SCN)  Hot Rolled Coil – Southern Europe, domestic (SCS)
Lot Size	20 mt
Currency	Euros
Pricing	€ per metric tonne
Minimum Tick	€0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the mean of the daily prices for the contract route as published by The Steel Index during the contract month.
Contract Series	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
Expiry / Last Trading Day	Last UK business day of the contract month.
Delivery	Cash settled monthly against the arithmetic average of all the indices in the contract month
Final Payment Date	The first business day following the expiry day
Business Days	UK Business days

#### 3.40 **Chinese Hot Rolled Coil Steel Swaps**

Description	Chinese Hot Rolled Coil Steel swap, cash settled against the Cleartrade China Steel Index (provided by Umetal): Hot Rolled Coil (SCC)
Lot Size	20 mt
Currency	US Dollars
Pricing	US \$ per metric tonne
Minimum Tick	US \$0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as

	LCH.Clearnet may determine
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including indices published at weekends which are Chinese business days*
Contract Series	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
Expiry / Last Trading Day	Last Chinese business day of the contract month. Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.
Delivery	Cash settled monthly against the arithmetic average of all the indices in the contract month
Final Payment Date	The first UK business day following the expiry day
Business Days	Chinese business days for the purpose of Index publication  UK business days for the purpose of trade registration, confirmation and final payment

\*subject to the following currency exchange:

The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg USD CNY fixing rate, as published at 4pm China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at 4pm China Standard Time will be used to convert it.

### 3.4P **Turkish Import Scrap Steel Swap**

Description	Cash settled steel swap – settled against The Steel Index:  Turkish Import Scrap (SST)
Lot Size	20 mt
Currency	US Dollars
Pricing	US \$ per metric tonne
Minimum Tick	\$0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such



source as LCH.Clearnet may determine.

In respect of final settlement, the floating price will be the mean of the relevant prices for the contract route as published by The Steel Index each Monday during the contract month

Contract Series	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
Expiry / Last Trading Day	Last publication day of the relevant index in the contract month  Where the last business day of the month is a Monday, this will be the last publication day.  Where the last business day of the month is not a Monday, the last publication day will be the following Monday.  Where the last Monday of the month / first of the next is a non-business day, last publication will be the following business day.
Delivery	Cash settled monthly against the arithmetic average of all the indices in the contract month
Final Payment Date	The first business day following the expiry day
Business Days	UK Business days

#### 3.4Q **Chinese Domestic Hot Rolled Ribbed Bar Steel Swap**

Description	Cash settled steel swap – settled against the Cleartrade China Steel Index (provided by Umetal):  China Domestic Hot Rolled Ribbed Bar (SBC)
Lot Size	20 mt
Currency	US Dollars
Pricing	US \$ per metric tonne
Minimum Tick	US \$0.0001 to account for final settlement
Fixed Price	The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine
Floating Price	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including

	indices published at weekends which are Chinese business days*
Contract Series	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
Expiry / Last Trading Day	Last Chinese business day of the contract month. Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.
Delivery	Cash settled monthly against the arithmetic average of all the indices in the contract month
Final Payment Date	The first UK business day following the expiry day
Business Days	Chinese business days for the purpose of Index publication UK business days for the purpose of trade registration, confirmation and final payment

\*subject to the following currency exchange:

The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg USD CNY fixing rate, as published at 4pm China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at 4pm China Standard Time will be used to convert it.

#### 3.4R **API 2 if ARA (Argus/McCloskey) coal options contract**

Description	Single expiry, cash settled, premium paid, option on the underlying API 2 if ARA (Argus McCloskey) Coal Swap contract for the corresponding expiry.
Lot Size	1,000 tonnes per month. A quarter contract will comprise 3,000 tonnes, a calendar contract will comprise 12,000 tonnes.
Minimum lot size	5 lots per month. A quarter contract will comprise 15 lots, a calendar contract will comprise 60 lots.
Currency	US Dollars
Pricing	USD and cents per metric tonne
Minimum Tick	\$0.01 per tonne
Option Type	Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in the money" unless set to expire manually. If an option is "out of the money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
Option Premium	The Premium is paid at the time of purchase.
Last Trading Day	30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day expiry will be on the Business Day immediately prior e.g. the

	Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.
Expiry	<p>17:00 hours UK time on the Last Trading Day</p> <p>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.</p> <p>Contracts are single expiry options. A quarter contract will expire into the underlying monthly swap contracts that comprise the quarter on Last Trading Day. A calendar contract will expire into the underlying monthly swap contracts comprising January through December on last trading day.</p> <p>Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.</p> <p>The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 2 Swap contract.</p> <p>For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying API 2 cif ARA (Argus/McCloskey) Swap contract.</p>
Contract Series	<p>3 to 6 quarter contracts and 3 whole calendar contracts.</p> <p>All option contracts expire into the underlying months of the corresponding contract series.</p>
Strike Price	<p>50 strike prices in increments of \$1.00 above and below the "at-the-money" strike price in all contract series.</p> <p>Where the "at the money" strike price of the underlying commodity moves, additional strikes will be added each business day.</p>
Margin	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.
Business Days	UK Business Days

API 4 is trademarked and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

### 3.4S **API 4 fob Richards Bay (Argus/McCloskey) Coal Options Contract**

Description	Single expiry, cash settled, premium paid, option on the underlying API 4 fob Richards Bay (Argus McCloskey) Coal Swap contract for the corresponding expiry.
Lot Size	1,000 tonnes per month. A quarter contract will comprise 3,000 tonnes, a calendar contract will comprise 12,000 tonnes.
Minimum lot size	5 lots per month. A quarter contract will comprise 15 lots, a calendar contract will comprise 60 lots.
Currency	US Dollars
Pricing	USD and cents per metric tonne
Minimum Tick	\$0.01 per tonne
Option Type	Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in the money" unless set to expire manually. If an option is "out of the money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day
Option Premium	The Premium is paid at the time of purchase.
Last Trading Day	30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day, expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.
Expiry	<p>17:00 hours UK time on the Last Trading Day</p> <p>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.</p> <p>Contracts are single expiry options. A quarter contract will expire in to the underlying monthly swap contracts that comprise the quarter on last trading day. A calendar contract will expire into the underlying monthly swap contracts comprising January through December on last trading day.</p> <p>Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.</p> <p>The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 4 Swap contract.</p> <p>For these purposes "final settlement price" means the final</p>

	settlement price on the expiry day of the underlying API 4 fob Richards Bay (Argus/McCloskey) Swap contract.
Contract series	3 to 6 quarter contracts and 3 whole calendar contracts.  All option contracts expire into the underlying months of the corresponding contract series
Strike Price	50 strike prices in increments of \$1.00 above and below the “at-the-money” strike price in all contract series.  Where the “at the money” strike price of the underlying commodity moves, additional strikes will be added each business day.
Margin	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis..
Business Days	UK business days

API 4 is trademarked and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

### 3.5 LCH EnClear OTC Services: Precious Metals Division

The following terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contracts arising from an Eligible OTC Trade in the Precious Metals Division of the LCH EnClear OTC Services.

#### 3.5.1 Standard Terms: Additional Definitions

The following additional definitions shall apply to any LCH EnClear OTC Contract within the LCH EnClear OTC Services: Precious Metals Division.

<b>Defined Term</b>	<b>Definition</b>
<b>Gold</b>	Unallocated gold complying with the rules of The London Bullion Market Association relating to good delivery and fineness in effect from time to time.
<b>LBMA</b>	means The London Bullion Market Association or its successors
<b>LPMCL</b>	means London Precious Metals Clearing Limited or its successors
<b>Precious Metals</b>	means Gold, silver and any other metal(s) as may be defined from time to time.

**Unallocated Accounts** means the accounts maintained by members of LPMCL to and from which fine troy ounces of Gold are credited and debited for the purposes of transferring Gold between two parties.

### 3.5.2 Standard Terms: Basic Provisions - Gold

<b>Description</b>	Physically settled contracts for the forward delivery of Gold.
<b>Unit of Trading</b>	One lot of 100 Fine Troy Ounces of Gold
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	US Dollars.
<b>Tick Size</b>	US\$ 0.001 Per Fine Troy Ounce Of Gold.
<b>Reference Price for Daily Settlement</b>	LBMA Gold Forward Curve or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	PM London Gold Fixing or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	US\$0.001 per fine troy ounce of Gold.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Every Business day from Spot out to ten years.
<b>Business Days</b>	Means any day (other than Saturday or Sunday) on which banks are open for business in the UK and USA.
<b>Settlement</b>	Physical delivery by crediting or debiting of Gold to or from Unallocated Accounts held with one of the commercial bank members of LPMCL in accordance with the Procedures.

## Section 4 General Standard Terms

4A. The following General Standard Terms apply to all LCH EnClear OTC Contracts:

### 4A.1 Payment of Stamp Tax and Other Taxes

- (a) All payments due under an LCH EnClear OTC Contract shall be made by the LCH EnClear OTC Clearing Member free and clear and without deduction or withholding for or on account of any tax.

- (b) The Clearing House shall make any payments due to an LCH EnClear OTC Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- (c) The LCH EnClear OTC Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this LCH EnClear OTC Contract.

#### 4A.2 **Payment of Stamp Tax**

- (a) The LCH EnClear OTC Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any LCH EnClear OTC Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("Stamp Tax Jurisdiction") or by any other jurisdiction.
- (b) The LCH EnClear OTC Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any LCH EnClear OTC Contract registered by the Clearing House and to which that Clearing Member is a party.

#### 4A.3 **Payments under an LCH EnClear OTC Contract**

- (a) The Clearing House shall, unless specified otherwise in the Procedures, effect daily settlement to market of open LCH EnClear OTC Contracts in accordance with the Regulations. Any Reference Price shall be determined in accordance with the Regulations and Procedures.
- (b) Payments under, and in respect of, an LCH EnClear OTC Contract shall be calculated by the Clearing House and shall be made by, or to, the LCH EnClear OTC Clearing Member in accordance with the provisions of the Regulations and the Procedures.

#### 4A.4 **Regulations**

This LCH EnClear OTC 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 LCH EnClear OTC Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

#### 4A.5 **Governing Law**

This LCH EnClear OTC Contract 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 LCH EnClear OTC Clearing Member party to this LCH EnClear OTC Contract irrevocably submits to such jurisdiction and 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.

#### 4A.6 **Third Party Rights**

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

- 4B. The following Standard Terms apply only in respect of LCH EnClear OTC Contracts arising from Eligible OTC Trades (Precious Metals Division):

##### Unavailability of any Reference Price

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided, in respect of the Daily Settlement Price, by one or more LBMA market makers, or, in respect of the Final Settlement Price, by one or more Members of the London Gold Market Fixing Ltd.

- 4C. The following Standard Terms apply only in respect of LCH EnClear OTC Contracts arising from Eligible OTC Trades (Freight Division):

#### 4C.1 **Unavailability of any Reference Price**

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.

#### 4C.2 **Calculation Agent**

The Calculation Agent is the Clearing House.

#### 4C.3 **Change in Route**

In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.



**SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS****Part B****Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract****1. Eligible OTC Trades**

(a)

**1.2 Product Eligibility Criteria for Eligible OTC Trades**

1.2.1 [This section has been removed]

1.2.2 [This section has been removed]

1.2.3 Product Eligibility Criteria for Eligible OTC Trades in Energy Division and in the Freight Division

The following contracts are Eligible Products for the LCH EnClear OTC Services (Energy Division), LCH EnClear OTC Services (Freight Division) and LCH EnClear OTC Services (Precious Metals Division).

## Energy Division:

## OTC Emissions – EUAs

Description	Physically settled contracts for the forward delivery of EUAs
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Unit of Trading	One lot of 1000 EUAs
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Minimum Contract Size	One lot
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Currency	Euros
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Tick Size	One euro cent (ten euros per lot)
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Contract Series	Annual December contract months beginning December 2008 and ending December 2015
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## OTC Emissions – CERs

Description	Physically settled contracts for the forward delivery of CERs
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Unit of Trading	One lot of 1000 CERs
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Minimum Contract Size	One lot
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Currency	Euros
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Tick Size	One euro cent (ten euros per lot)
Contract Series	Annual December contract months beginning December 2008 and ending December 2012

## OTC Emissions – Spot EUAs

Description	Physically settled contracts for the next day delivery of EUAs.
Unit of Trading	One lot of 1000 EUAs
Minimum Contract Size	One lot
Currency	Euros
Tick Size	One euro cent (ten euros per lot)
Contract Series	Rolling day ahead spot contract for business days only

## OTC Emissions – Spot CERs

Description	Physically settled contracts for the next day delivery of CERs
Unit of Trading	One lot of 1000 CERs
Minimum Contract Size	One lot
Currency	Euros
Tick Size	One euro cent (ten euros per lot)
Contract Series	Rolling day ahead spot contract for business days only

## OTC Emissions – EUA Options

Description	Physically settled Premium Paid Option on the underlying EUA Forward contract for the corresponding December expiry.  These contracts, if “in the money” expire into their underlying EUA Forward contracts with a traded price equal to the Strike Price
Lot size	1000 tonnes
Currency	Euro
Minimum tick	€0.01 per tonne

Contract Series                      Four rolling month contracts (March, June, September and December) plus an additional two December contracts

All option contracts expire into the underlying December contract of the corresponding year.

#### OTC Emissions – CER Options

Description                              Physically settled Premium Paid Option on the underlying CER Forward contract for the corresponding December expiry.

These contracts, if “in the money” expire into their underlying CER Forward contracts with a traded price equal to the Strike Price

Lot size                                      1000 tonnes

Currency                                      Euro

Minimum tick                                €0.01 per tonne

Contract series                              Four rolling month contracts (March, June, September and December) plus an additional two December contracts.

All option contracts expire into the underlying December contract of the corresponding year.

#### Freight Division:

Contract: Freight Forward, Cash Settled only: Tanker Voyage Routes

Description                                      Cash settled freight forward contracts on any of the following Tanker Voyage Routes:

Baltic TD3 (260,000 mt ME Gulf –Japan)

Baltic TD5 (130,000 mt W Africa – USAC)

Baltic TD7 (80,000 mt North Sea – Continent)

Baltic TD11 (80,000 mt Cross Med)

Baltic TC2 (37,000 mt Continent – USAC)

Baltic TC4 (30,000 mt Singapore – Japan)

Baltic TC5 (55,000 mt ME – Japan)

Baltic TC6 (30,000 mt Algeria/Euromed)

Lot Size	1,000 mt
Minimum Tick	US\$0.0001/mt
Currency	US Dollars
Contract Series	Front 6 Months, Front 5 Quarters (TC2, TC6, TD3, TD5, TD7, <a href="#">TD11</a> ), Front 4 Quarters (TC4, TC5), Front 2 Whole Calendar years. Out to a maximum of 36 months

Contract: Cash Settled Freight Forward Contracts: \$ Per Tonne Tanker Voyage Routes

Description	Cash settled \$ per tonne freight forward contracts on the following Tanker Voyage Routes:
	Baltic TC2 (DC2) (37,000 mt Continent – USAC)
	Baltic TD3 (DD3) (260,000 mt ME Gulf – Japan)
	Baltic TD5 (DD5) (130,000 mt W Africa – USAC)
	Baltic TD7 (DD7) (80,000 mt North Sea – Cont)

Lot Size	1,000 mt
Minimum Tick	US \$ 0.0001/mt
Currency	US Dollars
Contract Series	Front 6 Months, Front 5 Quarters, Front 2 Whole Calendar Years. Out to a maximum of 35 months

Contract: Freight Forward, Cash Settled only: Dry Voyage Routes

Description	Cash settled freight forward contracts on any of the following Dry Voyage Routes:
	C3E (Tubarao – Beilun/Baoshan)
	C4E (Capesize Richards Bay – Rotterdam)
	C5E (W Australia – Beilun/Baoshan)
	C7E (Capesize Bolivar – Rotterdam)

Lot Size	1,000 mt
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Minimum Tick	US\$0.0001/mt
Currency	US Dollars
Contract Series	C4E and C7E - out to a time horizon of 3 whole Calendar Years (max 47 months), traded as either monthly contracts, quarters or calendar years.  C3E and C5E - Front 3 months, 4 whole quarters
Contract:	Freight Forward, Cash Settled only: Dry Timecharter Basket Routes
Description	Cash settled freight forward contracts on any of the following Dry Timecharter Basket Routes:  CTC (Capesize TC Avg 4 routes) PTC (Panamax TC Avg 4 routes) STC (Supramax TC Avg 6 routes) HTC (Handysize TC Avg 6 routes)
Lot Size	1 day
Minimum Tick	US\$0.0001/day
Currency	US Dollars
Contract Series	Front 1 or 2 months (remaining from expired front quarter), Front 4 Quarters, Front 2 Half Years, Front 5 Calendar Years.
Contract:	Freight Forward, Cash Settled only: Dry Trip Timecharter routes
Description	Cash settled freight forward contracts on any of the following Dry Trip Timecharter Routes:  P1A, P1E (Panamax Transatlantic RV) P2A (Panamax Cont Trip Far East) P3A (Panamax trans Pacific round voyage)
Lot Size	1 day
Minimum Tick	US\$0.0001/day
Currency	US Dollars

Contract Series	P1A, P1E – Front 6 Months, front 4 whole quarters P2A, P3A – Front 6 Months, front 3 whole quarters
Contract: Freight Forward, Cash Settled only: Timecharter Voyager Route	
Description	Cash settled freight forward contract on the following Timecharter Voyage Route:  S7 (East coast India – China)
Lot Size	1 day
Minimum Tick	US\$0.0001/day
Currency	US Dollars
Contract Series	Current quarter and following 4 quarters

Contract: Cash Settled Premium Paid Options: Dry Timecharter Basket Routes

Description	Cash settled Premium Paid Option on any of the following Dry Timecharter Basket Routes: -  CTO (Capesize TC Avg 4 routes)  PTO (Panamax TC Avg 4 routes)  STO (Supramax TC Avg 6 routes)  HTO (Handysize TC Avg 6 routes)  These contracts, if “in the money” expire into their underlying freight forward contracts with a traded price equal to the Strike Price (see below)
Lot Size	1 day
Currency	US Dollars
Pricing	US\$ per day
Minimum Tick	US\$1 per day
Option Type	Options are European style and will be automatically exercised on the expiry day if they are “in the money”. If an option is “out of the money” it will expire automatically. It is not permitted to exercise the option on any other day or in any other

	circumstances. No manual exercise is permitted.
Option Premium	The Premium is paid at the time of purchase.
Last Trading Day	At 18:00 hours UK time on last Business Day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous Business Day, where the 24th December is a non working day
Expiry	18:00 hours UK time on the Last Trading Day  Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation (\$0.0001) or greater in-the-money when compared to the relevant reference price.  Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.  The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying freight forward contracts.  For these purposes “final settlement price” means the final settlement price on the expiry day of the underlying freight forward contracts.
Contract Series	Front 1 or 2 months (remaining from expired front quarter)  Front 4 Quarters, Front 3 Calendar Years.
Strike Price	CTO – Sixty strike prices in increments of \$250 per day both above and below the “at-the-money” strike price in all contract series.  STO - Thirty strike prices in increments of \$250 per day both above and below the “at-the-money” strike price in all contract series.  PTO - Thirty strike prices in increments of \$250 per day both above and below the “at-

the-money” strike price in all contract series

HTO - Thirty strike prices in increments of \$100 per day both above and below the “at-the-money” strike price in all contract series.

Where the “at the money” strike price of the underlying commodity moves additional strikes will be added each Business Day.

Business Days	UK Business Days
Contract: Freight Index, Cash Settled only: Baltic Exchange Dry Index	
Description	Cash settled freight swap on the Baltic Exchange Dry Index (BDI)
Lot Size	1 BDI tick
Minimum Tick	US\$0.0001 to account for final settlement
Currency	US Dollars
Contract Series	Front 4 Months, Front 4 Quarters, One Whole Quarter
Contract: Iron Ore Swap	
Description	Iron ore swap contract – settled against the daily TSI index (The Steel Index) 62% fe
Lot Size	1,000mt
Currency	US Dollars
Minimum Tick	\$0.01/mt
Contract Series	Front 3 months, 4 quarters, 2 calendar years
Contract: Fertilizer Swaps	
Description	Fertilizer swap contracts cash settled against:
	UREA – New Orleans (UNO)
	UREA – Yuzhnyy (UYZ)
	UREA – Egypt (UNE)
	DAP – Tampa (DTA)
	DAP – New Orleans (DNO)



	UAN – NOLA (UAN)
Lot Size	500mt – UYZ, DTA, UNE 500st – UNO, DNO, UAN
Currency	US Dollars
Minimum Tick	US \$0.0001
Contract Series	Front 6 months, 4 Quarters
Contract: Container Freight Swap Agreement	
Description	SCFI cash settled container freight swap agreements on the following routes:  CNW (Shanghai – North West Europe) CMD (Shanghai – Mediterranean) CSW (Shanghai – US West Coast) CSE (Shanghai – US East Coast)
Lot Size	1 TEU 20ft container (CMD and CNW) 1 FEU 40ft container (CSE and CSW)
Currency	US Dollars
Pricing	US \$ per TEU (CMD and CNW) US \$ per FEU (CSE and CSW)
Minimum Tick	US \$ 0.01 to account for final settlement.
Contract Series	Front 3 months, front quarter + following 3 quarters, 1 whole calendar year (out to a maximum of 23 months).
Contract: API 2 (cif) coal swap contract	
Description	Cash settled API 2 cif ARA (Argus/McCloskey) coal swap contract.
Lot Size	1000 tonnes
Minimum Contract Size	Five Lots
Currency	US Dollars
Minimum Tick	\$0.05/tonne
Contract Series	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up

to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.

Contract: API 4 (fob Richard Bay) coal swap contract	
Description	Cash settled API 4 fob Richards Bay (Argus/McCloskey) coal swap contract.
Lot Size	1000 tonnes
Minimum Contract Size	Five Lots
Currency	US Dollars
Minimum Tick	\$0.05/tonne
Contract Series	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.

#### Precious Metals Division:

##### Gold

<b>Description</b>	Physically settled contracts for the forward delivery of Unallocated Gold
<b>Unit of Trading</b>	One lot of 100 fine troy ounces
<b>Minimum Contract Size</b>	One lot
<b>Currency</b>	US Dollars
<b>Tick Size</b>	US\$ 0.001 per fine troy ounce of gold
<b>Contract Series</b>	Daily out to 10 years from the spot date

##### Contract: European Hot Rolled Steel Swaps

<b>Description</b>	European Hot Rolled Coil Steel swaps, cash settled against The Steel Index:  Hot Rolled Coil – Northern Europe, domestic (SCN)  Hot Rolled Coil – Southern Europe, domestic (SCS)
<b>Lot Size</b>	20 mt
<b>Currency</b>	Euros

<b>Minimum Tick</b>	€0.0001 to account for final settlement
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years

**Contract: Chinese Hot Rolled Steel Swap**

**Description** Chinese Hot Rolled Coil Steel swap, cash settled against the Cleartrade China Steel Index (provided by Umetal): (SCC)

**Lot Size** 20 mt

**Currency** US Dollars

**Minimum Tick** \$0.0001 to account for final settlement

**Contract Series** Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years

**Contract: Turkish Import Scrap Steel Swap**

**Description** Turkish Import Scrap Steel swap, cash settled against The Steel Index: (SST)

**Lot Size** 20 mt

**Currency** US Dollars

**Minimum Tick** \$0.0001 to account for final settlement

**Contract Series** Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years

**Contract: Chinese Domestic Hot Rolled Ribbed Bar Steel Swap**

**Description** Chinese Domestic Hot Rolled Ribbed Bar Steel swap, cash settled against the Cleartrade China Steel Index (provided by Umetal): (SBC)

**Lot Size** 20 mt

**Currency** US Dollars

**Minimum Tick** €0.0001 to account for final settlement

**Contract Series** Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years

**Contract: API 2 cif ARA (Argus/McCloskey) coal options contract**

**Description** Single expiry, cash settled, premium paid, option on the underlying API 2 cif ARA (Argus McCloskey) Coal Swap contract for the corresponding expiry.

<b>Lot size</b>	1,000 tonnes per month. A quarter contract will comprise 3,000 tonnes, a calendar contract will comprise 12,000 tonnes.
<b>Currency</b>	US Dollars
<b>Pricing</b>	USD and cents per metric tonne
<b>Minimum tick</b>	\$0.01 per tonne
<b>Option Type</b>	Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in the money" unless set to expire manually. If an option is "out of the money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last Trading Day</b>	30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.
<b>Expiry</b>	<p>17:00 hours UK time on the last trading day</p> <p>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.</p> <p>Contracts are single expiry options. A quarter contract will expire into the underlying monthly swap contracts that comprise the quarter on Last Trading Day. A calendar contract will expire into the underlying monthly swap contracts comprising January through December on last trading day.</p> <p><b>Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.</b></p> <p>The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 2 Swap contract.</p> <p>For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying API 2 cif ARA (Argus/McCloskey) Swap contract.</p>
<b>Contract series</b>	<p>3 to 6 quarter contracts and 3 whole calendar contracts.</p> <p>All option contracts expire into the underlying months of the corresponding contract series.</p>

<b>Strike Price</b>	<p>50 strike prices in increments of \$1.00 above and below the “at-the-money” strike price in all contract series.</p> <p>Where the “at the money” strike price of the underlying commodity moves, additional strikes will be added each business day.</p>
<b>Business Days</b>	UK Business Days
<b>Contract: API 4 Richards Bay (Argus/McCloskey) Options Contract</b>	
<b>Description</b>	Single expiry, cash settled, premium paid, option on the underlying API 4 Richards Bay (Argus McCloskey) Coal Swap contract for the corresponding expiry.
<b>Lot size</b>	1,000 tonnes per month. A quarter contract will comprise 3,000 tonnes, a calendar contract will comprise 12,000 tonnes.
<b>Currency</b>	US Dollars
<b>Pricing</b>	USD and cents per metric tonne
<b>Minimum tick</b>	\$0.01 per tonne
<b>Option Type</b>	Options are single expiry European style options and will be automatically exercised on the expiry day if they are “in the money” unless set to expire manually. If an option is “out of the money” it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last Trading Day</b>	30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.
<b>Expiry</b>	<p>17:00 hours UK time on the Last Trading Day</p> <p>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater “in-the-money” when compared to the relevant reference price.</p> <p>Contracts are single expiry options. A quarter contract will expire in to the underlying monthly swap contracts that comprise the quarter on last trading day. A calendar contract will expire into the underlying monthly swap contracts comprising January through December on last trading day.</p> <p><b>Members are permitted to override automatic</b></p>

**exercise settings or manually enter exercise instructions for this contract.**

The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 4 Swap contract.

For these purposes “final settlement price” means the final settlement price on the expiry day of the underlying API 4 Richards Bay (Argus/McCloskey) Swap contract.

**Contract series**

3 to 6 quarter contracts and 3 whole calendar contracts.

All option contracts expire into the underlying months of the corresponding contract series.

**Strike Price**

50 strike prices in increments of \$1.00 above and below the “at-the-money” strike price in all contract series.

Where the “at the money” strike price of the underlying commodity moves, additional strikes will be added each business day.

**Business Days**

UK business days

**TURQUOISE DERIVATIVES REGULATIONS****Regulation 74 Application of Regulations for TGHL market**

- (a) These Turquoise Derivatives Regulations, which form part of the Regulations, together with the Regulations referred to in paragraph (b), apply to:
- (i) Turquoise Derivatives Cleared Exchange Contracts arising from Turquoise Derivatives Transactions;
  - (ii) Clearing Members and, insofar as relevant, Turquoise Derivatives NCMs in their dealings in relation to the TGHL market; and
  - (iii) any relevant Co-operating Clearing House to the extent provided in any Link Agreement between the Clearing House and such Co-operating Clearing House.
- (b) The Regulations referred to in paragraph (a) are the Default Rules, Default Fund Rules, the Definitions and Regulations 1, 2, 3(b), 3(c), 4, 5, 8, 9(b), 9(c), save that the first sentence of Regulation 9(c) shall be subject to Regulation 81(c), 9(d), 10, 11, 12, 13, 14, 16, 17, 18, 19A, 21(a), (b) [and (c)], 22, [23,] 24, 26 to ~~39A~~39B inclusive.

**Regulation 75 Turquoise Derivatives Orderbook Matches made on TGHL Market**

- (a) This Regulation 75 applies to Turquoise Derivatives Orderbook Matches made in accordance with the Exchange Rules pursuant to the matching of Turquoise Derivatives Trade Particulars submitted to the Turquoise Derivatives Orderbook by or on behalf of Members. This Regulation 75 also applies to Turquoise Derivatives Orderbook Matches made on the Combined Turquoise Derivatives Orderbook. As between the Clearing House and a Clearing Member, in the event of any inconsistency between the Regulations (including the terms of any agreement entered into between a Clearing Member and the Clearing House) and the Exchange Rules, the Regulations shall prevail.
- (b) The Clearing House will enter into Turquoise Derivatives Cleared Exchange Contracts with Clearing Members pursuant to Turquoise Derivatives Orderbook Matches made in the Turquoise Derivatives Orderbook in accordance with and subject to the following provisions of this Regulation 75.
- (c) This paragraph (c) shall be without prejudice to paragraph (o). The Clearing House makes an open offer to a Clearing Member to enter into a Turquoise Derivatives Cleared Exchange Contract in accordance with paragraph (f) of this Regulation 75 in respect of a Turquoise Derivatives Orderbook Match made in the Turquoise Derivatives Orderbook in accordance with the Exchange Rules pursuant to the submission of Turquoise Derivatives Trade Particulars by or on behalf of that Clearing Member, provided that the following requirements shall have been satisfied:
- (i) in the case of any Turquoise Derivatives Trade Particulars submitted to the Turquoise Derivatives Orderbook by a Turquoise Derivatives NCM on behalf of the Clearing Member, there is in place at the time that the Turquoise Derivatives Trade Particulars were submitted and up to and including the time the Turquoise Derivatives Orderbook Match was made (for the purposes of this Regulation 75 (the “relevant times”), a Turquoise Derivatives NCM-GCM Agreement to which that Turquoise Derivatives NCM and the Clearing Member are party, in a form approved in writing by the Clearing House, and such Turquoise Derivatives NCM-GCM Agreement has not been terminated or suspended at the relevant times in accordance with the Turquoise Derivatives NCM-GCM Agreement by notice in writing given by one party to such Agreement to the other parties thereto and to TGHL;
  - (ii) at the relevant times the Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
  - (iii) at the relevant times, the Clearing Member has not been declared a defaulter, by default notice or otherwise, by the Clearing House or TGHL;
  - (iv) the product the subject of the Turquoise Derivatives Orderbook Match is, at the relevant times, a Turquoise Derivatives Eligible Product;
  - (v) all necessary details as required by the Clearing House from time to time in respect of the Turquoise Derivatives Orderbook Match shall have been received by the Clearing House, through TGHL, in accordance with procedures established by the Clearing House with TGHL from time to time or otherwise. Such information must be complete, must not be corrupted and must be legible at the time such details were received;



- (vi) at the time at which any Turquoise Derivatives Orderbook Match is effected, the Turquoise Derivatives Eligible Product which is the subject of the Turquoise Derivatives Orderbook Match is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of TGHL; and
  - (vii) at the relevant times, the Open Offer for Turquoise Derivatives in respect of Turquoise Derivatives Orderbook Matches made on TGHL has not been suspended or withdrawn generally or with respect to such Clearing Member.
- (d) It is a requirement of the Exchange Rules and the Procedures that, in order for a Clearing Member to be eligible to have Turquoise Derivatives Cleared Exchange Contracts registered in its name with the Clearing House:
- (i) the Clearing Member shall have executed such agreements or documents as may be required by the Clearing House from time to time in connection with the Clearing House Turquoise Derivatives Services;
  - (ii) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the Clearing Member (or its nominated agent) and an Approved Turquoise Derivatives Settlement Provider for the delivery, or receipt, as applicable, of any securities or other instruments which may be or become deliverable under the terms of a Turquoise Derivatives Cleared Exchange Contract.

The Clearing House shall be entitled to take such steps as are set out in the Procedures in respect of any Clearing Member who does not satisfy any of these requirements.

- (e) For the purposes of this Regulation 75, Turquoise Derivatives Trade Particulars giving rise to a Turquoise Derivatives Orderbook Match in the EDX Orderbook are deemed to have been submitted by or on behalf of a Clearing Member if the details of a Turquoise Derivatives Orderbook Match, received by the Clearing House pursuant to Regulation 75(c) (v) identify, in accordance with the Exchange Rules or the Procedures, that Turquoise Derivatives Orderbook Match as having been made by or on behalf of that Clearing Member.
- (f) If Turquoise Derivatives Trade Particulars have been submitted to the Turquoise Derivatives Orderbook by or on behalf of a Clearing Member as seller (for the purposes of this paragraph (f), the “selling Clearing Member”) and have been matched by, or in accordance with, the Exchange Rules with Turquoise Derivatives Trade Particulars which have been submitted to the Turquoise Derivatives Orderbook by or on behalf of another Clearing Member as buyer (for the purposes of this paragraph (f), the “buying Clearing Member”), and the requirements stated in paragraph (c) have been satisfied in respect of the selling Clearing Member and the buying Clearing Member, two Turquoise Derivatives Cleared Exchange Contracts shall arise immediately on registration by the Clearing House, as follows:
- (i) the Clearing House shall be the buyer under one Turquoise Derivatives Cleared Exchange Contract with the selling Clearing Member as the seller; and
  - (ii) the Clearing House shall be the seller under one Turquoise Derivatives Cleared Exchange Contract with the buying Clearing Member as the buyer.
- (g) This paragraph (g) shall be without prejudice to paragraph (o). Where pursuant to arrangements entered into between TGHL and one or more Co-operating Exchanges,

Turquoise Derivatives Trade Particulars submitted by or on behalf of a Clearing Member to the Turquoise Derivatives Orderbook have been matched in the Combined Turquoise Derivatives Orderbook with Turquoise Derivatives Trade Particulars submitted by or on behalf of a Linked Member, the Clearing House shall, on receipt of details of such Turquoise Derivatives Orderbook Match through TGH (or by such other means) and subject to the requirements of Regulation 7(c) having been met with respect to such Clearing Member and the relevant Co operating Clearing House being party to a valid and subsisting Link Agreement, register a Turquoise Derivatives Cleared Exchange Contract in the name of the Clearing Member and in the name of the relevant Co-operating Clearing House. The Clearing House shall be party:

- (i) as seller to a Turquoise Derivatives Cleared Exchange Contract with the Clearing Member, where the Clearing Member is identified in the details received by TGH as the buying Clearing Member and party as buyer to a Turquoise Derivatives Cleared Exchange Contract with such Co-operating Clearing House as seller; and
  - (ii) as buyer to a Turquoise Derivatives Cleared Exchange Contract with the Clearing Member, where the Clearing Member is identified in the details received by TGH as the selling Clearing Member and party as seller to a Turquoise Derivatives Cleared Exchange Contract with such Co-operating Clearing House as buyer.
- (h) Turquoise Derivatives Cleared Exchange Contracts registered in respect of a Turquoise Derivatives Orderbook Match shall be in the terms received by the Clearing House pursuant to Regulation 75(c)(v) and otherwise on the terms of the relevant Turquoise Derivatives Contract Specification contained in the Exchange Rules and any other terms specified in these Regulations and the Procedures. The Clearing House and the Clearing Member party to a Turquoise Derivatives Cleared Exchange Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations.
- (i) Subject to its rights to suspend the Open Offer for Turquoise Derivatives generally under Regulation 6 or to withdraw the Clearing House Turquoise Derivatives Services in whole or in part as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the Open Offer for Turquoise Derivatives to a Clearing Member until the Member is no longer eligible under the Exchange Rules or these Turquoise Derivatives Regulations to have Turquoise Derivatives Cleared Exchange Contracts registered in its name or has given notice to the Clearing House, in accordance with the Procedures, stating that it no longer wishes to participate in the Clearing House Turquoise Derivatives Services.
- (j) Without prejudice to the generality of Regulation 39, any other provision of these Regulations, the Procedures or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall not be liable to any Clearing Member (or any other person, including but not limited to any Turquoise Derivatives NCM, Co operating Clearing House or Linked Member), for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them if the Clearing House does not receive the details of a Turquoise Derivatives Orderbook Match pursuant to Regulation 75(c)(v) or does not receive accurate, complete or legible details of such Turquoise Derivatives Orderbook Match in accordance with such Regulation. The Clearing House shall be under no duty or obligation to verify the accuracy or completeness of details of Turquoise Derivatives Orderbook Matches received by the Clearing House through TGH.

- (k) Without prejudice to Regulation 80 or Regulation 81 a Clearing Member shall be bound by a Turquoise Derivatives Cleared Exchange Contract registered in its name in respect of a Turquoise Derivatives Orderbook Match under these Regulations and notwithstanding that the requirements of paragraph (c) may not have been satisfied in respect of the Clearing Member.
- (l) For the purposes of this Regulation 75, a Turquoise Derivatives NCM party to a Turquoise Derivatives NCM-GCM Agreement with a Clearing Member shall, in submitting Turquoise Derivatives Trade Particulars to the Turquoise Derivatives Orderbook, be deemed to act as the agent of that Clearing Member and accordingly to submit such Turquoise Derivatives Trade Particulars to the Turquoise Derivatives Orderbook on behalf of the Clearing Member. The Clearing Member shall be bound by all acts of such Turquoise Derivatives NCM as its agent under this paragraph (l), any other provision of these Regulations or any provision of the Procedures, a Turquoise Derivatives NCM-GCM Agreement or the Exchange Rules, notwithstanding any lapse of authority of such Turquoise Derivatives NCM so to act.
- (m) In the event of a dispute arising out of, or in respect of, the existence or terms of a Turquoise Derivatives Orderbook Match or, where applicable, whether Turquoise Derivatives Trade Particulars giving rise to a Turquoise Derivatives Orderbook Match were submitted by or on behalf of the Clearing Members in whose names Turquoise Derivatives Cleared Exchange Contracts have been (or are to be) registered by the Clearing House, such dispute shall be settled as provided for in the Exchange Rules relating to cancellation of incorrect transactions and Protests and, in connection with this, in accordance with Regulation 80.
- (n) The Clearing House shall be deemed to register a Turquoise Derivatives Cleared Exchange Contract in accordance with this Regulation 75 in the name of a Clearing Member at the time prescribed in the Procedures or, if such registration is effected pursuant to the paragraph 6(a) of the Default Rules, at the time chosen by the Clearing House.
- (o) If a Clearing Member fails to satisfy the criteria referred to in Regulation 75(c)(i), (ii), (iii) or the Open Offer for Turquoise Derivatives has been withdrawn with respect to such Clearing Member (as opposed to generally), the Clearing House may, in respect of any Turquoise Derivatives Orderbook Match which has been submitted by or on behalf of such Clearing Member to the Turquoise Derivatives Orderbook, register a Turquoise Derivatives Cleared Exchange Contract in the Turquoise Derivatives Account where required by, and in accordance with, arrangements agreed from time to time with TGHL. This paragraph shall not apply where both Clearing Members (or a Clearing Member and a Linked Member) party to a Turquoise Derivatives Orderbook Match fails to satisfy the criteria referred to in Regulation 75(c).

**Regulation 76 Reported Trades and Turquoise Derivatives OTC Trades Reported to TGHL for Registration**

- (a) Regulations 76 and 77 and the Procedures apply to Reported Trades and Turquoise Derivatives OTC Trades made by or on behalf of Clearing Members or by or on behalf of a Clearing Member and a Member of a Linked Exchange. Reported Trades and Turquoise Derivatives OTC Trades will not be registered by the Clearing House unless the Clearing House accepts such trades for registration. Acceptance by the Clearing House of Reported Trades and Turquoise Derivatives OTC Trades for registration shall be at the discretion of the Clearing House.
- (b) Details of Reported Trades and Turquoise Derivatives OTC Trades made by or on behalf of Turquoise Derivatives Members which are reported to TGHL in accordance with Exchange Rules for registration with the Clearing House may only be submitted to the Clearing House by TGHL, who shall submit such details on behalf of the Clearing Members party thereto in accordance with arrangements made between the Clearing House and TGHL from time to time.
- (c) Details of Reported Trades and Turquoise Derivatives OTC Trades made by or on behalf of a Clearing Member and a Linked Member may only be submitted to the Clearing House by TGHL, who shall submit such details on behalf of the Clearing Member and the relevant Co-operating Clearing House in accordance with arrangements made between the Clearing House and TGHL from time to time.
- (d) If the Clearing House determines to accept a Reported Trade or Turquoise Derivatives OTC Trade for registration, the Clearing House shall arrange for TGHL to confirm the Clearing House's acceptance to the relevant Turquoise Derivatives Members or to the relevant Turquoise Derivatives Member and the relevant Co-operating Clearing House.
- (e) Subject to paragraph (f), the Clearing House shall register Turquoise Derivatives Cleared Exchange Contracts which it has accepted for registration pursuant to Regulation 76(d), at the time referred to in the Procedures and in accordance with Regulation 77.
- (f) The Clearing House shall not register a Reported Trade or Turquoise Derivatives OTC Trade, of which details have been reported to the Clearing House under paragraph (c), if the relevant Co operating Clearing House declines to enter into a Turquoise Derivatives Cleared Exchange Contract with respect to such Reported Trade.
- (g) Without prejudice to Regulation 80 or Regulation 81, a Clearing Member shall be bound by a Turquoise Derivatives Cleared Exchange Contract registered under Regulation 77 in its name pursuant to the presentation to the Clearing House by TGHL under paragraph (b) or (c) of details of a Reported Trade or Turquoise Derivatives OTC Trade to which it (or a Turquoise Derivatives NCM with whom it is party to a Turquoise Derivatives NCM-GCM Agreement) is party.
- (h) For the purposes of this Regulation 76, a Turquoise Derivatives NCM party to a Turquoise Derivatives NCM-GCM Agreement with a Clearing Member shall, in submitting details of Reported Trades to TGHL, be deemed to act as the agent of that Clearing Member. The Member shall be bound by all acts of such Turquoise Derivatives NCM as his agent under this paragraph (h), any other provision of these Regulations or any provision of the Procedures, a Turquoise Derivatives NCM-GCM Agreement or the Exchange Rules, notwithstanding any lapse of authority of such Turquoise Derivatives NCM to so act.



**Regulation 77 Registration of Turquoise Derivatives Cleared Exchange Contracts following Submission of Details of a Reported Trade or Turquoise Derivatives OTC Trade**

- (a) Details of a Reported Trade or Turquoise Derivatives OTC Trade accepted for registration by the Clearing House under Regulation 76(d) shall, subject to Regulation 76(f), be registered by the Clearing House as two Turquoise Derivatives Cleared Exchange Contracts between:
- (i) as seller, the Clearing Member, or the Clearing Member party to a Turquoise Derivatives NCM-GCM Agreement with a Turquoise Derivatives NCM, who was named in the Reported Trade or Turquoise Derivatives OTC Trade as the seller (or, where a Linked Member was named as the seller, the Member which is the relevant Co-operating Clearing House) and the Clearing House as buyer; and
  - (ii) as buyer, the Clearing Member, or the Clearing Member party to a Turquoise Derivatives NCM-GCM Agreement with a Turquoise Derivatives NCM who was named in the Reported Trade or Turquoise Derivatives OTC Trade as the buyer (or, where a Linked Member was named as the buyer, the Member which is the relevant Co-operating Clearing House) and the Clearing House as seller.
- (b) Where a Reported Trade is accepted for registration by the Clearing House, each Turquoise Derivatives Cleared Exchange Contract registered under paragraph (a) of this Regulation 77 shall be on the terms received by the Clearing House from TGHL and otherwise on the terms of the relevant Turquoise Derivatives Contract Specification contained in the Exchange Rules and any other terms specified in these Regulations and the Procedures. Where a Turquoise Derivatives OTC Trade is accepted for registration, each Turquoise Derivatives Cleared Exchange Contract registered under paragraph (a) of this Regulation 77 shall be on the terms set out in Part A to the Schedule to these Turquoise Derivatives Regulations.
- (c) Without prejudice to Regulation 80, if a Reported Trade is revoked, avoided or otherwise declared invalid for any reason by a person other than the Clearing House or TGHL after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any Turquoise Derivatives Cleared Exchange Contract arising under this Regulation or Regulation 76(b) and the Clearing Member party thereto shall be bound by such Turquoise Derivatives Cleared Exchange Contract.
- (d) The Clearing House shall be deemed to register a Turquoise Derivatives Cleared Exchange Contract in respect of a Reported Trade or Turquoise Derivatives OTC Trade in accordance with this Regulation 77 in the name of a Clearing Member at the time prescribed in the Procedures or, if registered by the Clearing House pursuant to rule 6(a) of the Default Rules, at the time chosen by the Clearing House.

**Regulation 78 Delivery (or Other) Failures**

- (a) Without prejudice to the Default Rules and the Procedures, if a Clearing Member as seller fails to deliver securities or other instruments to the Clearing House under a Turquoise Derivatives Cleared Exchange Contract by the due time therefor, the Clearing House may issue directions, in accordance with the Procedures, to that Clearing Member and to a Clearing Member as buyer under a corresponding Turquoise Derivatives Cleared Exchange Contract regarding the performance of such Contracts and take such steps, as it may determine, in accordance with the Procedures and any such steps or directions shall be binding on the Clearing Members.
- (b) The Clearing House shall be entitled to call for cover for margin in such amounts and in such form as it may require in accordance with the Procedures from a Clearing Member where it has failed to deliver securities or other instruments or pay the Price under a Turquoise Derivatives Cleared Exchange Contract by the due time therefor.
- (c) A Clearing Member who has failed to deliver securities or other instruments to the Clearing House under a Turquoise Derivatives Cleared Exchange Contract or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under paragraph (a) of this Regulation 78.
- (d) Without prejudice to the Default Rules, if a Clearing Member acts in such a manner (which could, without limitation, include persistent failure to deliver securities or other instruments to the Clearing House under Turquoise Derivatives Cleared Exchange Contracts in respect of which it is the seller (other than in circumstances where Regulations 26 and/or 27 apply)) and the Clearing House in its reasonable opinion and after consultation with TGHL determines that the reputation of the Clearing House Turquoise Derivatives Services is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the Clearing Member's ability to have Turquoise Derivatives Cleared Exchange Contracts registered in its name and to require it to liquidate or transfer under Regulation 11 open Turquoise Derivatives Cleared Exchange Contracts registered in its name.



**Regulation 79 Suspension of the Open Offer for Turquoise Derivatives**

The Clearing House may, from time to time, in its absolute discretion suspend the Clearing House Turquoise Derivatives Services for such period of time as it may determine in the circumstances referred to in this Regulation 79 or with the agreement of TGHL.

The Clearing House Turquoise Derivatives Services may be suspended:

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



**Regulation 80    Withdrawal of Clearing House Turquoise Derivatives Services by the Clearing House**

- (a) If, at any time, the Clearing House decides in its absolute discretion to withdraw all or any part of the Clearing House Turquoise Derivatives Services it shall give not less than six months' notice to all affected Clearing Members of the date on which the Clearing House Turquoise Derivatives Services will be withdrawn (the "Service Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation 80 to, or the non-receipt of notice under this Regulation 80 by, one or more affected Members shall not invalidate the Service Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the Service Withdrawal Date.
- (c) If, at the Service Withdrawal Date, a Clearing Member has open Turquoise Derivatives Cleared Exchange Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to liquidate any such Turquoise Derivatives Cleared Exchange Contracts and effect cash settlement in respect thereto with that Clearing Member.
- (d) The Clearing House shall have the right to postpone the Service Withdrawal Date until such time as the Clearing House determines in its absolute discretion.

**Regulation 81 Cancellation, variation etc of Turquoise Derivatives Cleared Exchange Contracts**

- (a) The Clearing House shall, in accordance with procedures agreed with TGHL, cancel, or vary the terms of, a Turquoise Derivatives Cleared Exchange Contract and the corresponding Turquoise Derivatives Cleared Exchange Contract pursuant to a determination to this effect made by TGHL under the Exchange Rules that such Contracts have been entered into in error or certain terms have been agreed in error or in such other circumstances as may be set out in the Exchange Rules.
- (b) If following receipt of a statement from TGHL recording the details of Turquoise Derivatives Cleared Exchange Contracts which have been registered on a business day in the name of a Clearing Member under the Regulations, the Clearing Member considers that there has been an error or omission in such statement, it shall submit a Protest to TGHL in accordance with, and by the time required, by the Exchange Rules. On receipt of such Protest, TGHL will consult with the Clearing House with a view to determining whether the Protest is valid and, if valid, what step or steps (if any) should be taken in respect of such Clearing Member or any other affected Clearing Member, which may include registering, re-registering, cancelling or varying a Turquoise Derivatives Cleared Exchange Contract. The Clearing House shall take such steps as TGHL and the Clearing House determine to be appropriate and any other step or steps as may be required by the Procedures, which may include requiring cover to be furnished to the Clearing House as required by the Clearing House. If the Clearing House does not take any steps under this paragraph (b) in respect of a Turquoise Derivatives Cleared Exchange Contract, the Clearing Member shall remain bound by the terms of each such Turquoise Derivatives Cleared Exchange Contract registered in his name with the Clearing House. This paragraph shall not apply in the circumstances contemplated by paragraph (a) of this Regulation.
- (c) Turquoise Derivatives Cleared Exchange Contracts may be registered in the Turquoise Derivatives Account in connection with any step taken by the Clearing House under paragraph (b) of this Regulation 81 or in such other circumstances as may be agreed between TGHL and the Clearing House from time to time.
- (d) A Clearing Member whose Turquoise Derivatives Cleared Exchange Contracts have been varied under this Regulation 81 shall be bound by the terms of such Contracts as varied and any relevant provisions of the Procedures.
- (e) Upon a Turquoise Derivatives Cleared Exchange Contract being cancelled under this Regulation 80, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House for registration. Any payment (other than fees) made to the Clearing House under, or in respect of, a Turquoise Derivatives Cleared Exchange Contract which has been cancelled under this Regulation 81 shall be repayable to the person who made the payment, subject to LCH's rights under Regulation 12 and the Default Rules.
- (f) Without prejudice to Regulation 39 and its rights and obligations set out in this Regulation 81, the Clearing House shall have no liability whatsoever to any person in respect of any step taken under paragraph (a) or (b) of this Regulation 80.

**Regulation 82 Rejection of Orderbook Matches**

- (a) Subject to paragraphs (b) and (c) of this Regulation 81 and to Regulation 75 (o), any Turquoise Derivatives Orderbook Match, which does not meet the requirements set out in Regulation 75(c), or in respect of which the Clearing House declines to register Turquoise Derivatives Cleared Exchange Contracts under Regulation 9(c), will be rejected by the Clearing House and no Turquoise Derivatives Cleared Exchange Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 39, any other provision of these Regulations, the Procedures, or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall have no liability whatsoever to any Clearing Member or any other person (including but not limited to any Turquoise Derivatives NCM or Linked Member) with regard to the rejection by it of any such Turquoise Derivatives Orderbook Match or any Reported Trade.
- (b) The Clearing House may, in its absolute discretion, agree to register a Turquoise Derivatives Cleared Exchange Contract in the account of a Clearing Member in respect of a Turquoise Derivatives Orderbook Match in accordance with any provisions in this regard set out in the Procedures, notwithstanding that the Clearing Member does not meet the requirements set out in Regulation 75(c) in respect of the Turquoise Derivatives Orderbook Match or the Clearing House receives invalid or incomplete message data in respect of a Turquoise Derivatives Orderbook Match.
- (c) The Clearing House shall only exercise its rights to decline to register Turquoise Derivatives Cleared Exchange Contracts under Regulation 9(c) if:
- (i) the Clearing House is required by an order or direction issued by, or a requirement of, a Regulatory Body pursuant to its rules or otherwise, or in order to comply with any applicable laws, regulations or court order, to cancel, decline to enter into or reject a Turquoise Derivatives Cleared Exchange Contract or to take other similar measures in relation to a Turquoise Derivatives Cleared Exchange Contract; or
  - (ii) a Turquoise Derivatives Orderbook Match exceeds a size specified in the Exchange Rules or the Procedures from time to time.
- (d) If any of the circumstances referred to in paragraph (c)(i) apply in respect of an affected Clearing Member, the Clearing House shall take such action as it may determine in order that the Clearing House does not have (or to minimise the effect of) an unbalanced position. Any such action may, without limit, include entering into contracts with a Clearing Member or a third party in order to balance its position, or to vary or cancel Turquoise Derivatives Cleared Exchange Contracts entered into with a Co-operating Clearing House, as appropriate and the affected Clearing Member shall indemnify the Clearing House against all losses, costs, taxes or expenses suffered or incurred by the Clearing House in taking such action.

**Regulation 83 Cross-Border Transfers to the Clearing House of Contracts Executed by a Member of a Co-operating Exchange - Automatic Transfers**

- (a) Where, pursuant to arrangements set forth in the Exchange Rules, a Clearing Member wishes automatically to accept transfers of contracts executed by a Linked Member on or under the Rules of a Co-operating Exchange for registration with the Clearing House, the Clearing Member shall enter into such agreements as may be required for this purpose by the Exchange Rules and shall notify to the Clearing House, in accordance with the Procedures, the account of the Linked Member (the "**Linked Account**") from which such contracts shall be transferred and the Clearing Member's account with the Clearing House in which such contracts shall be registered. The Clearing House shall register such transferred contracts as Turquoise Derivatives Cleared Exchange Contracts in such account of the Clearing Member in accordance with this Regulation 83 and the Exchange Rules.
- (b) Cross-Border Transfers shall be effected at the time or times and in accordance with procedures agreed between the Clearing House and the relevant Co-operating Clearing House from time to time and otherwise subject to these Regulations and the Exchange Rules.
- (c) Cross-Border Transfers shall not be made in the circumstances set out in Regulation 84 or 85 or if TGHl notifies the Clearing House that the Clearing Member is no longer party to the applicable agreements required by Exchange Rules with respect to Cross-Border Transfers to be made under this Regulation 83.
- (d) The Clearing House shall be entitled to rely on the details notified to it by TGHl of the contracts to be transferred from a Linked Account to the account of a Clearing Member and shall be under no obligation to verify such details with TGHl or the Clearing Member.
- (e) Cross-Border Transfers of Contracts to the account of a Clearing Member with the Clearing House shall be automatically made in accordance with this Regulation 82 without further instructions from the Clearing Member.
- (f) The Clearing House shall not be liable to a Clearing Member, a Linked Member or any person whatsoever in accepting a transfer of contracts for registration in a Clearing Member's account in accordance with this Regulation 83 or if the Clearing House does not accept any such transfer pursuant to Regulation 84 or 85.
- (g) If the Clearing House would have an unbalanced position on registering Turquoise Derivatives Cleared Exchange Contracts in an account of a Member in respect of a Cross-Border Transfer made in accordance with this Regulation 83, the Clearing House shall register an equal number of corresponding Turquoise Derivatives Cleared Exchange Contracts in the name of the relevant Co-operating Clearing House.
- (h) Turquoise Derivatives Cleared Exchange Contracts registered under this Regulation 82 in a Clearing Member's account shall have the same economic terms as the contracts executed by the Linked Member on a Co-operating Exchange, but otherwise shall be subject to the Regulations and the Exchange Rules.
- (i) The Clearing House shall have the same rights to decline to register or accept a contract for registration under this Regulation 83 as it has under these Regulations in respect of a Turquoise Derivatives Orderbook Match or a Reported Trade or Turquoise Derivatives OTC Trade.



**Regulation 84 Default affecting a Cross-Border Transfer**

If, prior to effecting a Cross-Border Transfer under these Regulations, a Clearing Member or a Linked Member party to such proposed Cross-Border Transfer is a defaulter or in default under the rules of the relevant Co-operating Exchange the Cross-Border Transfer shall not occur, unless the Clearing House and the relevant Co-operating Clearing House decide otherwise or it is not practicable to prevent any such Cross-Border Transfer.

**Regulation 85    Impossibility of Transfer**

- (a) Cross-Border Transfers shall not occur on any day under Regulation 80 if it is impossible, for any technological or other reason, for any such transfer to take place. Any affected Cross-Border Transfer shall take place as soon as it is possible for such transfer to be effected.
  
- (b) Cross Border Transfers shall not occur if it would contravene any applicable law or regulation or requirement of a regulator for any such transfer to take place.

**Regulation 86 Options**

An Turquoise Derivatives Cleared Exchange Contract, being an option, shall be exercised by a Member in accordance with the applicable Exchange Rules and these Regulations and the Procedures. Where there is any conflict between the terms of the applicable Exchange Rules and these Regulations and Procedures, the terms of the Regulations and Procedures shall prevail. References in Regulation 17 to a notice in writing shall be construed to mean an instruction given, or to be given to TGHL, in accordance with the Exchange Rules, as agent for the Clearing House.



**Regulation 87 Re-registration of Contracts**

- (a) A Clearing Member may arrange for a Turquoise Derivatives Cleared Exchange Contract to be transferred to another Clearing Member or to a member of a Co-operating Clearing House in the circumstances prescribed in Turquoise Derivatives Rules 2.14 and 3.4 or as contemplated by this Regulation 87. Any such transfer to an account of another Clearing Member shall be effected by the Clearing House in accordance with Regulation 11.
- (b) Where a Clearing Member submits a Request for Re-Registration to TGHL in accordance with Turquoise Derivatives Rule 3.4, TGHL shall notify the Clearing House, in accordance with the Procedures, that it has received such Request for Re-Registration.
- (c) Transfers of Turquoise Derivatives Cleared Exchange Contracts pursuant to a Request for Re-Registration submitted by a Clearing Member to TGHL and notified to the Clearing House under paragraph (a) shall be effected only if TGHL and the Clearing House have determined to accept such Request for Re-Registration. The Clearing House shall effect such transfer in accordance with Regulation 11 and the Procedures.
- (d) Where a Clearing Member has submitted a Request for Re-Registration to TGHL requesting that one or more Turquoise Derivatives Cleared Exchange Contracts be transferred to an account maintained by a Linked Member with a Co-operating Clearing House, Co-operating Exchange or its Associated Clearing House, the Clearing Member shall notify the Clearing House, in accordance with the Procedures, that such request has been made to TGHL. No such transfers shall be made, unless such conditions set forth in the Exchange Rules have been satisfied and the Clearing House, TGHL and the relevant Co-operating Clearing House, Co-operating Exchange or Associated Clearing House, as the case may be, have given their approval to the transfer. Any such transfer shall be on such terms as the Clearing House may stipulate.

A Clearing Member may in accordance with the Procedures and with the approval of the Clearing House accept for registration in his name contracts executed by a Linked Member and registered with the relevant Co-operating Clearing House or Associated Clearing House which the Linked Member wishes to transfer to an account of the Clearing Member with the Clearing House.

**SCHEDULE TO THE TURQUOISE DERIVATIVES REGULATIONS****Part A****Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise Derivatives OTC Trades**

The terms of a registered Turquoise Derivatives Cleared Exchange Contract arising from a Turquoise Derivatives OTC Trade shall include these Contract Terms which shall comprise:

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

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

Subject to the Regulations and the Procedures, the Clearing House will use these Contract Terms to calculate the amounts due under this Turquoise Derivatives Cleared Exchange Contract to, or from, the Clearing House in accordance with the Procedures.

For the purposes of this Schedule any reference to a Turquoise Derivatives Cleared Exchange Contract shall be a reference to a Turquoise Derivatives Cleared Exchange Contract arising from a Turquoise Derivatives OTC Trade in accordance with the Regulations.

**1. Interpretation**

- 1.1. "ISDA Definitions" means the 2002 ISDA Equity Derivatives 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 Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the "ISDA Definitions" shall the same meaning herein as the ISDA Definitions, unless expressly provided otherwise.
- 1.3. In the event of an inconsistency between the Regulations and the Procedures and the ISDA Definitions, the Regulations and Procedures will prevail.
- 1.4. References in the ISDA Definitions to an "Option Transaction", "Forward Transaction", or "Futures Transaction" shall be deemed to be references to a "Turquoise Derivatives OTC Trade".
- 1.5. Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA Definitions" as published by ISDA.
- 1.6. In relation to any amendments to the ISDA Definitions, the Clearing House may from time to time, by notice delivered to Clearing Members, give directions as to whether such amendment shall apply to EDX Cleared Exchange Contracts with immediate effect or with such deferred effect as the Clearing House shall determine.
- 1.7. Any such notice may provide that the amendment to the ISDA Definitions may take effect so as to apply to Turquoise Derivatives Cleared Exchange Contracts registered in a Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines.

1.8. The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by any Clearing Member shall not invalidate the amendment with which the notice is concerned.

## 2. **Economic Terms**

2.1. The Economic Terms of a Turquoise Derivatives Cleared Exchange Contract shall be derived from the information presented to the Clearing House by TGHL in respect of the terms designated as Economic Terms in this Schedule.

2.2. It is part of the eligibility criteria for registration as a Turquoise Derivatives Cleared Exchange Contract that the particulars of a Turquoise Derivatives OTC Trade presented to the Clearing House must include matched information in respect all such designated Economic Terms.

2.3. The Economic Terms comprise:

- (i) Trade Date (see Article 1.17 for definition);
- (ii) Buyer (see Article 1.18 for definition);
- (iii) Seller (see Article 1.19 for definition);
- (iv) Settlement Currency (see Article 1.33 for definition);
- (v) Cash-settled (see Article 1.38 for definition) or Physically-settled (see Article 1.39 for definition);
- (vi) if Cash-settled, Cash Settlement Payment Date (see Article 8.8 for definition)
- (vii) if Physically-settled, Settlement Date (see Article 9.4 for definition);
- (viii) Where an Option transaction:
  - (a) Commencement Date (see Article 2.1 (a) for definition);
  - (b) Number of Options (see Article 2.1 (b) for definition);
  - (c) Option Entitlement (see Article 2.1 (c) for definition);
  - (d) American Option (see Article 2.2 (a) for definition) or European Option (see Article 2.2 (b) for definition);
  - (e) Call (see Article 2.3 (a) for definition) or Put (see Article 2.3 (b) for definition);
  - (f) Payment of Premium (see Article 2.4 (a) for definition);
  - (g) Premium (see Article 2.4 (b) for definition);
  - (h) Premium Payment Date (see Article 2.4 (c) for definition);
  - (i) Exercise Period (see Article 3.1 (a) for definition);
  - (j) Exercise Date (see Article 3.1 (b) for definition);

- (k) Expiration Date (see Article 3.1 (a) for definition);
- (ix) Where a Forward Transaction:
  - (a) Forward Price (see Article 4.1 (a) for definition);
  - (b) Expiration Date.
- (x) Where a Futures Transaction:
  - (a) Futures Price;
  - (b) Expiration Date.
- (xi) Where Share Option, Share Forward or Share Future Transaction:
  - (a) Number of Shares (see Article 1.20 for definition);
  - (b) Number of Shares to be Delivered (see Article 9.5 for definition).

PROVIDED, however, that, where in the “Option Transaction”, “Forward Transaction”, or “Future Transaction” a Clearing Member is party as the Seller (“the First Member”) with the other Clearing Member as the party being the buyer (“the Second Member”) the Clearing House, in respect of each Turquoise Derivatives Cleared Exchange Contract to which it is party shall be (i) the Buyer to the First Member and (ii) the Seller to the Second Member.

### 3. **Standard Terms**

The following terms are designated as Standard Terms of a registered Turquoise Derivatives Cleared Exchange Contract:

#### 3.1. **Other Relevant Definitions**

“Exchange” is defined in Article 1.25.

“Settlement price” is defined in Article 7.3.

#### 3.2. **Calculation Agent**

The Calculation Agent is the Clearing House.

#### 3.3. **Withholding Tax Provisions**

All payments due under a Turquoise Derivatives Cleared Exchange Contract shall be made by the Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

The Clearing House shall make any payments due to a Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

**3.4. Payment of Stamp Tax**

Each Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any Turquoise Derivatives Cleared Exchange Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is 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 Turquoise Derivatives Cleared Exchange Contract registered by the Clearing House and to which that Clearing Member is a party.

**3.5. Payments under a Turquoise Derivatives Cleared Exchange Contract**

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

**3.6. Regulations**

This Turquoise Derivatives Cleared Exchange 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 Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

**3.7. Governing Law**

This Turquoise Derivatives Cleared Exchange Contract 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 Clearing Member party to this Turquoise Derivatives Cleared Exchange Contract irrevocably submits to such jurisdiction and 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 Turquoise Derivatives Cleared Exchange Contract shall have no rights under or in respect of this Contract. Rights of third parties to enforce any terms of this Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

## SCHEDULE TO THE Turquoise Derivatives REGULATIONS

### Part B

#### Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC Trade

#### 1. Turquoise Derivatives OTC Trades

1.1 Without prejudice to the Regulations and the Procedures, the Clearing House may decline to register to register a Turquoise Derivatives OTC Trade unless at the time that the required particulars of that Turquoise Derivatives OTC Trade are presented:

- (a) the Turquoise Derivatives OTC Trade meets the eligibility criteria, set out in section 2 below for an eligible Turquoise Derivatives OTC Trade, and all other requirements of the Clearing House from time to time including the requirements set out in these Regulations and Procedures; and
- (b) details of the Turquoise Derivatives OTC Trade are submitted for registration in accordance with the Regulations, the Procedures and all other requirements from time to time of the Clearing House; and
- (c) the parties to the Turquoise Derivatives OTC Trade are Clearing Members approved by the Clearing House as persons eligible to submit such trades for registration by the Clearing House or Turquoise Derivatives Non-Clearing Members, so approved,

and the requirements of (a) to (c) inclusive and Section 2 continue to be satisfied at Registration Time.

#### 2. Product Eligibility Criteria for a Turquoise Derivatives OTC Trade

“Eurozone” means either a share listed on a French, German, Dutch, Finnish, Spanish or Italian market

Contract	Expiration Date	Option Type	Contract Size	Currency	Option Premium	Settlement Type	Settlement Date
Eurozone Share Option	Less than 5 Years	American/ European	1	Euro	Payable Trade Date +1	Physical Cash Settlement	or ED+2/3
Eurozone Share Future/ Forward	Less than 5 Years	N/A	1	Euro	N/A	Physical Cash Settlement	or ED+2/3
Swiss Option	Share Less than 5 Years	American/ European	1	CHF	Payable Trade Date +1	Physical Cash Settlement	or ED+3
Swiss Future/ Forward	Share Less than 5 Years	N/A	1	CHF	N/A	Physical Cash Settlement	or ED+3
UK Option	Share Less than 5 Years	American/ European	1	GBP	Payable Trade Date +1	Physical Cash Settlement	or ED+3
UK Future/	Share Less than 5 Years	N/A	1	GBP	N/A	Physical Cash	or ED+3

Contract	Expiration Date	Option Type	Contract Size	Currency	Option Premium	Settlement Type	Settlement Date
Forward	5 years					Settlement	
Eurozone Index Options	Less than 5 Years	than European	1	Euro	Payable Trade Date +1	Cash Settlement	ED+1
Eurozone Index Future/ Forward	Less than 5 Years	N/A	1	Euro	N/A	Cash Settlement	ED+1
Swiss Option	Index Less than 5 Years	than European	1	CHF	Payable Trade Date +1	Cash Settlement	ED+1
Swiss Future/ Forward	Index Less than 5 Years	N/A	1	CHF	N/A	Cash Settlement	ED+1
UK Option	Index Less than 5 Years	than European	1	GBP	Payable Trade Date +1	Cash Settlement	ED+1
UK Future/ Forward	Index Less than 5 Years	N/A	1	GBP	N/A	Cash Settlement	ED+1

**HKMEX REGULATIONS****Regulation 88 Introduction and Application****General**

- (a) The Clearing House shall provide the HKMEx Service subject to and in accordance with the terms of these HKMEx Regulations and the Procedures.
- (b) Clearing Members which are HKMEx Service Clearing Members, and applicants to become HKMEx Service Clearing Members, shall be bound by these HKMEx Regulations. Other than as specified in the Regulations, the remainder of the Regulations shall not apply to the HKMEx Service.
- (c) Regulations 1 and 2 of the Regulations apply to the HKMEx Service.

**HKMEx Service Clearing Membership**

- (d) A Clearing Member may apply to become a HKMEX Service Clearing Member in accordance with the Procedures.
- (e) Regulations 4(a) to 4(c) (inclusive) apply to HKMEx Service Clearing Membership and applications therefor as it applies to clearing membership.
- (f) In the event of any inconsistency between HKMEx's Rules and the HKMEX Regulations, the HKMEX Regulations shall prevail.

**Accounts**

- (g) Regulation 5 applies to the opening and operation of accounts with respect to a HKMEX Service Clearing Member. Such accounts shall be designated in accordance with Regulation 8.

**Formation, registration and transfers of HKMEX Contracts**

- (h) HKMEx's Rules govern the formation of a HKMEX Transaction.
- (i) Regulations 89 and 90 govern the registration and formation of a HKMEX Contract.
- (j) A HKMEX Service Clearing Member may clear HKMEX Transactions for a HKMEX Non-Clearing Member in accordance with the Procedures and HKMEX's Rules.
- (k) Regulation 11 (and, insofar as relevant, Regulation 3(b)) apply to a HKMEX Contract which is an open contract.

**Margin and cover for margin**

- (l) Regulation 12 applies to a HKMEX Service Clearing Member.



**Daily settlement**

- (m) Regulations 13, 14, 91 and 16 apply to the daily settlement to market of open HKMEx Contracts.

**Options**

- (n) Regulations 17 and 18 apply to HKMEx Contracts which are options.

**Physical settlement**

- (o) Regulations 19 to 22 (inclusive) and 25 apply to HKMEx Contracts.

**Arbitration**

- (p) Regulations 23 and 24 apply to HKMEx Contracts.

**Market disorders; force majeure; invoicing back; currency conversion; disclosure; fees and other charges; records; Procedures; alteration of Regulations and Procedures; interpretation; waiver; validity; governing law and jurisdiction; exclusion of liability; netting**

- (q) Regulations 25 to ~~39A~~39B (inclusive) apply to HKMEx Service Clearing Members and HKMEx Contracts.

**Default Rules and Default Fund Rules**

- (r) The Default Rules and the Default Fund Rules apply to HKMEx Service Clearing Members and HKMEx Contracts.

**Clearing House Settlement Finality Regulations**

- (s) The Clearing House Settlement Finality Regulations apply in relation to HKMEx Service Clearing Members and HKMEx Contracts.

**Regulation 89 Presentation, allocation of HKMEX Transactions and registration of HKMEX Contracts**

- (a) In order to utilise the HKMEX Service a HKMEX Service Clearing Member must cause particulars of a HKMEX Transaction to which it is party to be submitted for registration as a HKMEX Contract, through such means as shall be prescribed by the Procedures.
- (b) A HKMEX Transaction submitted for registration must meet the eligibility criteria prescribed in the Procedures at the time the particulars of such HKMEX Transaction are presented to the Clearing House and must continue to meet such criteria at the time prescribed in the Procedures ("Registration Time") in order to be registered as HKMEX Contracts. A HKMEX Service Clearing Member may not revoke, cancel or transfer a HKMEX Transaction unless permitted by HKMEX's Rules, the Regulations or the Procedures or with the consent of the Clearing House.
- (c) A HKMEX Service Clearing Member shall not allow the submission for registration of a transaction which is not a HKMEX Transaction.
- (d) The Clearing House may require HKMEX Transactions presented for registration in the name of a HKMEX Service Clearing Member to be confirmed by or on behalf of such Member, in which case it shall specify the manner, form and time of such confirmation in the Procedures.
- (e) A HKMEX Transaction may, subject to the Procedures or HKMEX's Rules (as may be the case), be allocated (or reallocated) by or on behalf of a HKMEX Service Clearing Member to another HKMEX Service Clearing Member in such manner and form and by such time as may be prescribed by the Procedures.
- (f) Where a HKMEX Transaction is allocated (or reallocated) to a HKMEX Service Clearing Member, then unless the Clearing House receives confirmation of the acceptance of the allocation of such contract from the HKMEX Service Clearing Member to whom such contract is being allocated (or reallocated) within the relevant time prescribed by the Procedures, the Clearing House shall register such HKMEX Transaction in the name of the HKMEX Service Clearing Member who sought to allocate the HKMEX Transaction.
- (g) Notwithstanding paragraph (f) of this Regulation, a HKMEX Service Clearing Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any HKMEX Transaction allocated to him.
- (h) The Clearing House may decline to register a HKMEX Transaction in the name of a HKMEX Service Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any HKMEX Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of cover for margin by both HKMEX Service Clearing Members in whose name any such HKMEX Transaction is to be registered.
- (i) Without prejudice to the Clearing House's rights under paragraph (k) of this Regulation, a HKMEX Service Clearing Member shall be bound by a HKMEX Contract registered in its name pursuant to the presentation of particulars of a HKMEX Transaction.
- (j) The Clearing House shall be deemed to register a HKMEX Contract in relation to a HKMEX Transaction in the name of a HKMEX Service Clearing Member at the Registration Time for that type of HKMEX Contract in accordance with Regulation 90.

- (k) For the avoidance of doubt, any transaction of which details have been submitted by HKMEx Participants for registration as HKMEx Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation or membership of the HKMEx Trading System through or on which the transaction was executed or by which it was registered), and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (l) If at any time after registration of a HKMEx Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not a HKMEx Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as a HKMEx Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such HKMEx Contract. Upon the purported HKMEx Contract being set aside under this Regulation 89(l), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect of, a HKMEx Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 89(l), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a HKMEx Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as a HKMEx Contract.

**Regulation 90 HKMEX Contracts**

- (a) A HKMEX Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two HKMEX Contracts, one between the First HKMEX Service Clearing Member as the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second HKMEX Service Clearing Member as the buyer (as the case may be) as principals to such contract. For the purposes of this Regulation:
- (i) "First HKMEX Service Clearing Member" is a HKMEX Service Clearing Member who was, before registration of the HKMEX Contract, party to the corresponding HKMEX Transaction as the seller;
  - (ii) "Second HKMEX Service Clearing Member" is a HKMEX Service Clearing Member who was, before registration of the HKMEX Contract, party to the corresponding HKMEX Transaction as the buyer.
- (b) With effect from registration of a HKMEX Transaction as two HKMEX Contracts under paragraph (a) of this Regulation:
- (i) the parties to the corresponding HKMEX Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each HKMEX Contract registered under paragraph (a) of this Regulation shall be governed by the relevant HKMEX Contract Terms applicable to that HKMEX Contract;
  - (iii) subject always to sub-paragraph (ii) above, the First HKMEX Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the HKMEX Contract to which it is a party as the seller had and owed in respect of its counterparty under the corresponding HKMEX Transaction; and
  - (iv) subject always to sub-paragraph (ii) above, the Second HKMEX Service Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the HKMEX Contract to which it is party as the buyer had and owed in respect of its counterparty under the corresponding HKMEX Transaction.
- In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding HKMEX Transaction (it being assumed, for this purpose, that such HKMEX Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.
- (c) If a HKMEX Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any HKMEX Contract unless otherwise determined by the Clearing House.
- (d) In the case of a HKMEX Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 90 shall take effect.



**Regulation 91 Daily Settlement or Marking to Market**

- (a) Where the Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open HKMEx Contracts in accordance with the Procedures. Daily settlement to market shall not apply to such open HKMEx Contracts which are for the account of a HKMEx Service Clearing Member's client accounts.
- (b) The Clearing House shall, in accordance with the Procedures, in respect of each open HKMEx Contract in a HKMEx Service Clearing Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or premium) including the strike price where applicable as the open HKMEx Contract, save that where a HKMEx Service Clearing Member is the seller under the terms of the open HKMEx Contract that HKMEx Service Clearing Member shall be the buyer under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant HKMEx Reference Price for that day. The Clearing House shall thereupon settle each open HKMEx Contract against the respective settlement contract in accordance with the Procedures.
- (c) The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter make up the HKMEx Service Clearing Member's account and upon the Clearing House so doing, that HKMEx Service Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to a HKMEx Service Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these Regulations, such profit shall be paid to that HKMEx Service Clearing Member on that HKMEx Service Clearing Member's request; and
  - (ii) any loss arising to a HKMEx Service Clearing Member shall be debited to the applicable account of that HKMEx Service Clearing Member and (subject to these Regulations) that HKMEx Service Clearing Member shall pay the amount of such loss to the Clearing House forthwith on demand.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures:
- (i) in respect of those open HKMEx Contracts in a HKMEx Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant HKMEx Reference Price referred to in the Procedures, HKMEx Contracts in that HKMEx Service Clearing Member's name as open HKMEx Contracts on the same terms (except as to price or premium) including the strike price where applicable, as the settled open HKMEx Contracts, save that no HKMEx Contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that HKMEx Service Clearing Member's name;
  - (ii) in respect of those open HKMEx Contracts in a HKMEx Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the Procedures, register at the relevant HKMEx Reference Price referred to in the Procedures,

HKMEx Contracts in the HKMEx Service Clearing Member's name as open HKMEx Contracts on the same terms (except as to price or premium) including the strike price, where applicable, as the settled open HKMEx Contracts.

- (e) A HKMEx Service Clearing Member may, in respect of all open HKMEx Contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such HKMEx Contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) make up the HKMEx Service Clearing Member's account.
- (f) In respect of those open HKMEx Contracts of which settlement might have been requested by a HKMEx Service Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those HKMEx Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the HKMEx Service Clearing Member's accounts accordingly.

**NODAL REGULATIONS****Regulation 92 Introduction and Application****General**

- (a) The Clearing House shall provide the Nodal Service subject to and in accordance with the terms of these Nodal Regulations and the Procedures.
- (b) Clearing Members which are Nodal Service Clearing Members, and applicants to become Nodal Service Clearing Members, shall be bound by these Nodal Regulations. Other than as specified in the Regulations, the remainder of the Regulations shall not apply to the Nodal Service.
- (c) Regulations 1 and 2 of the Regulations apply to the Nodal Service.

**Nodal Service Clearing Membership**

- (d) A Clearing Member may apply to become a Nodal Service Clearing Member in accordance with the Procedures.
- (e) Regulations 4(a) to 4(c) (inclusive) apply to Nodal Service Clearing Membership and applications therefor as it applies to clearing membership.

**Nodal's Rules**

- (f) In the event of any inconsistency between Nodal's Rules and the Nodal Regulations, the Nodal Regulations shall prevail.

**Accounts**

- (g) Regulation 5 applies to the opening and operation of accounts with respect to a Nodal Service Clearing Member. Such accounts shall be designated in accordance with Regulation 8.

**Formation, Registration and Transfers of Nodal Contracts**

- (h) Nodal's Rules govern the formation of a Nodal Transaction.
- (i) Regulations 93 and 94 govern the registration and formation of a Nodal Contract.
- (j) A Nodal Service Clearing Member may clear Nodal Transactions for a Nodal Non-Clearing Participant in accordance with the Procedures and Nodal's Rules.
- (k) Regulation 11 (and, insofar as relevant, Regulation 3(b)) apply to a Nodal Contract which is an open contract.

**Margin and Cover for Margin**

- (l) Regulation 12 applies to a Nodal Service Clearing Member.

**Daily Settlement**

- (m) Regulations 13, 14, 95 and 16 apply to the daily settlement to market of open Nodal Contracts.



**Options**

- (n) Regulations 17 and 18 apply to Nodal Contracts which are options.

**Physical Settlement**

- (o) Regulations 19 to 22 (inclusive) and 25 apply to Nodal Contracts.

**Arbitration**

- (p) Regulations 23 and 24 apply to Nodal Contracts.

**Market disorders; force majeure; invoicing back; currency conversion; disclosure; fees and other charges; records; Procedures; alteration of Regulations and Procedures; interpretation; waiver; validity; governing law and jurisdiction; exclusion of liability; netting**

- (q) Regulations 25 to ~~39A~~39B (inclusive) apply to Nodal Service Clearing Members and Nodal Contracts.

**Default Rules and Default Fund Rules**

- (r) The Default Rules and the Default Fund Rules apply to Nodal Service Clearing Members and Nodal Contracts.

**Clearing House Settlement Finality Regulations**

- (s) The Clearing House Settlement Finality Regulations apply in relation to Nodal Service Clearing Members and Nodal Contracts.

**Regulation 93 Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts**

- (a) In order to utilise the Nodal Service a Nodal Service Clearing Member must cause particulars of a Nodal Transaction to which it is party to be submitted for registration as a Nodal Contract, through such means as shall be prescribed by the Procedures.
- (b) A Nodal Transaction submitted for registration must meet the eligibility criteria prescribed in the Procedures at the time the particulars of such Nodal Transaction are presented to the Clearing House and must continue to meet such criteria at the time prescribed in the Procedures ("**Registration Time**") in order to be registered as Nodal Contracts. A Nodal Service Clearing Member may not revoke, cancel or transfer a Nodal Transaction unless permitted by Nodal's Rules, the Regulations or the Procedures or with the consent of the Clearing House and Nodal.
- (c) A Nodal Service Clearing Member shall not allow the submission for registration of a transaction which is not a Nodal Transaction.
- (d) The Clearing House may require Nodal Transactions presented for registration in the name of a Nodal Service Clearing Member to be confirmed by or on behalf of such Member, in which case it shall specify the manner, form and time of such confirmation in the Procedures.
- (e) The Clearing House may decline to register a Nodal Transaction in the name of a Nodal Service Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any Nodal Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of cover for margin by both Nodal Service Clearing Members in whose name any such Nodal Transaction is to be registered.
- (f) Without prejudice to the Clearing House's rights under paragraph (h) of this Regulation, a Nodal Service Clearing Member shall be bound by a Nodal Contract registered in its name pursuant to the presentation of particulars of a Nodal Transaction.
- (g) The Clearing House shall be deemed to register a Nodal Contract in relation to a Nodal Transaction in the name of a Nodal Service Clearing Member at the Registration Time for that type of Nodal Contract in accordance with Regulation 94.
- (h) For the avoidance of doubt, any transaction of which details have been submitted for registration as Nodal Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Nodal Trading Facility through or on which the transaction was executed or by which it was registered), but subject in all cases to Nodal's Rules, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (i) If at any time after registration of a Nodal Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not a Nodal Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as a Nodal Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such Nodal Contract. Upon the purported Nodal Contract being set aside under this Regulation 92(l), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect

of, a Nodal Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 92(l), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a Nodal Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as a Nodal Contract.

**Regulation 94 Nodal Contracts**

- (a) A Nodal Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two Nodal Contracts, one between the First Nodal Service Clearing Member as the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second Nodal Service Clearing Member as the buyer (as the case may be) as principals to such contract. For the purposes of this Regulation:
- (i) "First Nodal Service Clearing Member" is a Nodal Service Clearing Member who was, before registration of the Nodal Contract, party to the corresponding Nodal Transaction as the seller;
  - (ii) "Second Nodal Service Clearing Member" is a Nodal Service Clearing Member (who may also be the same as the First Nodal Service Clearing Member) who was, before registration of the Nodal Contract, party to the corresponding Nodal Transaction as the buyer.
- (b) With effect from registration of a Nodal Transaction as two Nodal Contracts under paragraph (a) of this Regulation:
- (i) the parties to the corresponding Nodal Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each Nodal Contract registered under paragraph (a) of this Regulation shall be governed by the relevant Nodal Contract;

Terms applicable to that Nodal Contract;

- (iii) subject always to sub-paragraph (ii) above, the First Nodal Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the Nodal Contract to which it is a party as the seller had and owed in respect of its counterparty under the corresponding Nodal Transaction; and
- (iv) subject always to sub-paragraph (ii) above, the Second Nodal Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the Nodal Contract to which it is party as the buyer had and owed in respect of its counterparty under the corresponding Nodal Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding Nodal Transaction (it being assumed, for this purpose, that such Nodal Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.

- (c) If a Nodal Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any Nodal Contract unless otherwise determined by the Clearing House.

- (d) In the case of a Nodal Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 94 shall take effect.

**Regulation 95 Daily Settlement or Marking to Market**

- (a) Where the Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open Nodal Contracts in accordance with the Procedures. Daily settlement to market shall not apply to such open Nodal Contracts which are for the account of a Nodal Service Clearing Member's client accounts.
- (b) The Clearing House shall, in accordance with the Procedures, in respect of each open Nodal Contract in a Nodal Service Clearing Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or premium) including the strike price where applicable as the open Nodal Contract, save that where a Nodal Service Clearing Member is the seller under the terms of the open Nodal Contract that Nodal Service Clearing Member shall be the buyer under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant Nodal Reference Price for that day. The Clearing House shall thereupon settle each open Nodal Contract against the respective settlement contract in accordance with the Procedures.
- (c) The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter make up the Nodal Service Clearing Member's account and upon the Clearing House so doing, that Nodal Service Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to a Nodal Service Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these Regulations, such profit shall be paid to that Nodal Service Clearing Member on that Nodal Service Clearing Member's request; and
  - (ii) any loss arising to a Nodal Service Clearing Member shall be debited to the applicable account of that Nodal Service Clearing Member and (subject to these Regulations) that Nodal Service Clearing Member shall pay the amount of such loss to the Clearing House forthwith on demand.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures:
- (i) in respect of those open Nodal Contracts in a Nodal Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant Nodal Reference Price referred to in the Procedures, Nodal Contracts in that Nodal Service Clearing Member's name as open Nodal Contracts on the same terms (except as to price or premium) including the strike price where applicable, as the settled open Nodal Contracts, save that no Nodal Contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that Nodal Service Clearing Member's name;
  - (ii) in respect of those open Nodal Contracts in a Nodal Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the Procedures, register at the relevant Nodal Reference Price referred to in the Procedures, Nodal Contracts in the Nodal Service Clearing Member's name as open Nodal

Contracts on the same terms (except as to price or premium) including the strike price, where applicable, as the settled open Nodal Contracts.

- (e) A Nodal Service Clearing Member may, in respect of all open Nodal Contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such Nodal Contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) make up the Nodal Service Clearing Member's account.
- (f) In respect of those open Nodal Contracts of which settlement might have been requested by a Nodal Service Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those Nodal Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the Nodal Service Clearing Member's accounts accordingly.

## NYSE LIFFE CLEARING REGULATIONS

### **Regulation 96** Introduction and Application

#### **General**

- (a) The Clearing House shall provide certain services in relation to the NYSE Liffe Clearing Service subject to and in accordance with the terms of these NYSE Liffe Clearing Regulations and the Procedures.
- (b) Clearing Members which are NYSE Liffe Clearing Members, and applicants to become NYSE Liffe Clearing Members, shall be bound by these NYSE Liffe Clearing Regulations. Other than as set out in these NYSE Liffe Clearing Regulations, the LIFFE Rules shall apply to NYSE Liffe Clearing Contracts and the NYSE Liffe Clearing Service and the General Regulations shall not apply thereto. As set out in the LIFFE Rules and the relevant NYSE Liffe Clearing Membership Agreement, the Clearing House shall have available to it certain powers of LIFFE under section 13 of the LIFFE Rules in relation to the NYSE Liffe Clearing Service and NYSE Liffe Clearing Contracts.



**Regulation 97 NYSE Liffe Clearing Membership**

- (a) In order to use the NYSE Liffe Clearing Service, a person must at all times be a clearing member of the market administered by LIFFE and a Clearing Member of the Clearing House, as further set out in the NYSE LIFFE Clearing Membership Agreement.
- (b) Regulations 4(a) and 4(c) apply to NYSE Liffe Clearing Membership and applications for such membership, as they apply to clearing membership.

**LIFFE's Rules**

- (c) In the event of any inconsistency between the LIFFE Rules and these NYSE Liffe Clearing Regulations, these NYSE Liffe Clearing Regulations shall prevail as between the NYSE Liffe Clearing Member and the Clearing House.

**Accounts**

- (d) Regulation 5 applies to the opening and operation of accounts with respect to an NYSE Liffe Clearing Member. Such accounts shall be designated in accordance with the LIFFE Rules.

**Margin and Cover for Margin**

- (e) Regulation 12 and the LIFFE Rules apply to margin and cover for margin with respect to an NYSE Liffe Clearing Member.

**Force Majeure; Disclosure; Procedures; Alteration of Regulations and the Procedures; Interpretation of these Regulations; Waiver; Validity of Regulations and Action; Governing Law and Jurisdiction; Exclusion of Liability**

- (f) Regulations 27, 30, 33, 34, 35, 36, 37, 38, 39, 39A and ~~39~~39B apply to NYSE Liffe Clearing Members and in respect of the NYSE Liffe Clearing Contracts of such NYSE Liffe Clearing Members in relation to the relationship between such NYSE Liffe Clearing Members and the Clearing House.

**Default Rules and Default Fund Rules**

- (g) Where an NYSE Liffe Clearing Member has been declared a defaulter and its positions have transferred to the Clearing House in accordance with the LIFFE default rules or where the Clearing House has declared a Special Member of the Clearing House to be a defaulter, the Default Rules of the Clearing House shall apply: (i) to such NYSE Liffe Clearing Member; (ii) to such Special Member of the Clearing House; and (iii) in respect of the NYSE Liffe Clearing Contracts of such NYSE Liffe Clearing Member or such Special Member of the Clearing House.

The Default Fund Rules of the Clearing House shall apply to NYSE Liffe Clearing Members and in respect of the NYSE Liffe Clearing Contracts of such NYSE Liffe Clearing Members at all times.

**Clearing House Settlement Finality Regulations**

- (h) The Clearing House Settlement Finality Regulations apply in relation to NYSE Liffe Clearing Members and to instructions relating to NYSE Liffe Clearing Contracts to the extent that such instructions constitute "transfer orders" as defined in the terms of the UK Financial Markets and Insolvency (Settlement Finality) Regulations 1999. Settlement

finality protection for NYSE Liffe Clearing Members and NYSE Liffe Clearing Contracts under the Clearing House Settlement Finality Regulations applies subject to the terms of the SF Regulations including, inter alia, Regulation 20 of the SF Regulations which in certain circumstances would prevent settlement finality protection from applying to transfer orders issued by a NYSE Liffe Clearing Member after certain specified events relating to that NYSE Liffe Clearing Member's insolvency.

**Regulation 98 Default of a NYSE Liffe Clearing Member**

- (a) In the event that either the Clearing House or LIFFE declares an NYSE Liffe Clearing Member in default: (i) such NYSE Liffe Clearing Member will continue to be bound by the LIFFE Rules in respect of any open contracts; and (ii) the following provisions shall also apply to such NYSE Liffe Clearing Member:
- (i) following the transfer by novation of such NYSE Liffe Clearing Member's open contracts to the Clearing House, (which such contracts shall be deemed, by virtue of this rule, to have been confirmed by LIFFE on behalf of the NYSE Liffe Clearing Member and registered by the Clearing House as exchange contracts) Regulations 1 to 39 of the Clearing House shall apply to all contracts in such NYSE Liffe Clearing Member's name novated to the Clearing House as from the moment of such novation and the Clearing House shall, without limitation, have the relevant powers of LIFFE available to it in relation to such novated contracts; and
  - (ii) In addition the Clearing House may take any or all of the steps to discharge the rights and liabilities of the NYSE Liffe Clearing Member in respect of such NYSE Liffe Clearing Member's LIFFE business (and only such business unless the Clearing House has declared the NYSE Liffe Clearing Member to be a defaulter) which the Clearing House would be able to take to discharge the rights and liabilities of a Clearing Member under Default Rule 6 of the Default Rules.
- (b) If LIFFE has declared an NYSE Liffe Clearing Member to be in default, the Clearing House will use all reasonable endeavours to assist LIFFE in the calculation of the net sum(s), if any, resulting from action taken by the Clearing House pursuant to paragraph a(ii) above, which net sum(s) LIFFE may be under a regulatory requirement to certify.

**RESERVED**

***Regulation 99***    **RESERVED**

***Regulation 100***    **RESERVED**

***Regulation 101***    **RESERVED**

***Regulation 102***    **RESERVED**

**FOREXCLEAR REGULATIONS****Regulation 103 Application of ForexClear Regulations**

- (a) The Clearing House shall provide the ForexClear Service subject to and in accordance with the terms of these ForexClear Regulations and the Procedures.
- (b) ForexClear Clearing Members shall be bound by these ForexClear Regulations. Applications to become a ForexClear Clearing Member shall be made in accordance with Regulation 103(d) and (e). Other than as expressly specified in this Regulation 103, the remainder of the Regulations shall not apply to the ForexClear Service. A summary table of those Regulations which apply to the ForexClear Service as described in Regulation 103(a) to (o) is provided at Regulation 103(p).
- (c) Regulations 1 and 2 of the Regulations apply to the ForexClear Service.

**ForexClear Clearing Membership**

- (d) A Clearing Member may apply to become a ForexClear Clearing Member in accordance with the Procedures.
- (e) Regulation 4(a) to 4(c) applies to membership of the ForexClear Service and applications for such membership.

**Accounts**

- (f) Regulation 5 applies to the opening and operation of accounts with respect to a ForexClear Clearing Member. Such accounts shall be designated in accordance with Regulation 8.

**Formation, registration and transfers of ForexClear Contracts**

- (g) Regulations 9(b), 9(c) and 10 apply to the registration of a ForexClear Contract.
- (h) Regulation 104 and Regulation 105 (a) govern the registration and formation of a ForexClear Contract.
- (i) Regulation 3(b) of the Regulations applies to the ForexClear Service.
- (j) Regulation 11 (and, insofar as relevant, Regulation 3(b)) apply to a ForexClear Contract that is an open contract.

**Margin and cover for margin**

- (k) Regulation 12 applies to a ForexClear Clearing Member.

**Reference prices and Revaluation**

- (l) Regulations 14 and Regulation 108 apply to open ForexClear Contracts.

**Other Applicable Regulations**

- (m) Regulations 26 to ~~39A~~39B inclusive apply to ForexClear Clearing Members and ForexClear Contracts.

**Default Rules and Default Fund Rules**

- (n) The Default Rules and the Default Fund Rules 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.

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

- (p) The Regulations listed in this Regulation 103(p) apply to the ForexClear Service as described under Regulation 103(a) to (o).

<b>Regulation</b>	<b>Title</b>
1	Obligation to the Clearing House to each Member
2	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
3(b)	Novation
4(a) to (c)	Clearing Member Status of the Clearing House
5	Accounts
8	Designation
9(b), (c),	Registration
10	Trading Information
11	Transfer
12	Margin and Cover for Margin
14	Official Quotations and Reference Price
26	Mark Disorders, Impossibility of Performance, Trade Emergency
27	Force Majeure
28	Invoicing Back
29	Currency Conversion
30	Disclosure
31	Fees and Other Charges
32	Records
33	Procedures

<b>Regulation</b>	<b>Title</b>
34	Alteration of Regulations and the Procedures
35	Interpretation of these Regulations
36	Waiver
37	Validity of Regulations and Action
38	Governing Law and Jurisdiction
39	Exclusion of Liability
39A <a href="#">and 39B</a>	Netting
103 to 109	ForexClear Regulations
Default Rules	Default Rules
Default Fund Rules	Default Fund Rules
Settlement Finality Regulations	Settlement Finality Regulations

**Regulation 104 Registration of ForexClear Contracts**

- (a) In order to use the ForexClear Service, a ForexClear Participant must submit the particulars of a ForexClear Transaction for registration as a ForexClear Contract in accordance with these ForexClear Regulations and the Procedures.
- (b) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, a ForexClear Clearing Member shall be bound by a ForexClear Contract registered in its name pursuant to the presentation of particulars of a ForexClear Transaction by it or by a ForexClear Dealer with whom the ForexClear Clearing Member is party to a FDC Agreement.
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation, a ForexClear Transaction, particulars of which are submitted for registration as a ForexClear Contract, must meet the ForexClear Eligibility Criteria at the time the particulars of the ForexClear Transaction are presented to the Clearing House and must continue to meet such ForexClear Eligibility Criteria at the Registration Time as defined in Regulation 104(d) below in order to be registered as a ForexClear Contract.
- (d) The Clearing House shall be deemed to register a ForexClear Contract, in accordance with Regulation 105, in the name of a ForexClear Clearing Member at the time prescribed in the Procedures ("Registration Time")
- (e) For the avoidance of doubt, any transaction of which details have been submitted by ForexClear Participants for registration as a ForexClear Contract which is not so registered will remain in effect between the persons party thereto in accordance with any terms agreed between them and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (f) Subject to Regulation 104(h), 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 did not, at the Registration Time, meet the ForexClear Eligibility Criteria in existence at the Registration Time (an "**Ineligible Transaction**"), the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with Regulation 104(g) below.
- (g) Upon a ForexClear Contract (an "**Ineligible ForexClear Contract**") being set aside under Regulation 104(f), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via the ForexClear Matcher 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 variation margin (if any) paid 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.



- (h) The Clearing House may not determine a transaction to be an Ineligible Transaction if after the Valuation Date (as defined in Part A of the Schedule to the ForexClear Regulations) in respect of the ForexClear Contracts arising from the registration of such a transaction has occurred.
- (i) Where an original party to an Ineligible Transaction is an FXD upon the setting aside of the Ineligible ForexClear Contract under Regulation 104(f), any Parallel Contract (as defined in the FDC Agreement) corresponding to the Ineligible Transaction and arising by operation of the FDC Agreement shall be terminated at the same value as the Ineligible ForexClear Contract to which it corresponds at the time of the notification under Regulation 104(g) and shall thereafter have no force or effect.
- (j) 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.

**Regulation 105 ForexClear Contracts**

- (a) A ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two ForexClear Contracts, one between the First ForexClear Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller, as principals to such contract, and the other between the Clearing House as the Reference Currency Buyer and the Second ForexClear Clearing Member as the Reference Currency Seller, as principals to such contract. For the purposes of this Regulation:
- (i) “First ForexClear Clearing Member” is a ForexClear Clearing Member who was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Buyer, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Buyer; and
  - (ii) “Second ForexClear Clearing Member” is a ForexClear Clearing Member who was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Seller, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Seller.
- (b) With effect from registration of a ForexClear Transaction as two ForexClear Contracts under paragraph (a) of this Regulation:
- (i) the parties to the corresponding ForexClear Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each ForexClear Contract registered under paragraph (a) of this Regulation shall be governed by the ForexClear Contract Terms as applicable to that Contract;
  - (iii) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First ForexClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the ForexClear Contract to which it is a party as the Reference Currency Buyer had and owed in respect of its counterparty under the corresponding ForexClear Transaction; and
  - (iv) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second ForexClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the ForexClear Contract to which it is party as the Reference Currency Seller had and owed in respect of its counterparty under the corresponding ForexClear Transaction.
- (c) In subparagraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding ForexClear Transaction (it being assumed, for this purpose, that such ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (d) If a ForexClear Transaction, is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any ForexClear Contract arising under this Regulation, Regulation 3(b) or Regulation 11.
- (e) In the case of a ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 105 shall take effect.

**Regulation 106 Cancellation of ForexClear Contracts**

- (a) A ForexClear Clearing Member may, in accordance with this Regulation 106 and the Procedures, cancel a ForexClear Contract to which it is a party.
- (b) A ForexClear Dealer may, in accordance with this Regulation 106 and the Procedures, cancel a ForexClear Contract that arose from a ForexClear Transaction to which it is a party.
- (c) A ForexClear Clearing Member shall be bound by the cancellation of a ForexClear Contract made by the relevant ForexClear Dealer.
- (d) A ForexClear Dealer shall have no obligation to inform, notify or seek the consent of any ForexClear Clearing Member prior to initiating the cancellation of a ForexClear Contract in accordance with Regulation 4(d).
- (e) Each ForexClear Clearing Member is deemed to grant a continuing authority to the Clearing House to terminate any ForexClear Contract registered in the name of that ForexClear Clearing Member upon the request of a ForexClear Dealer with whom that ForexClear Clearing Member is a party to an FDC Agreement.
- (f) The Clearing House shall have no obligation to inform, notify or seek the consent of any ForexClear Clearing Member prior to cancelling a ForexClear Contract in accordance with this Regulation 106.
- (g) The cancellation of a ForexClear Contract to which a ForexClear Clearing Member is a party (in this Regulation, the "First ForexClear Contract") is contingent upon *inter alia* the cancellation of the corresponding ForexClear Contract that arose from the same underlying ForexClear Transaction (in this Regulation, the "Second ForexClear Contract"), and vice versa.
- (h) The date and time of the cancellation of a ForexClear Contract shall be as reported by the Clearing House in accordance with the Procedures and shall be binding on ForexClear Clearing Members.
- (i) The Clearing House may decline to cancel a ForexClear Contract if:
  - (i) in the opinion of the Clearing House acting in its sole discretion, the cancellation of that ForexClear Contract is not consistent with the Regulations and Procedures of the Clearing House and any policies of the clearing house concerning risk management;
  - (ii) if there is insufficient margin standing to the credit of a ForexClear Clearing Member's account to accommodate the cancellation of the First ForexClear Contract and/or the Second ForexClear Contract.
- (j) With effect from the time of the cancellation of a ForexClear Contract in accordance with this Regulation 106, neither the ForexClear Clearing Member nor the Clearing House shall have any obligations under the terms of that ForexClear Contract and liability in respect thereof.
- (k) Upon the cancellation of a ForexClear Contract in accordance with this Regulation 106, the corresponding Parallel Contract (as defined in the FDC Agreement) arising by operation of the FDC Agreement shall also terminate.

**Regulation 107 ForexClear Dealers**

- (a) Application for admission to the Register of ForexClear Dealers shall be made in accordance with these Regulations and the Procedures. An applicant for admission to the Register of ForexClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of ForexClear Dealers. A ForexClear Dealer shall be subject to, and governed by, these Regulations, the Procedures and, if applicable, the FDC Agreement to which it is for the time being party.
- (b) A person admitted to the Register of ForexClear Dealers shall ensure that it will, at all times, satisfy the criteria prescribed by the Clearing House, from time to time, for admission to the Register.
- (c) The Clearing House may suspend or remove a ForexClear Dealer from the Register of ForexClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the FDC Agreement to which it is for the time being party. Any person who has been suspended from the Register of ForexClear Dealers for a period of more than three months shall be removed from the Register of ForexClear Dealers and must make a new application if it wishes to be readmitted to the Register.
- (d) A ForexClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of ForexClear Dealers. At the end of such notice period, the Clearing House shall remove the ForexClear Dealer from the Register of ForexClear Dealers.
- (e) A ForexClear Dealer's suspension or removal from the Register of ForexClear Dealers, under paragraph (c), shall not, where it is a Member, affect its membership of the Clearing House, nor, subject to any contrary determination by the Clearing House under Regulation 4(b), shall it affect the categories of Contract which such a person is eligible to have registered in its name.
- (f) Upon the Clearing House serving a default notice in accordance with these Regulations to a ForexClear Clearing Member who is also a ForexClear Dealer, such ForexClear Clearing Member shall automatically be removed from the Register of ForexClear Dealers.
- (g) Without prejudice to paragraph (f) of this Regulation, the Clearing House shall suspend from the Register of ForexClear Dealers, for such period as the Clearing House may determine, any Member (i) whose Clearing Membership Agreement has been terminated; or (ii) who is no longer eligible to have ForexClear Contracts registered in its name, and who is not, from the date of such termination under (i) or such ineligibility under (ii), party to a FDC Agreement with another ForexClear Clearing Member, for such period as the Clearing House may determine.

**Regulation 108 Variation Margin**

- (a) The Clearing House shall, at least daily and in accordance with and at the times stated in the Procedures, pay to, or require payment from, a ForexClear Clearing Member cash cover for variation margin. The amount paid represents the change from the preceding business day in the net present value of all ForexClear Contracts registered in that ForexClear Clearing Member's name.
- (b) The net present value of each ForexClear 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 cover received (or paid) by the Clearing House, calculated in accordance with the Procedures.
- (d) This Regulation is without prejudice to the Clearing House's right to require cover to be provided to it under Regulation 12.

**Regulation 109 Withdrawal of the ForexClear Service by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw the ForexClear Service it shall give not less than six months' written notice to all ForexClear Participants in accordance with the notice provisions in the Clearing Membership Agreement or the FDC Agreement (as applicable) to which a ForexClear Participant is party of the date on which the service will be withdrawn ("the ForexClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, one or more ForexClear Participants shall not invalidate the ForexClear Withdrawal Date. If the Clearing House becomes aware that it has omitted to give notice under this Regulation to any ForexClear Participant prior to the ForexClear Withdrawal Date it will immediately notify the affected ForexClear Participant(s) of the ForexClear Withdrawal Date in accordance with the notice provisions in the Clearing Membership Agreement or the ForexClear Dealer Clearing FDC Agreement (as applicable) to which a ForexClear Participant is party.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register a ForexClear Contract, other than a closing-out contract, after notice to withdraw the service has been given under Regulation 109(a).
- (c) If, five Business Days before the ForexClear Withdrawal Date, a ForexClear Clearing Member has not closed out all open ForexClear Contracts registered in its name, the Clearing House shall, with five Business Days' notice to the ForexClear Clearing Member be entitled to:
- (i) liquidate any or all of such ForexClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and
  - (ii) postpone the ForexClear Withdrawal Date until such time as the Clearing House determines.
- (d) Business Days for the purpose of this Regulation 109 means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

**SCHEDULE TO THE FOREXCLEAR REGULATIONS****Part A  
ForexClear Contract Terms**

The terms of a registered ForexClear Contract shall include these ForexClear 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

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

Subject to the Regulations and the Procedures, the Clearing House will use the ForexClear Contract Terms applicable to a ForexClear Contract to calculate the amounts due under the ForexClear 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 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 Transaction” for the purposes of ForexClear.
- 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 to the ForexClear Clearing Members, give directions as to whether such amendment shall apply to ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).
- 1.7. Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to ForexClear Contracts going forward, these ForexClear Contracts shall



continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with ForexClear Contracts registered in a ForexClear Clearing Member's name prior to the time such amendment comes into effect.

- 1.8. The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## **2. Economic Terms**

- 2.1. The Economic Terms of a ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding ForexClear Transaction.

- 2.2. The particulars of a ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:

- (1) Trade Date (Section 1.25)
- (2) Forward Rate (Section 2.1(a))
- (3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD
- (4) Reference Currency Buyer (Section 1.20)
- (5) Reference Currency Seller (Section 1.22)
- (6) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)
- (7) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).

- 2.3. However, as set out more particularly in Regulation 105, where the ForexClear Transaction specifies a ForexClear Clearing Member as the Reference Currency Seller, with the other ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each ForexClear Contract to which it is party pursuant to the corresponding ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such ForexClear Contract, respectively.

## **3. Specific Standard Terms ("Specific Standard Terms")**

The following terms are designated as Specific Standard Terms of a registered ForexClear Contract:

- 3.1. The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an "EMTA Template")), governs the terms of a ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

- 3.2. In the format “Reference Currency – Settlement Currency”, the Currency Pairs are
- (1) BRL-USD
  - (2) CLP-USD
  - (3) CNY-USD
  - (4) INR-USD
  - (5) KRW-USD
  - (6) RUB-USD
- 3.3. Certain Specific Standard Terms of each ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each ForexClear Contract:
- (1) Date of Annex A (Section 4.2):  
Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.
  - (2) Reference Currency (Section 1.19):  
To be determined by using the EMTA Template appropriate to the particular Currency Pair.  
Calculation Agent (Section 1.3):
  - (3) The Clearing House is the Calculation Agent.
- 3.4. If the terms of an EMTA Template conflict with these ForexClear Contract Terms, these ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

#### **4. General Standard Terms (“General Standard Terms”)**

The following terms are designated as General Standard Terms of a registered ForexClear Contract:

##### **4.1. Business Days**

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear Contract.

##### **4.2. Withholding Tax Provisions**

- 4.2.1.** All payments due under a ForexClear Contract shall be made by the ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal

to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

- 4.2.2.** All payments due under a ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

**4.3. Payment of Stamp Tax**

Each ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is 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 Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.

**4.4. Payments under a ForexClear Contract**

Payments under, and in respect of, a ForexClear 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.

**4.5. Regulations**

A ForexClear 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 Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

**4.6. Governing Law**

Each ForexClear 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.

**4.7. Third Party Rights**

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

**Part B**  
**Registration of a ForexClear Contract - Product Eligibility Criteria**

**1. Registration of a ForexClear Contract**

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

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for a ForexClear Transaction;
- (b) each party to the transaction is either (i) a ForexClear Dealer or (ii) a ForexClear Clearing Member who has not been declared a defaulter by the Clearing House;
- (c) the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

**2. Product Eligibility Criteria for a ForexClear Contract**

<b>Instrument</b>	Non-Deliverable FX Transaction
<b>Economic Terms</b>	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
<b>Reference Currency</b>	One of
	1. BRL - Brazilian Real,
	2. RUB - Russian Rouble,
	3. INR - Indian Rupee,
	4. CLP - Chilean Peso,
	5. CNY - Chinese Yuan, or
	6. KRW - South Korean Won.
<b>Valuation Date</b>	A valid Business Day for the Currency Pair to which the ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
<b>Settlement Date</b>	A date falling:
	A. not earlier than the date falling three business days immediately following the Submission Date; and
	B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the ForexClear Transaction relates: (i) a valid Business Day, (ii) a date

	falling the Number of Business Days (as defined in the Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template
<b>Settlement Type</b>	Non-Deliverable
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House

**Exhibit B**

See Attached

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AMENDED RULES SELF CERTIFICATION

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LCH.Clearnet Limited ("LCH.Clearnet") hereby certifies to the Commodity Futures Trading Commission ("CFTC"), pursuant to the procedures set forth in the Commission Regulations 40.6, that the following:

- Amendments to LCH.Clearnet's Rules and Regulations, comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of April 16, 2012

By: 

Name: Lisa Rosen

Title: Group Head of Compliance and Public Affairs

LCH.Clearnet Limited