



**VIA EMAIL TO: SUBMISSIONS@CFTC.GOV**

12 September 2013

Ms. Melissa Jurgens  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification changes to its rulebook for the Nodal Clearing Service in anticipation of Nodal Exchange LLC’s registration as a designated contract market (“DCM”). Subject to the limitations described below, these changes will be implemented and effective on 27 September 2013.<sup>1</sup>

Please find the following documents attached as appendices: (I) Submission Cover Sheet; (II) Request for Confidential Treatment; (III) Rulebook Matrix; (IV) Compliance with DCO Core Principles Matrix; and (V) FCM Procedures and FCM Regulations (together, the “FCM Rulebook”) in blackline form.

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

Nodal Exchange LLC (“Nodal”) has submitted an application with the CFTC for registration as a DCM. In addition, LCH.Clearnet has submitted an application to amend its order of registration as a DCO to authorize LCH.Clearnet to provide clearing services for the futures contracts (and options thereon) listed for trading on Nodal. These FCM Rulebook changes enable LCH.Clearnet to provide clearing services to Nodal for its listed products and for the FCM Members of the Nodal Clearing Service, in compliance with applicable CFTC regulations.

The proposed Rulebook changes are broadly categorized as follows:

1. Product specific – new futures and options contracts have been added;
2. Member specific – member eligibility criteria for FCM members has been updated;
3. Client funds and segregation – the account structure has been updated to include futures segregated accounts (omnibus segregation);
4. Conforming operational changes in the FCM Procedures; and
5. General conforming and clarifying changes.

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<sup>1</sup> The changes contained in this submission are conditioned, and will be effective, upon the registration of Nodal Exchange as a DCM and LCH.Clearnet Limited being granted necessary relief or registration to provide clearing services for Nodal Exchange, and no sooner than 27 September 2013.

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

The Rulebook Matrix contains a detailed list of all changes made to the LCH.Clearnet FCM Regulations, together with explanations and commentary, and is attached at Appendix III.

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

These rule changes relate primarily to LCH.Clearnet's compliance with Core Principles C (Participant and Product Eligibility), D (Risk Management), E (Settlement Procedures), F (Treatment of Funds), and G (Default Rules). LCH.Clearnet has concluded that compliance with the Core Principles will not be adversely affected by these changes and a chart is included that describes how the rulebook changes, and other operational changes to the Nodal Clearing Service, ensure continued compliance with the CFTC's Core Principles.

## **Part IV: Public Information**

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

[http://www.lchclearnet.com/rules\\_and\\_regulations/lt/default.asp](http://www.lchclearnet.com/rules_and_regulations/lt/default.asp).

## **Part V: Opposing Views**

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

## **Certification**

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

Should you have any questions please contact me at [laurian.cristea@lchclearnet.com](mailto:laurian.cristea@lchclearnet.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Laurian Cristea', enclosed within a blue oval scribble.

Laurian Cristea  
Senior Vice President, Compliance & Regulation  
US Contact: +1 212.513.5610



**Appendix I**  
**Submission Cover Sheet**



**Appendix II**  
**Request for Confidential Treatment**



**VIA EMAIL TO: FOIAsubmissions@cftc.gov**

12 Sept 2013

US Commodity Futures Trading Commission  
Attention: FOIA Compliance Office  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

**RE: FOIA Request for Confidential Treatment**

Dear Sir/Madam:

In accordance with Commission Regulation 145.9(d), LCH.Clearnet Limited ("LCH.Clearnet") respectfully requests confidential treatment under the Freedom of Information Act (the "FOIA"), 5 U.S.C. § 552, for the confidentially-marked documents attached to today's rule change submission, including subsequent emails and replies between LCH.Clearnet and Commission staff (the "Information").

LCH.Clearnet is requesting confidential treatment for the Information pursuant to Commission Regulation 145.9(d)(ii), which provides that confidential treatment may be requested on the grounds that disclosure would reveal trade secrets or confidential commercial or financial information. LCH.Clearnet further requests that the Information receives confidential treatment in perpetuity.

This request is not to be construed as a waiver of any other protection from disclosure or confidential treatment accorded by law, and LCH.Clearnet will rely on and invoke any such confidentiality protection. LCH.Clearnet requests notification from the Commission in advance of any disclosure of the Information pursuant to the FOIA or the Commission's Rules of Practice so that this request for confidential treatment may be substantiated.

Cordially yours,

A handwritten signature in blue ink, appearing to read 'Laurian Cristea', enclosed within a blue oval scribble.

Laurian Cristea  
Senior Vice President, Compliance & Regulation  
US Contact: +1 212.513.5610

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LCH.Clearnet Group Limited | LCH.Clearnet Limited | LCH.Clearnet SA | LCH.Clearnet LLC



**Appendix III**  
**Rulebook Matrix – Confidential Treatment Requested**



**Appendix IV**  
**Core Principles Compliance Chart – Confidential Treatment Requested**



**Appendix V**  
**LCH.Clearnet Limited Rulebook**



## CONTENTS

FCM REGULATIONS OF THE CLEARING HOUSE .....	1
Definitions .....	2
PART I – REGULATIONS OF GENERAL APPLICABILITY .....	<del>16</del> <u>20</u>
Regulation 1 Obligations of the Clearing House to each FCM Clearing Member .....	<del>16</del> <u>20</u>
Regulation 2 Performance by the Clearing House of its Obligations under the Terms of an Open Contract .....	<del>17</del> ; <u>Novation 21</u>
Regulation 3 FCM Clearing Member Status of the Clearing House and Application of LCH Regulations .....	<del>18</del> <u>22</u>
Regulation 4 FCM Client Business and <del>Proprietary</del> <u>FCM Client</u> Account <del>Trading</del> <u>Segregation</u> .....	<del>24</del> <u>25</u>
Regulation 5 <del>Treatment of Proprietary</del> Accounts at LCH .....	<del>25</del> and <u>Trading 40</u>
Regulation 6 <del>Designation</del> .....	<del>27</del> <u>Certain General Provisions Applicable to Accounts 41</u>
Regulation 7 Trading Information .....	<del>28</del> <u>43</u>
Regulation 8 Transfer .....	<del>29</del> <u>44</u>
Regulation 9 Margin and Cover for Margin; Other Obligations .....	<del>33</del> <u>49</u>
Regulation 10 Official Quotations and Reference Price .....	<del>41</del> ; <u>Settlement and Revaluation 59</u>
Regulation 11 Market Disorders, Impossibility of Performance, Trade Emergency ...	<del>42</del> <u>60</u>
Regulation 12 Force Majeure .....	<del>43</del> <u>62</u>
Regulation 13 Invoicing Back .....	<del>44</del> <u>63</u>
Regulation 14 Currency Conversion .....	<del>45</del> <u>65</u>
Regulation 15 Disclosure .....	<del>46</del> <u>66</u>
Regulation 16 Fees and Other Charges .....	<del>47</del> <u>67</u>
Regulation 17 Records .....	<del>48</del> <u>68</u>
Regulation 18 FCM Procedures .....	<del>49</del> <u>69</u>
Regulation 19 Alteration of FCM Regulations and the FCM Procedures .....	<del>50</del> <u>70</u>
Regulation 20 Interpretation of these FCM Regulations .....	<del>51</del> <u>71</u>
Regulation 21 Waiver .....	<del>52</del> <u>72</u>
Regulation 22 Validity of FCM Regulations and Action .....	<del>53</del> <u>73</u>
Regulation 23 Governing Law and Jurisdiction .....	<del>54</del> <u>74</u>
Regulation 24 Exclusion of Liability .....	<del>55</del> <u>75</u>
Regulation 24A Netting .....	<del>56</del> <u>76</u>
Regulation 24B Distribution of Assets .....	<del>58</del> <u>78</u>
Regulation 25 <del>Rules Relating to FCM Client Segregated Accounts</del> .....	<del>59</del>
<del>Regulation 26</del> Acknowledgements and Agreements of FCM Clients and Affiliates ...	<del>66</del> <u>79</u>
<u>Regulation 26</u> FCM Exchange Contracts .....	<u>81</u>
<u>Regulation 26A</u> Exercise of Options .....	<u>82</u>
<u>Regulation 26B</u> Physically-Settled FCM Exchange Contract Arising upon the Exercise of an Option .....	<u>83</u>

<u>Regulation 26D</u>	<u>Obligation to Make and Accept Delivery Notice under FCM Exchange Contracts</u>	<u>86</u>
<u>Regulation 26E</u>	<u>Physically-Settled FCM Exchange Contracts not Requiring Delivery Notice</u>	<u>89</u>
<u>Regulation 26F</u>	<u>FCM Exchange Contracts Subject to Delivery Notice</u>	<u>90</u>
<u>Regulation 26G</u>	<u>Arrangements for Delivery and Payment of Price (Physically-Settled FCM Exchange Contracts)</u>	<u>92</u>
<u>Regulation 26H</u>	<u>Restrictions on Clearing House's Obligations and Liability</u>	<u>94</u>
<u>Regulation 26I</u>	<u>Arbitration: FCM Exchange Contracts</u>	<u>95</u>
<u>Regulation 26J</u>	<u>Cover in Event of a Claim</u>	<u>97</u>
<u>Regulation 26K</u>	<u>Default of a Member: Substituted Obligation</u>	<u>98</u>
<u>Regulation 26L</u>	<u>Premium Under Option Contracts</u>	<u>99</u>
<b>PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS</b>		<b><u>69101</u></b>
Regulation 30	Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts	<del>69</del> <u>101</u>
Regulation 31	Daily Marking to Market	<del>75</del> <u>108</u>
Regulation 32	The reset rate for, and the net present value of, an FCM SwapClear Contract	<del>76</del> <u>109</u>
Regulation 33	Withdrawal of the FCM SwapClear Service by the Clearing House	<del>77</del> <u>110</u>
<b>PART III – REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS</b>		<b><u>79112</u></b>
Regulation 40	Registration of FCM ForexClear Contracts; ForexClear Accounts	<del>79</del> <u>112</u>
Regulation 41	Cancellation of FCM ForexClear Contracts	<del>84</del> <u>117</u>
Regulation 42	Variation Margin	<del>85</del> <u>118</u>
Regulation 43	Withdrawal of the FCM ForexClear Service by the Clearing House	<del>86</del> <u>119</u>
<b><del>PART IV – REGULATIONS APPLICABLE TO FCM ENCLEAR CONTRACTS</del></b>		<b><del>88</del></b>
Regulation 50	Registration of FCM EnClear Contracts	<del>88</del> <u>121</u>
Regulation 51	FCM EnClear Contracts	<del>89</del> <u>122</u>
Regulation 52	Daily Settlement	<del>91</del> <u>124</u>
Regulation 53	Withdrawal of the FCM EnClear Service by the Clearing House	<del>92</del> <u>125</u>
<b>PART V – <del>[RESERVED]</del> REGULATIONS APPLICABLE TO FCM NODAL CONTRACTS</b>		<b><u>127</u></b>
<u>Regulation 60</u>	<u>Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts</u>	<u>127</u>
<u>Regulation 61</u>	<u>Nodal Contracts</u>	<u>129</u>
<u>Regulation 62</u>	<u>Daily Settlement or Marking to Market</u>	<u>131</u>
<b>SCHEDULE A – FCM SWAPCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA</b>		<b>A-1</b>
<b>SCHEDULE B – FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA</b>		<b>B-1</b>

SCHEDULE C – FCM ENCLAR CONTRACT TERMS AND PRODUCT ELIGIBILITY  
CRITERIA..... C-1

## **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 Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited, LCH.Clearnet SA or any other affiliates of LCH.Clearnet Group, Ltd, all of which are governed by separate sets of rules.

	<p>Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the “SwapClear Business Category”), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the “ForexClear Business Category”), <del>and</del> (3) FCM EnClear Contracts (referred to in the FCM Rulebook as the “EnClear Business Category”.) <u>and (4) FCM Nodal Contracts (referred to in the FCM Rulebook as the “Nodal Business Category”).</u></p>
<i>Business Day</i>	<p>- Means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms, <u>FCM EnClear Contract Terms</u> or FCM <del>EnClear</del><u>Nodal</u> Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.</p>
<u>Buyer</u>	<p>= <u>Means an FCM Clearing Member (or the Clearing House where the context so requires) who is a buyer under the terms of an FCM Exchange Contract.</u></p>
<i>Carrying FCM Clearing Member</i>	<p>- Means an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM Contracts and Account Assets held in such account may be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation 8 and in accordance with the FCM Procedures.</p>
<u>Cash-Settled FCM Exchange Contract</u>	<p>= <u>Means an FCM Exchange Contract which is to be settled by cash-settlement only.</u></p>
CEA	<p>- Means the U.S. Commodity Exchange Act.</p>
CFTC	<p>- Means the U.S. Commodity Futures Trading Commission.</p>
<i>CFTC Regulations</i>	<p>- Means the rules and regulations promulgated by the CFTC.</p>
<i>Cleared Swap</i>	<p>- Means “Cleared Swap” as such term is defined in CFTC Regulation 22.1, <u>which term includes but is not limited to Swap Products.</u></p>
<del><i>Cleared Swap Product</i></del>	<p><del>- Means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts and (3) FCM EnClear Contracts.</del></p>

- Cleared Swaps Account Class* - Means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i) and 190.01(pp)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
- 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 Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member's name, save that where the Clearing House has position "X" under the terms of such open FCM Contract (where such FCM Contract consists of positions "X" and "Y"), the Clearing House shall have position "Y" under the terms of such closing-out FCM Contract, and vice-versa.
- "Commodity" or "commodity"* = Means any "commodity" (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract.
- 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 assigned 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.
- Delivery Month* = In respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules applicable to such FCM Exchange Contract.
- Delivery Notice* = Means a notice in writing, given by or on behalf of a Seller (or Buyer where Exchange Rules so require) pursuant to Exchange Rules, these FCM Regulations and the FCM Procedures, of the Seller's (or Buyer's) intention to make (or take) delivery of a commodity in connection with an FCM Exchange Contract.
- Economic Terms* - Means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM

	EnClear Contract Terms designated as Economic Terms by the Clearing House from time to time.
Exchange	- Means an organization (whether an exchange, association, company, <u>corporation, limited partnership</u> or otherwise), <u>including a designated contract market (designated as such by the CFTC)</u> , responsible for administering a futures, options, <u>or stock or other market, market (in its capacity as the administrator of such a market)</u> , to which the Clearing House provides FCM Clearing Services.
<del>exchange contract</del> <u>Exchange Board</u>	- <del>Means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations "exchange contract" shall not include any class of contract capable of being made on the London Stock Exchange.</del> <u>Means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.</u>
Exchange Rules	- Means the rules, regulations, administrative procedures, <del>M</del> <u>m</u> emorandum and <del>A</del> <u>a</u> rticles of <del>Association or association, charter, certificate of incorporation,</del> by-laws (or similar constituent documents) which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its Board and any procedures, practices and administrative requirements of the Exchange.
Excess Margin	- Means, in respect of <u>(i) an FCM Client's FCM Client Segregated Sub-Account</u> <del>with respect to any Product or in respect of (excluding FCM Buffer or Applied FCM Buffer)</del> , <u>(ii) an FCM Clearing Member's Proprietary Account, or (iii) an FCM Omnibus Futures Client Account with LCH, the</u> cover <del>(excluding FCM Buffer or Applied FCM Buffer)</del> held by the Clearing House in respect of FCM Contracts corresponding to any such account, which is in excess of the Required Margin in respect of such corresponding FCM Contracts as determined by the Clearing House in accordance with the FCM Rulebook.
Executing Party	- Means each person described as a party to an FCM Transaction in the details submitted to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
<u>Expiry Month</u>	= <u>A month prescribed by Exchange Rules in respect of an FCM Option Contract.</u>

<i>FCM</i>	- Means a futures commission merchant, as defined under the CEA that is registered in such capacity with the CFTC.
<i>FCM Approved Trade Source System</i>	- Means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market or other similar venue, approved by the Clearing House for executing FCM Transactions and/or submitting or presenting such FCM Transactions to the Clearing House. For the avoidance of doubt, the "SwapClear API" is not an FCM Approved Trade Source System.
<i>FCM Buffer</i>	- Has the meaning assigned to such term in FCM Regulation 9(h)(iv)(A).
<i>FCM Clearing Member</i>	- Means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "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.
<i>FCM Clearing Membership Agreement</i>	- 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 Contracts together with any ancillary agreements.
<i>FCM Clearing Services</i>	- Means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services <del>and</del> , the FCM EnClear Clearing Services <u>and the FCM Nodal Clearing Services</u> , collectively.
<i>FCM Client</i>	- Means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; <u>provided</u> , that any such client is only an FCM Client with respect to its positions in <del>Cleared Swaps</del> <u>FCM Contracts</u> .
<i>FCM Client Business</i>	- Means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.
<u><i>FCM Client Funds</i></u>	<u>= Means FCM Swaps Client Funds and/or FCM Futures Client Funds, as the context may require.</u>
<i>FCM Client Segregated Depository Account</i>	- <del>Means an omnibus account located in the United States and maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations and contains the cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or</del>



	<p><del>assets deposited with or transferred to it by its FCM Clients in connection with the FCM Contracts cleared for such FCM Clients by such FCM Clearing Member.</del>  <u>Means an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account, as the context may require.</u></p>
<i>FCM Client Segregated Sub-Account</i>	<p>- Means an individual segregated sub-account within an FCM Omnibus <del>Clearing Product</del><u>Swaps</u> Client Account with LCH of an FCM Clearing Member established on the books of the Clearing House on behalf of an FCM Client of an FCM Clearing Member, reflecting the FCM Contracts in the relevant <u>Swap</u> Product, and all Account Assets associated with those FCM Contracts, carried for each such FCM Client by such FCM Clearing Member, based on information provided by the applicable FCM Clearing Member. Each FCM Client will have an FCM Client Segregated Sub-Account <del>in the relevant</del> <u>within each</u> FCM Omnibus <del>Clearing Product</del><u>Swaps</u> Client Account with LCH <del>for each Business category of FCM Contracts in</del><u>through</u> which such FCM Client clears <del>FCM Contracts</del><u>Swap Products through its FCM Clearing Member.</u></p>
<i>FCM Client Sub-Account Balance</i>	<p>- Means with respect to an FCM Client, at any given time, the value of Account Assets attributable to any FCM Client Segregated Sub-Account of such FCM Client as determined by the Clearing House in accordance with the FCM Rulebook.</p>
<i>FCM Contract</i>	<p>- Means an FCM SwapClear Contract, an FCM ForexClear Contract <del>or,</del> an FCM EnClear Contract <del>or an</del> <u>FCM Nodal Contract.</u> “FCM Contracts” means FCM SwapClear Contracts, FCM ForexClear Contracts <del>and,</del> FCM EnClear Contracts <u>and FCM Nodal Contracts,</u> collectively.</p>
<i>FCM Contract Terms</i>	<p>- Means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms <del>and,</del> the FCM EnClear Contract Terms <u>and the FCM Nodal Contract Terms,</u> collectively.</p>
<i>FCM Default Fund Agreement</i>	<p>- 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.</p>
<i>FCM EnClear Clearing Services</i>	<p>- Means the services provided by an FCM Clearing Member in connection with FCM EnClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.</p>
<i>FCM EnClear Clearing Member</i>	<p>- Means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM EnClear Transactions and register FCM EnClear</p>

Contracts.

- FCM EnClear 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 EnClear Contract Terms, and which is governed by these FCM Regulations.
- FCM EnClear Contract Terms* - Means the terms applicable to each FCM EnClear Contract as set out from time to time in the FCM Regulations.
- FCM EnClear 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 EnClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM EnClear Contract or a Non-FCM EnClear Contract.
- FCM Exchange Contract* = Means an FCM Contract arising out of a transaction executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange. Such FCM Contracts are: FCM Nodal Contracts.
- FCM Exchange Contract Subject to Delivery Notice* = Means a Physically-Settled FCM Exchange Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook.
- FCM Exchange Transaction* = Means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a "Cleared Exchange Contract" with a Non-FCM Clearing Member governed by the UK General Regulations.
- FCM ForexClear Clearing Member* - Means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM ForexClear Transactions and register FCM ForexClear Contracts.
- FCM ForexClear Clearing Services* - Means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
- FCM ForexClear Contract* - Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM ForexClear Contract Terms, and which is governed by these FCM

Regulations.

- FCM ForexClear Contract Terms* - Means the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM Regulations.
- FCM ForexClear Transaction* - Means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract.
- FCM Futures Client Funds* = Means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (i.e., not furnished to the Clearing House) on behalf of its FCM Clients with respect to Futures Products or other Futures/Options Contracts.
- FCM Futures Client Segregated Depository Account* = Means an omnibus account located in the United States and maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable "PPS accounts", which are described in the FCM Procedures), which is segregated in accordance with Section 4d(a) of the CEA and the CFTC Regulations, which contains the FCM Futures Client Funds of its FCM Clients held in connection with Futures Products or other Futures/Options Contracts (and, if applicable, the funds of other futures customers of an FCM Clearing Member held in connection with other Futures/Options Contracts).
- FCM Nodal Clearing Member* = Means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Nodal Transactions and register FCM Nodal Contracts.
- FCM Nodal Clearing Services* = Means the services provided by an FCM Clearing Member in connection with FCM Nodal Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
- FCM Nodal 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 Nodal Contract Terms, and which is governed by these FCM Regulations.
- FCM Nodal Contract Terms* = Means the "Nodal Contract Terms" as such term is defined in the UK General Regulations.
- FCM Nodal 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 Nodal Contract, and the other side of such transaction registered with the Clearing House as either an FCM Nodal Contract or a Non-FCM Nodal

Contract.

- FCM Omnibus ~~Clearing Product~~ Client Account with LCH* - Means either an FCM Omnibus ~~ForexClear Client Account with LCH, an FCM Omnibus SwapClear~~ Swaps Client Account with LCH or an FCM Omnibus EnClear Futures Client Account with LCH.
- FCM Omnibus EnClear 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 EnClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Account Assets, will be reflected on the books of the Clearing House. Such FCM Omnibus EnClear Client Account with LCH will not contain any FCM Contracts or the associated Account Assets other than in connection with FCM EnClear Contracts. The Clearing House will establish FCM Client Segregated Sub-Accounts within each FCM Omnibus EnClear Client Account with LCH.
- FCM Omnibus ForexClear 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 ForexClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Account Assets, will be reflected on the books of the Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not contain any FCM Contracts or the associated Account Assets other than in connection with FCM ForexClear Contracts. The Clearing House will establish FCM Client Segregated Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.
- FCM Omnibus Futures Client Account with LCH* = Means an FCM Omnibus Nodal Client Account with LCH.
- FCM Omnibus Nodal 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 Nodal Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Account Assets, will be reflected on the books of the Clearing House. Such FCM Omnibus Nodal Client Account with LCH will not contain any FCM Contracts or the associated Account Assets other than in connection with FCM Nodal Contracts.
- FCM Omnibus SwapClear 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 Account Assets,

will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client Account with LCH will not contain any FCM Contracts or the associated Account Assets other than in connection with FCM SwapClear Contracts. The Clearing House will establish FCM Client Segregated Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH.

*FCM Omnibus Swaps Client Account with LCH* = Means either an FCM Omnibus ForexClear Client Account with LCH, an FCM Omnibus SwapClear Client Account with LCH or an FCM Omnibus EnClear Client Account with LCH.

*FCM Option Contract* = Means an FCM Exchange Contract which is contract for an Option.

*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 Contracts and the clearing of FCM Contracts only, from time to time in force.

*FCM Rulebook* - Means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time.

*FCM Segregated Accounts* - Means, with respect to each FCM Clearing Member, (i) its FCM Client Segregated Depository Accounts and (ii) its PPS Accounts in which the FCM Clearing Member holds the Client funds held in connection with its FCM Clients' cleared FCM Contracts.

*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 Product Eligibility Criteria* - Means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c) and 3 of Part B of Schedule A to these

FCM Regulations.

- FCM SwapClear Transaction* - Means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing.
- FCM Swaps Client Funds* = Means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (i.e., not furnished to the Clearing House) on behalf of its FCM Clients with respect to Swap Products or other Cleared Swaps.
- FCM Swaps 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 Permitted Depository (including any applicable "PPS accounts", which are described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account, and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps).
- FCM Transaction* - Means either an FCM SwapClear Transaction, an FCM ForexClear Transaction ~~or~~, an FCM EnClear Transaction, or an FCM Exchange Transaction (including an FCM Nodal Transaction), as applicable.
- First EnClear Clearing Member* - Has the meaning assigned to it in FCM Regulation 51(a).
- First Nodal Clearing Member* = Has the meaning assigned to it in FCM Regulation 61(a).
- ForexClear Clearing Member* - Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
- ForexClear Contribution* - Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
- ForexClear DMP* - Has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
- Futures Account Class* = Means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of

		<a href="#">Part 190 of the CFTC Regulations and Section 4d(a) of the CEA.</a>
<a href="#">Futures/Options Contract</a>	=	<a href="#">Means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer.</a>
<a href="#">Futures Product</a>	=	<a href="#">Means a Product which constitutes a Futures/Options Contract. Such Products are: FCM Nodal Contracts.</a>
<i>Hedged Account</i>	-	Has the meaning assigned to it in the FCM Procedures.
<i>Ineligible FCM ForexClear Contract</i>	-	Has the meaning assigned to it in FCM Regulation 40(f)(ii).
<i>Ineligible FCM ForexClear Transaction</i>	-	Has the meaning assigned to it in FCM Regulation 40(f)(i).
<i>Ineligible FCM SwapClear Contract</i>	-	Has the meaning assigned to it in FCM Regulation 30(f).
<i>Ineligible FCM SwapClear Transaction</i>	-	Has the meaning assigned to it in FCM Regulation 30(f).
<i>Initial Margin</i>	-	Means an amount determined and published from time to time by the Clearing House with regard to each Business Category of FCM 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 Contract by the Clearing House and otherwise in respect of all FCM Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.
<i>LCH.Clearnet Group</i>	-	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).
<i>LCH Approved Outsourcing Agent</i>	-	Means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.
<i>LCH EnClear OTC Clearing Member</i>	-	Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<del><i>LCH Clearing Product Client Segregated Depository</i></del>	-	<del>Means either the LCH ForexClear Client Segregated Depository Account, the LCH SwapClear Client</del>

- ~~Account~~
- ~~Segregated Depository Account or the LCH EnClear Client Segregated Depository Account.~~
- LCH ~~EnClear~~Futures Client Segregated Depository Account - Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and CFTC Regulations, is part of the ~~Cleared Swaps~~Futures Account Class and contains the Account Assets and related collateral ~~(including FCM Buffer and Unallocated Excess)~~ deposited by such FCM Clearing Members on behalf of their FCM Clients in connection solely with ~~FCM EnClear Contracts~~Futures Products cleared for such FCM Clients by such FCM Clearing Members; ~~provided, however, that the Clearing House may physically commingle the Account Assets held in such account with the Account Assets held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.~~
- LCH ~~ForexClear~~Swaps Client Segregated Depository Account - Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and CFTC Regulations, is part of the Cleared Swaps Account Class and contains the Account Assets and related collateral (including FCM Buffer and Unallocated Excess) deposited by such FCM Clearing Members on behalf of their FCM Clients in connection solely with ~~FCM ForexClear Contracts~~Swaps Products cleared for such FCM Clients by such FCM Clearing Members; ~~provided, however, that the Clearing House may physically commingle the Account Assets held in such account with the Account Assets held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.~~
- ~~LCH SwapClear Client Segregated Depository Account~~Lot - ~~Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and CFTC Regulations, is part of the Cleared Swaps Account Class and contains the Account~~



~~Assets and related collateral (including FCM Buffer and Unallocated Excess) deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets held in such account with the Account Assets held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository. Means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an FCM Exchange Contract.~~

<i>MER</i>	-	Has the meaning assigned to it in Section 2A.3.3 of the FCM Procedures.
<u><a href="#">Nodal</a></u>	=	<u><a href="#">Means Nodal Exchange, LLC of 8065 Leesburg Pike, 3<sup>rd</sup> Floor, Vienna, VA 22182, United States of America.</a></u>
<u><a href="#">Nodal Eligible Derivative Product</a></u>	=	<u><a href="#">Means a derivative product prescribed from time to time by the Clearing House as eligible for the FCM Nodal Clearing Service.</a></u>
<u><a href="#">Nodal's Rules</a></u>	=	<u><a href="#">Means 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.</a></u>
<u><a href="#">Nodal Service Clearing Member</a></u>	=	<u><a href="#">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.</a></u>
<u><a href="#">Nodal Trading Facility</a></u>	=	<u><a href="#">Means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.</a></u>
<i>Non-FCM Clearing Member</i>	-	Means either a SwapClear Clearing Member, a ForexClear Clearing Member <del>or</del> an LCH EnClear OTC Clearing Member <u>or a Nodal Service Clearing Member</u> , as applicable.
<i>Non-FCM Contract</i>	-	Means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract <del>or</del> a Non-FCM EnClear Contract <u>or a Non-FCM Nodal Contract</u> , as applicable.
<i>Non-FCM EnClear Contract</i>	-	Means an "LCH EnClear OTC Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<i>Non-FCM ForexClear Contract</i>	-	Means a "ForexClear Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.

<u>Non-FCM Nodal Contract</u>	= <u>Means a “Nodal Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.</u>
<i>Non-FCM SwapClear Contract</i>	- Means a “SwapClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<i>Non-Porting Client</i>	- Has the meaning assigned to it in the FCM Procedures.
<i>Official Quotation</i>	- Means a price determined by the Clearing House under FCM Regulation 10.
<i>“Open Contract” or “open contract”</i>	- Means an FCM 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.
<u>Option</u>	= <u>Means a right (but not the obligation) pursuant to an FCM Option Contract, to enter into a Cash-Settled FCM Exchange Contract or a Physically-Settled FCM Exchange Contract.</u>
<i>Other Specific Regulations</i>	- 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.
<i>Permitted Depository</i>	- Means “Permitted Depository” as such term is defined in CFTC Regulations 22.1 and 22.4.
<u>Physically-Settled FCM Exchange Contract</u>	= <u>Means an FCM Exchange Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or on the date agreed between the parties.</u>
<i>Portfolios</i>	- Has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<i>Porting FCM Contracts</i>	- Has the meaning assigned to it in FCM Regulation 8(c).
<i>Price</i>	- Means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.
<del><u>Product Premium</u></del>	<del>- Means a category of FCM Contracts which, except to the extent otherwise set forth in the FCM Procedures, consist of each of the following categories: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts,</del>

~~and (3) FCM EnClear Contracts.~~ The consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures.

<u>Product</u>	- <u>Means a Swap Product or a Futures Product.</u>
<u>Prompt Date</u>	- <u>In respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules governing such FCM Exchange Contract.</u>
<i>Proprietary Account</i>	- Means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM Contracts made by the FCM Clearing Member for its own account or accounts of its Affiliates (but never accounts of its FCM Clients) are registered and to which monies in respect of such FCM Contracts are credited.
<i>PPS Account(s)</i>	- Means the Protected Payments System (PPS) bank account(s) established by FCM Clearing Members and by LCH, as described in the FCM Procedures.
<i>Rate X and Rate Y</i>	- Means, in relation to an FCM SwapClear Transaction or an FCM SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party.
<i>Receiving FCM Clearing Member</i>	- Means an FCM Clearing Member receiving the transfer of part or all of the FCM Contracts and Account Assets of an FCM Client from a Carrying FCM Clearing Member that previously carried such account, pursuant to FCM Regulation 8 and in accordance with the FCM Procedures.
<i>Reference Currency Buyer</i>	- Has the meaning assigned to it in the Clearing House's "General Regulations".
<i>Reference Currency Seller</i>	- Has the meaning assigned to it in the Clearing House's "General Regulations".
<i>Reference Price</i>	- Means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.
<i>Registration Time</i>	- Means, in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.
<i>Regulatory Body</i>	- Means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of

England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.

*Required Margin*

- Means the cover required by the Clearing House from an FCM Clearing Member from time to time in respect of its FCM Contracts (or any portion of such FCM Contracts, as the context may require as used in the FCM Rulebook).

*Risk Neutralisation*

- Has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

*Second EnClear Clearing Member*

- Has the meaning assigned to it in FCM Regulation 51(a).

Second Nodal Clearing Member

- = Has the meaning assigned to it in FCM Regulation 61(a).

Seller

- = Means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of an FCM Exchange Contract.

*Settlement Finality Regulations*

- Means the Clearing House's Settlement Finality Regulations from time to time in force.

*Settlement Price*

- Means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.

*Standard Terms*

- Means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.

Strike Price

- = Means the price specified in an FCM Option Contract which becomes the price of the commodity under an FCM Exchange Contract, upon the exercise of the FCM Option Contract, in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures.

Swap Product

- = Means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts and (3) FCM EnClear Contracts.

*SwapClear Contribution*

- Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.

*SwapClear DMP*

- Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.

**Regulation 2**      **Performance by the Clearing House of its Obligations under the Terms of an Open Contract: Novation**

(a) Performance by the Clearing House. The Clearing House's obligations under the terms of an Open Contract shall be performed in the manner and form and by such day and time as may be prescribed in the rules of an FCM Approved Trade Source System or in the relevant Exchange Rules (where applicable), these FCM Regulations or the FCM Procedures; provided, that where the Economic Terms of an FCM Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time; provided, further, that where the rules of an FCM Approved Trade Source System or the relevant Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an FCM Contract that is an exchange contract, the Clearing House shall be deemed to have complied with the rules of the FCM Approved Trade Source System or the Exchange Rules (as may be the case) if it performs its obligations under the terms of an Open Contract, as seller or buyer, as the case may be, promptly after such time, unless the rules of the FCM Approved Trade Source System or the Exchange Rules (as applicable) expressly provide that performance must be made by the Clearing House by such time.

(b) Novation. This FCM Regulation 2(b) applies only to FCM Nodal Transactions and FCM Nodal Contracts arising therefrom.

(i) Upon registration of an FCM Transaction by the Clearing House, the relevant contracts thereunder shall be replaced by novation by two equal and opposite FCM Contracts, one between the first FCM Clearing Member and the Clearing House and another between the second FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) and the Clearing House. For the avoidance of doubt, the two FCM Clearing Members may, in fact, be the same FCM Clearing Member. Each FCM Contract shall be subject to the FCM Regulations including any restrictions on the Clearing House's obligations and liabilities set out in the FCM Regulations (including FCM Regulation 24 and FCM Regulation 26H) and otherwise on the same terms (to the extent applicable) as the FCM Transaction that was replaced by such FCM Contracts (or FCM Contract and Non-FCM Contract, as the case may be). If the provisions in the FCM Rulebook applicable to a specific Product conflict with or modify the terms of this paragraph with respect to such Product, then such provisions shall prevail with respect to such Product.

(ii) Upon the exercise of an Option by or on behalf of an FCM Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such Option pursuant to these FCM Regulations, the FCM Option Contract shall be replaced by novation by an FCM Contract on the terms specified in the FCM Option Contract at the Strike Price or at some other price in accordance with the terms of such FCM Option Contract.

**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 Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client or an Affiliate cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients and Affiliates in connection with the clearing of such FCM Contracts; provided, that each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts.
- (c) General Qualification of FCM Clearing Members. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
  - ~~(ii) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), be incorporated or otherwise organized under the laws of a State within the United States;~~
  - (ii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$7,500,000 (seven and a half million United States dollars), or \$50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts, FCM ForexClear Contracts or FCM Enclear Contracts; provided, that (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$7,500,000 or \$50,000,000, as applicable); provided, further, that each FCM Clearing Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable

requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations;

- (iii) maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations;
- (iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process the applicable FCM Transactions through an FCM Approved Trade Source System; or an Exchange; and
- (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) be incorporated or otherwise organized under the laws of a State within the United States;

and, solely in order the case of FCM Clearing Members that wish to clear FCM SwapClear Contracts and/or FCM ForexClear Contracts (but not other Products), additionally must:

~~(vi)~~ (vii) be able to successfully participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member (or, alternatively, a non-clearing member Affiliate that clears through the FCM Clearing Member) that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in a “fire drill” run by the Clearing House from time to time in respect of each Product cleared by such FCM Clearing Member. Each such “fire drill” shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant’s FCM Clearing Member application will not be approved;

~~(vii)~~ (viii) ~~in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products),~~ be able to participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member (or, alternatively, a non-clearing member Affiliate that clears through the FCM Clearing Member) that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the Default Management Process operated by the Clearing House;

(ix) in the event of a default, be able to receive from the Clearing House and process FCM Contracts and Non-FCM Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in FPML; and

~~(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) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), in the event of a default, be able to receive from the Clearing House and process FCM Contracts and Non-FCM Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in FPML.~~

- (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) 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~~ FCM Client Account Trading Segregation**

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

(b) ~~FCM Clearing~~ Book Entry Accounts - Swaps.

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

(ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH. FCM Omnibus Swaps Client Accounts with LCH shall be maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Account Assets received from each FCM Clearing Member on behalf of an identified FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the ~~Clearing House~~ CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations; provided, that the Clearing House shall

be permitted to physically hold and commingle all Account Assets and other cover deposited in any FCM Omnibus Swaps Client Account with LCH in a single physical depository account with a Permitted Depository.

(iii) The Clearing House shall establish and maintain on its books and records an FCM Client Segregated Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Swaps Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and associated value of Account Assets held on behalf of the relevant FCM Client Segregated Sub-Account; provided, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently any such information. Each FCM Client Segregated Sub-Account shall be considered to be part of the Cleared Swaps Customer Account Class solely for purposes of Part 190 of the CFTC Regulations. The Clearing House shall, in accordance with the provisions of FCM Regulation 9(h), establish and maintain on its books and records an FCM Buffer Sub-Account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus SwapClear Client Account with LCH, each FCM Omnibus ForexClear Client Account with LCH and each FCM Omnibus EnClear Client Account with LCH, maintained for each such FCM Clearing Member.

(iv) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Swap Products, cover and other FCM Swaps Client Funds held or furnished by such FCM Clearing Member for each of its FCM Clients and shall instruct the Clearing House as to the Swap Products and cover to be reflected in each applicable FCM Client Segregated Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients or Affiliates of the FCM Clearing Member, or the clearing of Swap Products by such FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf.

(c) Book Entry Accounts – Futures.

(i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Futures Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Futures Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Futures Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Futures Client Account with LCH. Each such FCM Omnibus Futures Client Account with LCH shall be treated as part of the Futures Account Class for purposes of the CFTC Regulations.

- (ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH. FCM Omnibus Futures Client Accounts with LCH shall be maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 1.20(b) (and subject to CFTC Regulation 1.25), the Clearing House shall treat the value of all Account Assets received from each FCM Clearing Member on behalf of its FCM Clients in connection with Futures Products as belonging to such FCM Clients as a class, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, FCM Clients of other FCM Clearing Members or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 1 or Part 190 of the CFTC Regulations; provided, that the Clearing House shall be permitted to physically hold and commingle all Account Assets and other cover deposited in any FCM Omnibus Futures Client Account with LCH in a single physical depository account with a Permitted Depository.
- (iii) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Futures Products, cover and other FCM Futures Client Funds held by such FCM Clearing Member for each of its FCM Clients. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients or Affiliates of the FCM Clearing Member, or the clearing of Futures Products by such FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf.
- (iv) Without limitation to FCM Regulation 4(c)(iii), to the extent permitted under CFTC Regulation 39.13(g)(8)(i), each FCM Clearing Member shall report the gross FCM Contracts that are Futures Products of each of its individual FCM Clients to the Clearing House, unless the Clearing House expressly permits an FCM Clearing Member to instead report the sum of the gross positions in Futures Products in each applicable Business Category of FCM Contract of all of its FCM Clients on an omnibus basis to the Clearing House. Unless otherwise notified by FCM Clearing Member circular, receipt of position information generated by an Exchange with respect to FCM Contracts in Futures Products and provided by such Exchange to the Clearing House shall be deemed to satisfy the FCM Clearing Member's obligation to report gross positions. The Clearing House will provide notice by FCM Clearing Member circular of its policies and procedures regarding the collection of reports described above, to the extent not already specified in the FCM Procedures, including any changes to such policies and procedures from time to time.

(d) Depository Accounts – Swaps.

- (i) Each FCM Clearing Member shall establish and maintain one or more FCM Swaps Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and

Part 190 of such Regulations, and as further set forth in this FCM Regulation 4. Each FCM Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Swaps Client Funds of all of its FCM Clients (provided that such assets are deposited or held in connection with Cleared Swaps) relating to Swap Products in a single FCM Swaps Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Futures Client Funds in its FCM Swaps Client Segregated Depository Account. Each FCM Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations.

(ii) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account for all Swap Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1, Part 22 and Part 190 of such Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all cover furnished on behalf of FCM Clients with respect to Swap Products in the LCH Swaps Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than cover furnished by FCM Clearing Members in connection with the clearing of Swap Products on behalf of their FCM Clients. Such LCH Swaps Client Segregated Depository Account maintained by the Clearing House shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations.

(e) Depository Accounts – Futures.

(i) Each FCM Clearing Member shall establish and maintain one or more FCM Futures Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1 and Part 190 of such Regulations, and as further set forth in this FCM Regulation 4. Each FCM Futures Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Futures Client Funds of all of its FCM Clients (provided that such assets are deposited or held in connection with Futures Products) relating to Futures Products in a single FCM Futures Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Swap Client Funds in its FCM Futures Client Segregated Depository Account. Each FCM Futures Client Segregated Depository Account maintained by each FCM Clearing Member shall be considered a Futures Customer Account for the purposes of the CFTC Regulations.

- (ii) The Clearing House shall establish and maintain an LCH Futures Client Segregated Depository Account for all Futures Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1 and Part 190 of such Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all cover furnished on behalf of FCM Clients in connection with Futures Products in the LCH Futures Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than cover furnished by FCM Clearing Members in connection with the clearing of Futures Products on behalf of their FCM Clients. Such LCH Futures Segregated Depository Account maintained by the Clearing House shall be treated as part of the Futures Account Class for the purposes of the CFTC Regulations.
- (f) Notice of Deficiency in FCM Client Segregated Depository Accounts. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in one of its FCM Client Segregated Depository Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and/or the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.
- (g) Segregation of FCM Swap Client Funds.
- (i) This paragraph (g) applies to any account that reflects Swap Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.
- (ii) With respect to FCM Client Funds deposited in connection with FCM Transactions and FCM Contracts in Swap Products:
- (A) all such FCM Swaps Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Swaps Client Segregated Depository Account in accordance with Section 4d(f) of the CEA and the CFTC Regulations, including Part 22 of such Regulations;
- (B) all such FCM Swaps Client Funds must be held by the applicable Clearing Member or deposited with a Permitted Depository, and such FCM Swaps Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the FCM Rulebook and Part 22 of the CFTC Regulations; and

- (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 or 1.26 (as applicable) from such Permitted Depository that it was informed that such FCM Swaps Client Funds deposited in the FCM Swaps Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
- (iii) All cover held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Swap Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Swaps Client Segregated Depository Account, in accordance with Section 4d(f) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such cover except as belonging to such FCM Clients. Without limitation, all such cover shall be reflected in the appropriate FCM Omnibus Swaps Client Account with LCH. All such cover deposited by the Clearing House with a Permitted Depository shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that such cover is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 or 1.26 (as applicable), from such Permitted Depository that it was informed that the cover deposited in any LCH Swaps Client Segregated Depository Accounts maintained by LCH in connection with Swap Products are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.
- (iv) Each FCM Clearing Member shall treat and deal with FCM Swaps Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Swap Products or other Cleared Swaps shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, that all FCM Swaps Client Funds may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; provided, further, that FCM Client Funds may be invested in accordance with FCM Regulation 4(n) and CFTC Regulation 1.25.
- (v) In no event may FCM Swaps Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Swap Products) be held or commingled and deposited with (A) FCM Futures Client Funds; (B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with

CFTC Regulation 30.7; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.

(vi) The Clearing House is required to maintain an FCM Omnibus Swaps Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Swap Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; provided, that an FCM Clearing Member is permitted to physically commingle all FCM Swaps Client Funds in a single FCM Swaps Client Segregated Depository Account.

(vii) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all cover received as attributable to an FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall be credited to such FCM Client's applicable FCM Client Segregated Sub-Account as provided in the FCM Rulebook, and shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations. For the avoidance of doubt, and notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House is under no obligation to deal directly with any FCM Client (under the terms of the FCM Rulebook or otherwise) and the Clearing House may deal exclusively with the FCM Clearing Members, and the Clearing House shall have no obligations to any FCM Client under the FCM Rulebook.

(h) Segregation of FCM Futures Client Funds.

(i) This paragraph (h) applies to any account that reflects Futures Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.

(ii) With respect to FCM Futures Client Funds deposited in connection with FCM Transactions and FCM Contracts in Futures Products:

(A) all such FCM Futures Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Futures Client Segregated Depository Account in accordance with Sections 4d(a) of the CEA and the CFTC Regulations, including Part 1 of such Regulations;

(B) all such FCM Futures Client Funds must be held by the applicable FCM Clearing Member or deposited with a Permitted Depository, and such FCM Futures Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and indicates that they are segregated as required by the FCM Rulebook and Part 1 of the CFTC Regulations; and



- (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable) from such Permitted Depository that it was informed that such FCM Futures Client Funds deposited in the FCM Futures Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
- (iii) All cover held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Futures Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Futures Client Segregated Depository Account, in accordance with Sections 4d(a) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such cover except as belonging to such FCM Clients. Without limitation, the value of all such cover shall be reflected in the appropriate FCM Omnibus Futures Client Account with LCH. All such cover deposited by the Clearing House with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and shows that such cover is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable), from such Permitted Depository that it was informed that the funds deposited in any LCH Futures Client Segregated Depository Accounts maintained by LCH in connection with Futures Products are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.
- (iv) Each FCM Clearing Member shall treat and deal with FCM Futures Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Futures Products or other Futures/Options Contracts shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, that all FCM Futures Client Funds may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; provided, further, that FCM Futures Client Funds may be invested in accordance with FCM Regulation 4(n) and CFTC Regulation 1.25.
- (v) In no event may FCM Futures Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Futures Products) be held or commingled and deposited with (A) FCM Swaps Client Funds; (B) money, securities or property representing the foreign futures or foreign options secured amount held in

accordance with CFTC Regulation 30.7; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.

~~(vi)~~ The Clearing House is required to maintain an FCM Omnibus Futures Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Futures Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; provided, that an FCM Clearing Member is permitted to physically commingle all FCM Futures Client Funds in a single FCM Futures Client Segregated Depository Account.

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

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

(ii) With respect to Swap Products, the value of money and securities accruing in connection with Swap Products in an FCM Omnibus Swaps Client Account with LCH attributable to an individual FCM Client shall be separately credited to the relevant FCM Client Segregated Sub-Account of such FCM Client.

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

(j) Use of FCM Swaps Client Funds Restricted.

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

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

- (k) Use of FCM Futures Client Funds Restricted.
- (i) No FCM Clearing Member shall use, or permit the use of, FCM Futures Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Futures Client Funds held in an FCM Futures Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Futures Products or (B) other Futures/Options Contracts.
- ~~(b)~~ (ii) FCM Client Funds held in an FCM Futures Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Futures Product, Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.
- ~~(e)~~ (l) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. ~~of the FCM Clearing Member~~ FCM Regulation 4(g) and FCM Regulation 4(h), which prohibit the commingling of any FCM Client Funds with the funds or assets of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client Funds, segregated as required under Section 4d the CEA, the CFTC Regulations and the FCM Rulebook and set apart for the benefit of ~~its FCM Clients~~. FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to FCM Client Funds in an FCM Client Segregated Depository Account such amount or amounts of money, from its own funds or unencumbered securities from its own inventory of the type permitted under FCM Regulation 4(n), as it may deem necessary to ensure that such FCM Client Segregated Depository Account holds at all times, at a minimum, an amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client Funds. An FCM Clearing Member may draw upon FCM Client Funds in the relevant FCM Client Segregated Depository Account to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in such FCM Client Segregated Depository Account; provided, that any such withdrawals do not result in any such account holding less in segregated FCM Client Funds than such account is required to contain at such time.
- (m) Funds Held in FCM Client Segregated Depository Accounts; Exclusions Therefrom. Money held in an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which may be used for a purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM Contracts of the FCM Clients of such FCM Clearing Member.
- (n) Investments of FCM Client Funds. An FCM Clearing Member may invest FCM Client Funds and the Clearing House may invest collateral held on behalf of FCM Clients as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25.
- ~~(e)~~ (o) Deposit of Instruments Purchased with FCM Client Funds.

- (i) Each FCM Clearing Member that invests FCM Client Funds in instruments permitted under FCM Regulation 4(n) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients, to the extent required under the CEA and the CFTC Regulations. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Swaps Client Segregated Depository Account or FCM Futures Client Segregated Depository Account, as the case may be, shall obtain and retain in its files an acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.
- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 4(n), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients; provided, that any such instruments may be held in commingled accounts other on behalf of all applicable FCM Clients of all FCM Clearing Members, at one or more Permitted Depositories. Such instruments, when deposited with Permitted Depository, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

~~(e)~~(p) Record of Investments.

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

- (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
  - (G) The name of the person to or through whom such investments were disposed of; and
  - (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.
- (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client Funds, the Clearing House shall keep a record showing separately for each clearing member the following:
- ~~(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 4(n).
- (q) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client Funds in instruments permitted under FCM Regulation 4(n) shall include such instruments in the records and reports for their FCM Client Segregated Depository Accounts at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (r) Increment or Interest Resulting from Investment of FCM Client Funds. The investment of FCM Client Funds in instruments permitted under FCM Regulation 4(n) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- ~~(s)~~ FCM Swaps Client Segregated Depository Accounts; Daily Computation and Record.
- (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Swaps Client Funds on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of FCM Clients, including the amount attributable to each individual FCM Client;

- (B) the amount of such FCM Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of such FCM Clients, including the amount attributable to each individual FCM Client; and
    - (C) the amount of the FCM Clearing Member's residual interest in such FCM Client Funds.
  - (ii) In computing the aggregate amount of funds required to be in its FCM Swaps Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
  - (iii) The daily computations required by this FCM Regulation 4 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (t) FCM Futures Client Segregated Depository Accounts; Daily Computation and Record.
  - (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Futures Client Funds on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of FCM Clients;
    - (B) the amount of such FCM Futures Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of such FCM Clients; and
    - (C) the amount of the FCM Clearing Member's residual interest in such FCM Futures Client Funds.
  - (ii) In computing the aggregate amount of FCM Futures Client Funds required to be in its FCM Futures Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the

same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).

(iii) The daily computations required by this FCM Regulation 4 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

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

(i) a description of the securities or property received;

(ii) the name and address of such FCM Client;

(iii) the dates when the securities or property were received;

(iv) the identity of the Permitted Depositories or other places where such securities or property are segregated;

(v) the dates of deposits and withdrawals from such Permitted Depositories;

~~(v)~~ (vi) and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.

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

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

- (i) the dates when such securities or property were received;
  - (ii) the identity of the Permitted Depositories or other places where such securities or property are segregated;
  - (iii) the dates such securities or property were returned to the relevant FCM Clearing Member, or otherwise disposed of, together with the facts and circumstances of such other disposition including the authorization therefor.
- (w) CFTC Regulations. Without limitation of any other provisions of the FCM Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 1, Part 22 and Part 190 of the CFTC Regulations, as well as any other applicable CFTC Regulations, including as provided in FCM Regulation 4(x).
- ~~(h)~~(x) Change in Law or Regulations. The Clearing House shall enforce the rules set forth in this FCM Regulation 4 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and the CFTC Regulations. In the event that a change in law or in the CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations (to the extent compliance therewith has become mandatory under CFTC Regulations) and applicable law will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with the CFTC Regulations and applicable law.



**Regulation 5 Proprietary Accounts and Trading**

(i)(a) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to enter into and clear FCM 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 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 Clearing Services to its Affiliates shall notify the Clearing House of any such Affiliates and the Products cleared for such Affiliates.

(i)(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.

**Regulation 6** **Certain General Provisions Applicable to Accounts**

- ~~(k)(a)~~ 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 Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the FCM Contracts cleared for such FCM Clients, Affiliates, or on its own behalf, and the cover held in respect of such cleared FCM Contracts, subject to the provisions of the following paragraph (e). Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the FCM Contracts and ~~Account Assets maintained in~~ the value of the collateral attributed to each FCM Omnibus ~~Clearing Product~~ Client Account with LCH and ~~into~~ each FCM Client Segregated Sub-Account therein (where applicable) for the relevant FCM Clients.
- ~~(l)~~ ~~Each FCM Clearing Member shall establish and maintain one or more FCM Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations, and as further set forth in FCM Regulation 25. Each FCM Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and CFTC Regulations. The FCM Clearing Member may physically commingle assets of all of its FCM Clients (provided that such assets are deposited or held in connection with Cleared Swaps) relating to Cleared Swap Products in a single FCM Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. Each FCM Client Segregated Depository Account maintained by each FCM Clearing Member shall be designated as part of the Cleared Swaps Account Class for the purposes of Part 190 of the CFTC Regulations.~~
- ~~(m)~~ ~~The Clearing House shall establish and maintain on its books and records an FCM Client Segregated Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Clearing Product Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and associated value of Account Assets held on behalf of the relevant FCM Client, provided that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify such information or to investigate independently the FCM Contracts and Account Assets held on behalf of the relevant FCM Client. The Clearing House shall, in accordance with the provisions of FCM Regulation 9(h), establish and maintain on its books and records an FCM Buffer sub-account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus Swap Clear Client Account with LCH, each FCM Omnibus Forex Clear Client Account with LCH and each FCM Omnibus EnClear Client Account with LCH, maintained for each such FCM Clearing Member.~~
- ~~(n)~~ ~~The Clearing House shall establish and maintain an LCH Clearing Product Client Segregated Depository Account for each Business Category of FCM Contract on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Each LCH Clearing Product Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and CFTC Regulations, and the Clearing House may physically commingle assets of all of the FCM Clients in each such LCH Clearing Product Client Segregated Depository Account (provided that such assets are~~

~~held in connection with Cleared Swaps) in accordance with the CFTC Regulations. All cover deposited by FCM Clearing Members in connection with FCM Contracts cleared on behalf of FCM Clients shall be held in such applicable LCH Clearing Product Client Segregated Depository Accounts. Each LCH Clearing Product Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than cover deposited by FCM Clearing Members in connection with the clearing of FCM Contracts on behalf of their FCM Clients. Each LCH Clearing Product Client Segregated Depository Account maintained by the Clearing House shall be designated as part of the Cleared Swaps Account Class for the purposes of the CFTC Regulations.~~

~~(e) Where the amount of Required Margin applicable to FCM Contracts of an FCM Client is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to provide additional cover to the Clearing House to satisfy such increased Required Margin shall be discharged by:~~

~~(i) if and to the extent that there is Excess Margin available that is attributable to such FCM Client's relevant FCM Client Segregated Sub-Account, deduction by the Clearing House of amounts from such Excess Margin;~~

~~(ii) if the application of clause (i) above is insufficient, (A) by the application of any available FCM Buffer of the applicable FCM Clearing Member (in accordance with the FCM Procedures and FCM Regulation 9(h)), in the case of FCM SwapClear Contracts or FCM ForexClear Contracts, and/or (B) by delivery by the applicable FCM Clearing Member to the Clearing House of additional cover on behalf of such FCM Client; and~~

~~(iii)(ii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.~~

~~Where the amount of Required Margin applicable to the FCM Contracts of an FCM Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to provide additional cover to the Clearing House to satisfy such increased required Margin shall be discharged by:~~

~~(x) if and to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;~~

~~(y) delivery by the FCM Clearing Member to the Clearing House of additional cover; and~~

~~(z) if the obligation of the FCM Clearing Member to satisfy the required Margin has not been fully discharged pursuant to clauses (x) and (y) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.~~

~~FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract shall be subject to gross margin requirements~~

~~on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in a single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within a single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.~~

~~FCM 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 with respect to each Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contract positions of itself and its Affiliates for each Business Category of FCM Contract in which it holds positions in its Proprietary Accounts. An FCM Clearing Member may impose margin requirements on its Affiliates for which it provides FCM 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.~~

~~(p) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding the FCM Contracts, Account Assets or other FCM Client funds held by such FCM Clearing Member for each of its FCM Clients and shall instruct the Clearing House as to the FCM Contracts and Account Assets to be reflected in each relevant and corresponding FCM Client Segregated Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients or Affiliates of the FCM Clearing Member, or the clearing of FCM Contracts by such FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf.~~

~~(q)(b) No FCM Clearing Member may withdraw any amount from any of its FCM Omnibus ~~Clearing Product~~ Client Accounts with LCH or its Proprietary Account if such withdrawal would cause the ~~account~~account's margin balance to be less than the Required Margin then attributable to such FCM Omnibus ~~Clearing Product~~ Client Account with LCH or to such Proprietary Account, as applicable, as determined by the Clearing House in accordance with the provisions of the FCM Rulebook; ~~provided, further, that~~that, with respect to FCM Omnibus Swaps Client Accounts with LCH, the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from its Proprietary Account if the ~~account balance~~FCM Client Sub-Account Balance in any of its FCM Client Segregated Sub-Accounts would be less than the Required Margin then attributable to any such FCM Client Segregated Sub-Account and there is an insufficient amount of FCM Buffer (within the applicable account) available to offset any such deficiencies.~~

**Regulation 5 — Treatment of Accounts at LCH**

- ~~(a)(c)~~ 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)(d)~~ ~~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.~~
- ~~(e)~~ ~~This paragraph applies to an FCM Clearing Member's FCM Omnibus Clearing Product Client Accounts with LCH. FCM Omnibus Clearing Product Client Accounts with LCH shall be held and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of such regulations, as applicable). In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Account Assets received from each FCM Clearing Member on behalf of an identified FCM Client in connection with Cleared Swap Products as belonging to each such individual FCM Client, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations; provided, that the Clearing House shall be permitted to physically hold and commingle all Account Assets and other cover deposited in any FCM Omnibus SwapClear Client Account with LCH, FCM Omnibus ForexClear Client Account with LCH or FCM Omnibus EnClear Client Account with LCH in a single physical depository account with a Permitted Depository.~~
- ~~(d)(e)~~ 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)(f)~~ 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)(g)~~ 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, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any of the FCM Clearing Member's accounts.
- ~~(g)(h)~~ 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)~~(i) 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)~~(i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 24A, 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—~~25~~ 4, 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 Client Segregated Depository Accounts.

~~(j)~~(k) Where a payment has been made to the Clearing House by an FCM Clearing Member through ~~PPS Account~~ the relevant account(s), that payment will only be credited to the account of the applicable FCM Clearing Member with the Clearing House if it (i) ~~is~~ paid into an account of the Clearing House with an institution which is solvent, (ii) ~~that~~ institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) ~~that~~ institution has made any relevant payments to other FCM Clearing Members on the date when the payment was due to be received by the Clearing House.

**Regulation 8      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 8. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 8 and the applicable forms or other documentation requirements of the Clearing House required in connection with such transfers.
- (b) Transfer of Entire FCM Client Portfolio. 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 a Product held in the relevant FCM Client Segregated Sub-Account or FCM Omnibus Futures Client Account with LCH from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) the relevant FCM Client Segregated Sub-Account and all of the FCM Contracts of such Product entered into by the Carrying FCM Clearing Member on behalf of such FCM Client; ~~(or in the case of Futures Products, all of the relevant FCM Contracts registered to the applicable FCM Omnibus Futures Client Account with LCH)~~, 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 Contracts to be transferred (such transfer to occur by novation of such FCM Contracts rather than by closeout and rebooking of new FCM 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 the relevant FCM Client Segregated Sub-Account~~ or FCM Omnibus Futures Client Account with LCH in respect of the FCM 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 Contracts being transferred or the FCM Client's related collateral.

Upon request from the Clearing House, and in order to facilitate a transfer pursuant to this FCM Regulation 8(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.

- (c) Transfer of Portion of FCM Client Portfolio. 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 Contracts held in the relevant FCM Client Segregated Sub-Account or FCM Omnibus Futures Client Account with LCH from a Carrying FCM Clearing Member, (the "Porting FCM Contracts"), the Clearing House shall transfer (such transfer to occur by novation of such Porting FCM Contracts rather than by closeout and rebooking of new FCM Contracts) the Porting FCM 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 Contracts and the Porting FCM 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



- (f) If an FCM Clearing Member is a defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are Swaps Products held by FCM Clients of the defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients; 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 Contracts; provided, further, that the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the defaulter in accordance with such laws or regulations 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 (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, provided, that the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, provided, that the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the provisions of the SwapClear DMP Annex or the ForexClear DMP Annex, respectively.
- (g) If and to the extent permitted under applicable law and the FCM Procedures, and if applicable under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may transfer Open Contracts between its Proprietary Account and the FCM Client Segregated Sub-Account(s) of each of its FCM Clients, (or in the case of Futures Products, its applicable FCM Omnibus Futures Client Account with LCH), and vice versa, upon an FCM 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.
- (h) Notwithstanding anything to the contrary in these FCM Regulations, in making any transfer of one or more FCM Contracts (and if applicable the related Account Assets) pursuant to this FCM Regulation 8, 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, the transfer is being made from the appropriate

FCM Client Segregated Sub-Account or FCM Omnibus Futures Client Account with LCH, and that the appropriate account, FCM Contracts and Account Assets have been identified, and the Clearing House shall have no responsibility or liability therefor.

- (i) Futures Products. Transfers of FCM Contracts that are Futures Products made pursuant to this FCM Regulation 8, other than in connection with an FCM Clearing Member default or FCM Client default to an FCM Clearing Member, shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; or (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three business day (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding FCM Transaction for registration, provided, that the Exchange cooperates in effecting such transfer.

**Regulation 9 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 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. For the avoidance of doubt, margining requirements and policies may vary among each Business Category of FCM Contract and among each Product therein.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any 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 30 or FCM Regulation 40 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 (including FCM Clients) subject to or dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish 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.
- (i) 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.

- (ii) 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 9.
- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM Contract or to call for larger or additional amounts of 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) Swap Products – Excess Margin; FCM Buffer; Unallocated Excess. The provisions of this FCM Regulation 9(h) apply to the Clearing House's FCM SwapClear Service, FCM ForexClear Service and FCM EnClear Service. Unless otherwise indicated, references herein to an "FCM ~~Omnibus Clearing~~ Product Client Account with LCH" or to an "FCM Client Segregated Sub-Account" shall refer only to such accounts corresponding to clearing in FCM SwapClear Contracts, FCM ForexClear Contracts and FCM EnClear Contracts.
  - (i) Excess Margin. If Official Quotations in respect of Open Contracts indicate, or the Clearing House otherwise determines, that Excess Margin is maintained with the Clearing House by an FCM Clearing Member in

respect of its Proprietary Account or an FCM Client Segregated Sub-Account (corresponding to the FCM SwapClear Service, the FCM ForexClear Service or the FCM EnClear Service), then any such Excess Margin shall be subject to the provision of this FCM Regulation 9(h) and the other provisions of the FCM Rulebook.

- (ii) Excess Margin in Proprietary Accounts. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Account. An FCM Clearing Member that is not a defaulter may request the return of any such Excess Margin at any time, and upon such request the Clearing House shall return such Excess Margin, except where ~~any FCM Client Segregated Sub-Account~~ (A) any FCM Client Segregated Sub-Account held by such FCM Clearing Member has insufficient cover to satisfy the Required Margin applicable to it or, (B) where such FCM Clearing Member has an FCM Omnibus Futures Client Account with LCH, any FCM Omnibus Futures Client Account with LCH held by such FCM Clearing Member has insufficient cover to satisfy the Required Margin applicable to it and such FCM Clearing Member does not have sufficient FCM Buffer posted with the Clearing House to satisfy any such deficit. Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.
- (iii) Restriction on Excess Margin in FCM Client Segregated Sub-Accounts on a Day-to-Day Basis. Excess Margin is not permitted to be maintained in any FCM Client Segregated Sub-Account on a day-to-day basis. However, an FCM Client's FCM Client Segregated Sub-Account is permitted to hold Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Segregated Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM Clearing Services shall be transferred by the Clearing House into an Unallocated Excess sub-account of the applicable FCM Omnibus ~~Clearing Product~~-Client Account with LCH (such sub-account, with respect to each FCM Clearing Member, the "*Unallocated Excess Sub-Account*") on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); provided, that all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus ~~Clearing Product~~-Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member posts cover with the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client's FCM Client Segregated Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.
- (iv) FCM Buffer.
- (A) An FCM Clearing Member is permitted to deposit collateral that is the property of such FCM Clearing Member (and not any of its FCM Clients) to its FCM Omnibus ~~Clearing Product~~ Client Accounts with LCH as excess cover for the benefit of all of its FCM Clients with positions in such account (such

collateral, “FCM Buffer”), and such FCM Buffer shall be recorded by the Clearing House as attributable to such FCM Clearing Member in a sub-account of its applicable FCM Omnibus ~~Clearing Product~~ Client Account with LCH designated as an FCM Buffer sub-account. The Clearing House shall be permitted to apply any portion of an FCM Clearing Member’s FCM Buffer (any portion of FCM Buffer when applied, “Applied FCM Buffer”) to any FCM Client Segregated Sub-Account held by such FCM Clearing Member in the same FCM Omnibus ~~Clearing Product~~ Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.

- (B) At any time, the Clearing House shall never apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client’s FCM Client Segregated Sub-Account balance and the Applied FCM Buffer applicable to such FCM Client’s FCM Client Segregated Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to it. In the event that any such excess exists (e.g., due to a decrease in Required Margin, the posting of additional Account Assets attributable to such FCM Client, or other reasons) with respect to an FCM Client Segregated Sub-Account, the Clearing House shall reduce the amount of Applied FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Applied FCM Buffer shall again become FCM Buffer (and shall no longer be considered Applied FCM Buffer).
- (C) Any Applied FCM Buffer that is applied to an FCM Client Segregated Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of the Account Assets deposited in such FCM Client’s FCM Client Segregated Sub-Account and shall thereafter no longer constitute Applied FCM Buffer or FCM Buffer.
- (D) An FCM Clearing Member that is not a defaulter may request the return of any of its FCM Buffer that is not Applied FCM Buffer at any time, and upon such request the Clearing House shall return such FCM Buffer.
- (E) In the event that an FCM Clearing Member deposits with or transfers collateral to its FCM Omnibus ~~Clearing Product~~ Client Account with LCH but does not notify the Clearing House as to whether such collateral should be considered Unallocated FCM Collateral or FCM Buffer (and has not notified the Clearing House that the collateral is attributable to individual FCM Clients), the Clearing House shall treat such collateral as FCM Buffer and credit it to the FCM Clearing Member’s FCM Buffer sub-account.

- (v) Unallocated Excess.
- (A) The Clearing House shall hold any funds deposited in an Unallocated Excess Sub-Account (such funds, the “*Unallocated Excess*”) in each FCM Omnibus ~~Clearing Product~~ Client Account with LCH for the benefit of the FCM Clients corresponding to such FCM Omnibus ~~Clearing Product~~ Client Account with LCH as a class (the identities of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation 9 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus ~~Clearing Product~~ Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).
- (B) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.
- (C) An FCM Clearing Member is permitted to deposit additional collateral (*i.e.*, collateral that does not already constitute Account Assets) belonging to its FCM Clients directly into the relevant Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the FCM Procedures, and any such collateral so deposited shall become Unallocated Excess.
- (D) The Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess as FCM Buffer or to the FCM Clearing Member’s Proprietary Account, or (y) except in accordance with an instruction by the applicable FCM Clearing Member, apply it to an FCM Client Segregated Sub-Account.
- (E) Upon the request of an FCM Clearing Member, in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as

required under the CFTC Regulations and the FCM Rulebook.

- (F) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Account shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

(i) Futures Products – Excess Margin. This FCM Regulation 9(i) shall only apply to the clearing of Futures Products and the Proprietary Accounts and FCM Omnibus Futures Client Accounts with LCH related thereto.

(i) Excess Margin in Proprietary Accounts. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Accounts. An FCM Clearing Member that is not a defaulter may request the return of any such Excess Margin at any time, and upon such request the Clearing House shall return such Excess Margin, except where (A) any FCM Omnibus Futures Client Account with LCH held by such FCM Clearing Member has insufficient cover to satisfy the Required Margin applicable to it or, (B) where such FCM Clearing Member has an FCM Omnibus Swaps Client Account with LCH, any FCM Client Segregated Sub-Account held by such FCM Clearing Member has insufficient cover to satisfy the Required Margin applicable to it and such FCM Clearing Member does not have sufficient FCM Buffer attributed to the relevant FCM Omnibus Client Account with LCH to satisfy any such deficit. Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.

(ii) Excess Margin in FCM Omnibus Futures Client Accounts with LCH. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Futures Client Account with LCH subject to FCM Regulation 6(b) (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 4(l) and the



relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

- (j) If, in the sole discretion 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.
- (k) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to paragraphs (h) and (i) above and the settlement of any other obligations of an FCM Clearing Member to the Clearing House, upon the close-out or termination of an FCM Contract in accordance with the FCM Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such FCM Contract to the respective FCM Clearing Member, ~~provided that no portion of to the extent~~ 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 (i) its Proprietary Account (with respect to Initial~~ has become Excess Margin to be released (in connection with positions for the Proprietary Account), relevant account) following the close-out or (ii) ~~any applicable FCM Client Segregated Sub-Account(s) (with respect to Initial Margin to be released in connection with positions attributable to termination of the relevant FCM Contract; provided, that~~ such FCM ~~Client Segregated Sub-Account(s)). Clearing Member is not a defaulter.~~
- (l) 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 notwithstanding anything else in these FCM Regulations to the contrary, under no circumstances (except as may be required to comply with applicable law or any order or instruction of a Regulatory Body or court) will any assets in any FCM Omnibus Clearing Product Client Account 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 in such Business Category of FCM Contract (except that where an FCM Client is in default with respect to the cover required by the Clearing House in respect of its FCM Contracts, any excess cover of such FCM Client posted to the Clearing House in respect of any Business Category of FCM Contract may be applied to offset such FCM Client's cover shortfall in respect of any other Business Category of FCM Contract).
- (m) 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 and the Default Fund Rules, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance 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 and the Default Fund Rules, as applicable.

~~(m)~~(n) 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)~~(o) Creation of Security Interest. 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 ~~Clearing-Product~~ 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 Contracts cleared for such FCM Clearing Member, its Affiliates or its FCM Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House. 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 ~~Clearing-Product~~ Client Accounts with LCH be exercised to satisfy any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus ~~Clearing-Product~~ Client Accounts with LCH; or (ii) an FCM Client with an FCM Client Segregated Sub-Account by application of Account Assets held in the FCM Client Segregated Sub-Account of another FCM Client.

~~(e)~~(p) Each FCM Clearing Member shall ensure that with respect to an FCM Transaction results in the registration of an FCM Contract on behalf of an FCM Contract that is of a "non-hedging nature" (as such term is used in Part 39 the CFTC Regulations), it shall collect additional cover from the relevant FCM Client in respect of such non-hedging FCM Contract in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the Procedures.

~~(p)~~(q) Each FCM Clearing Member shall ensure that no FCM Client withdraws cover from an FCM Client Segregated Depository Account unless the "net liquidating value" (as such term is used in Part 39 of the CFTC Regulations) plus the cover attributable to such FCM Client remaining in such FCM Client Segregated Depository Account after such withdrawal is sufficient to meet the level of Required Margin, as calculated by the Clearing House in respect of all FCM Contracts entered into on behalf of that FCM Client.

(r) Gross and Net Margining Requirements – FCM Client Positions.

~~(r)~~(i) Swap Products. FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Swap Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in ~~any such~~ single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within ~~that~~ single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.

(ii) Futures Products. FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 9(r)(ii), each FCM Clearing Member which clears Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 4(c)(iv).

~~(r)~~(s) Net Margining Requirements – Proprietary Accounts. FCM 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 with respect to each Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contract positions of itself and its Affiliates for each Business Category of FCM Contract in which it holds positions in its Proprietary Accounts.

(t) This paragraph (s) shall apply to Swap Products. Where the amount of Required Margin applicable to a Swap Product attributed to an FCM Client is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to furnish additional cover to the Clearing House to satisfy such increased Required Margin shall be discharged by:

(i) if and to the extent that there is Excess Margin available that is attributable to such FCM Client's relevant FCM Client Segregated Sub-Account, deduction by the Clearing House of amounts from such Excess Margin;

(ii) if the application of clause (i) above is insufficient, (A) by the application of any available FCM Buffer of the applicable FCM Clearing Member (in accordance with the FCM Procedures and FCM Regulation 9(h)), and/or (B) by the applicable FCM Clearing Member furnishing to the Clearing House additional cover on behalf of such FCM Client; and

~~(ii)~~(iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

~~(s)~~(u) FCM 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 with respect to each Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contract positions of itself and its Affiliates for each Business Category of FCM Contract in which it holds positions in its Proprietary Accounts.

- (v) This paragraph (t) shall apply to Futures Products. Where the amount of Required Margin applicable to an FCM Omnibus Futures Client Account with LCH of an FCM Cleared Member is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to furnish additional cover to the Clearing House to satisfy such increased Required Margin shall be discharged by:
- (i) if and to the extent that there is Excess Margin available that is attributable to such FCM Omnibus Futures Client Account with LCH, deduction by the Clearing House of amounts from such Excess Margin;
  - (ii) by the applicable FCM Clearing Member furnishing to the Clearing House additional cover in respect of the relevant FCM Omnibus Futures Client Account with LCH; and
  - (iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.
- (w) Where the amount of Required Margin applicable to an FCM Contract attributed to an FCM Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to furnish additional cover to the Clearing House to satisfy such increased Required Margin shall be discharged by:
- (i) if an to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;
  - (ii) by the FCM Clearing Member furnishing to the Clearing House additional cover in respect of its Proprietary Account; and
  - (iii) if the obligation of the FCM Clearing Member to satisfy the required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

**Regulation 10**    **Official Quotations and Reference Price; Settlement and Revaluation**

- (a)    The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b)    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.
- (c)    Settlement and Revaluation. With respect to settlement and revaluation procedures, the settlement and revaluation procedures for each Product shall be set forth in the chapter of the FCM Rulebook applicable to such Product and/or in the relevant section of the FCM Procedures.

**Regulation 11 Market Disorders, Impossibility of Performance, Trade Emergency**

~~(a)~~ Paragraph (c) of this FCM Regulation 11 shall not apply to FCM Option Contracts.

~~(a)~~(b) In relation to FCM Exchange Contracts, if an Exchange Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Exchange Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to FCM Contracts which are not FCM Exchange Contracts, determines that one of the following conditions exists is satisfied, namely:

- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or
- (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or
- (iii) the EU or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

(iv) in respect of such Open FCM Contracts which are not FCM Exchange Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 13 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM ~~Contracts~~ Contracts; and

(v) such FCM Exchange Contracts for such Delivery Months, Prompt Dates or other delivery periods as the Exchange Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Exchange Board) as the Clearing House shall specify (which may include FCM Exchange Contracts under which Delivery Notice or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Exchange Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with FCM Regulation 13 and the FCM Procedures at a price determined by the Exchange Board (or the Clearing House as the case may be). In the event that a price fails to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Exchange Board pursuant to Exchange Rules.

~~(iv)~~ 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~~FCM Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such ~~contracts~~FCM Contracts invoiced back notwithstanding any further change of circumstances.

(c) If, in the opinion of the Clearing House after consultation with the relevant Exchange Board, a Seller's complete performance of an FCM Exchange Contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected FCM Exchange Contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Exchange Board, and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures.

(d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more FCM Exchange Contracts for such commodity in an FCM Clearing Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.

Any formal announcement made under this FCM Regulation shall be made by notice posted by the Exchange or the Clearing House (or by other means as determined by the Clearing House) or as prescribed by the FCM Procedures.



**Regulation 12 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 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 11(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, labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules or the rules of an FCM Approved Trade Source System.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other ~~in respect of affected FCM Contracts;~~
- (i) in respect of affected FCM Exchange Contracts or FCM Contracts subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or the rules of a relevant FCM Approved Trade Source System or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with FCM Regulation 13, some or all such FCM Exchange Contracts or such FCM Contracts in the FCM Clearing Member's name at a price determined by the relevant Exchange or FCM Approved Trade Source System, or where Exchange Rules or the rules of an FCM Approved Trade Source System permit, to take such other action as it deems necessary or desirable in respect of some or all such FCM Exchange Contracts or FCM Contracts in the FCM Clearing Member's name or require the FCM Clearing Member to take such action as the Clearing House may direct in respect of the same; and
- ~~(b)~~(ii) in respect of affected FCM Contracts that are not FCM Exchange Contracts or subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled to require any of the affected FCM Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with FCM Regulation 13, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM Contracts.

**Regulation 13 Invoicing Back**

- (a) Invoicing back of an FCM Clearing Member's FCM Contracts pursuant to FCM Regulation ~~11~~<sup>11</sup> ~~or~~<sup>or</sup> FCM Regulation ~~12~~<sup>12</sup>, the Default Rules (in the case of FCM Exchange Contracts), or otherwise, shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of ~~Open~~<sup>Open</sup> FCM Contracts in their names for the same commodity and Delivery Month or Prompt Date as the FCM Contracts invoiced back under paragraph (a) above to the nearest whole number of Lots, or in the case of FCM Option Contracts on the terms of the relevant underlying contracts specified in the FCM Procedures (if applicable), for the same Expiry Month and Strike Price as the FCM Contracts invoiced back under paragraph (a) above, or in the case of FCM Contracts that are not FCM Exchange Contracts on the same FCM Contract Terms as the FCM Contracts invoiced back under paragraph (a) above, and thereupon settling such FCM Contracts against such opposite contracts.
- (c) Where Open Contracts are invoiced back pursuant to FCM Regulation 11 or FCM Regulation 12 the Clearing House shall make up the accounts of any FCM Clearing Member affected by such invoicing back in accordance with FCM Regulation 11 or FCM Regulation 12, as applicable. Where an FCM Contract is invoiced back under the Default Rules, the account of such other FCM Clearing Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite FCM Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation 11, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back ~~or, in the case of Exchange Contracts, at a price or (where applicable) Premium fixed or determined by the relevant Exchange Board~~. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation 13:
- (i) "net position" means: (A) in respect of ~~Open~~<sup>Open</sup> FCM Contracts in a Product for which there are Economic Terms (as set forth in the definition of "Economic Terms" in these FCM Regulations), one or more of such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts on the same Economic Terms and (B) in respect of ~~Open~~<sup>Open</sup> FCM Contracts in all other Products not specified in (A) above, one or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts for the same ~~delivery month, expiry month or prompt date~~<sup>Delivery Month, Expiry Month or Prompt Date</sup>; and

- (ii) “opposite contract” means an FCM Contract on the same terms (except as to price), as the FCM Contract to be invoiced back in accordance with this FCM Regulation 13, but where an FCM Clearing Member has position “X” in respect of an FCM Contract to be invoiced back (where such FCM Contract consists of positions “X” and “Y”), such FCM Clearing Member shall have position “Y” in respect of the opposite contract and vice versa.

**Regulation 14      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 Client Segregated Depository Accounts and FCM Omnibus ~~Clearing Product~~ Client Accounts with LCH) 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.

- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM Omnibus ~~Clearing Product~~ Client Accounts with LCH:
- (A) the FCM Clearing Member shall determine two or three net amounts under paragraph (d)(iii); (1) if applicable, one net amount in respect of gains and losses arising on FCM Contracts registered into each of the FCM Clearing Member's FCM Omnibus ~~Clearing Product Client Account with LCH (or in its multiple FCM Omnibus Clearing Product Swaps Client Accounts with LCH as combined, (2) if applicable)~~ and a second, one net amount in respect of gains and losses arising on ~~all other~~ FCM Contracts; registered to each of the FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH, and (3) a net amount in respect of gains and losses arising on FCM Contracts registered to the FCM Clearing Member's Proprietary Account; and
- (B) the two or three net amounts determined under paragraph (iv)(1) above shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall, subject to FCM Regulation 24B, 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 24A, 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 24A 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 ~~56~~(i)).

**Regulation 24B**      **Distribution of Assets**

- (a) Where (after the netting and set-off provided for in FCM Regulation 24A and FCM Regulation ~~56~~(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation 24A and General Regulation 39A (under the UK General Regulations)) in full, the claims of the Clearing Members shall be met first to those Clearing Members who are FCM Clearing Members and SwapClear Clearing Members and/or ForexClear Clearing Members in an amount equal to the outstanding SwapClear Contributions of such FCM Clearing Members and SwapClear Clearing Members and/or the outstanding ForexClear Contributions of such FCM Clearing Members and ForexClear Clearing Members (as applicable) and, thereafter, pro rata to each Clearing Member's respective claim (and in respect of FCM Clearing Members and SwapClear Clearing Members who have received an amount relating to their outstanding SwapClear Contributions, their respective claims shall be reduced by such amounts so received; and in respect of FCM Clearing Members and ForexClear Clearing Members who have received an amount relating to their outstanding ForexClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member the amount equal to its outstanding SwapClear Contribution and/or its outstanding ForexClear Contribution (as applicable), the Clearing House shall distribute the assets available to it to each such FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member (as applicable) in an amount equal to the proportion that the outstanding SwapClear Contribution of the relevant FCM Clearing Member or SwapClear Clearing Member and/or the outstanding ForexClear Contribution of the relevant FCM Clearing Member or ForexClear Clearing Members bears to the aggregate of: (i) the sum of the outstanding SwapClear Contributions of all relevant FCM Clearing Members and SwapClear Clearing Members and (ii) the sum of the outstanding ForexClear Contributions of all relevant FCM Clearing Members and ForexClear Clearing Members.
- (b) Notwithstanding anything to the contrary in these FCM Regulations or the FCM Rulebook, this FCM Regulation 24B shall be governed by and construed in accordance with the governing law provided for in paragraph (a) of General Regulation 38 (under the UK General Regulations).
- (c) For the purposes of this FCM Regulation 24B, the term "Clearing Member" shall include FCM Clearing Members and all other Clearing Members (as defined in the UK General Regulations) of the Clearing House.

~~**Regulation 25 — Rules Relating to FCM Client Segregated Accounts**~~

- ~~(a) — **Notice of Deficiency in FCM Segregated 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/or 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) — With respect to FCM Client funds deposited in connection with FCM Transactions and FCM Contracts in Cleared Swap Products:~~
- ~~(A) — all such 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 Swaps Account Class;~~
- ~~(B) — all such funds must be held by the applicable Clearing Member or deposited with a Permitted Depository, and such funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the FCM Rulebook and Part 22 of the CFTC Regulations; and~~
- ~~(C) — each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 and/or 1.26 (as applicable) from such Permitted Depository that it was informed that such funds deposited in the FCM Segregated Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.~~

~~For the avoidance of doubt, all FCM Segregated Accounts maintained by an FCM Clearing Member in connection with Cleared Swap Products 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 FCM Regulation 25, 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 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. Without limitation, all such funds shall be reflected in the appropriate FCM Client Segregated Sub-Account. Such FCM Client funds, when deposited with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the GEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 and/or 1.26 (as applicable), from such Permitted Depository that it was informed that the funds deposited in any LCH Clearing Product 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 GEA, 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 held in connection with Cleared Swap Products shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, that all FCM Client funds in connection with Cleared Swap Products may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the GEA, the CFTC Regulations and the FCM Rulebook; provided, further, that FCM Client funds may be invested in accordance with FCM Regulation 25(g).~~
- ~~(iv) In no event may FCM Client funds (deposited or held in connection with FCM Transactions and FCM Contracts) 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 the provisions of Section 4d of the GEA 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.~~
- ~~(v) An FCM Clearing Member is required to maintain an FCM Omnibus Clearing Product Client Account with LCH in respect of each Business Category of FCM Contract in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; provided, that Account Assets of FCM Clients in respect of Cleared Swap Products are permitted to be physically commingled in the same FCM Client Segregated Depository Account when such Account~~



~~Assets are not being held in an FCM Omnibus Clearing Product Client Account with LCH.~~

~~In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all collateral received on behalf of each FCM Client in connection with Cleared Swap Products as belonging to each such individual FCM Client, and such amount shall be credited to such FCM Client's applicable FCM Client Segregated Sub-Account as provided in the FCM Rulebook, and shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations.~~

~~(vi)(i)~~

~~(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 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. The value of money and securities accruing in connection with an FCM Client's Open Contracts in an FCM Omnibus Clearing Product Client Account with LCH shall be separately credited to the relevant FCM OTC Segregated Client Sub-Account of such FCM Client.~~

~~(d)(ii) **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 held in an FCM Client Segregated Depository Account shall not be used to carry trades or positions of the same FCM Client other than in connection with Cleared Swap Products or other Cleared Swaps.~~

~~(e) **Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals.** FCM Regulation 25(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, including FCM Buffer, of the type permitted under FCM Regulation 25(g), as it may deem necessary to ensure that its FCM Segregated Accounts hold at all times, at a minimum, an amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client funds. An FCM Clearing Member may draw upon 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 a Permitted Depository; 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 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 Swaps Account Class.~~

~~(h)(d) Deposit of Instruments Purchased with FCM Client Funds.~~

- ~~(i) Each FCM Clearing Member that invests FCM Client funds in instruments permitted under FCM Regulation 25(g) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients, to the extent required under the CEA and the CFTC Regulations. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Segregated Account, shall obtain and retain in its files an acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.~~
- ~~(ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 25(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 other on behalf of all applicable FCM Clients of all FCM Clearing Members, at one or more Permitted Depositories. Such instruments, when deposited with Permitted Depository, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.~~

~~(i)(e) 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)(I) The date on which such documents were received from the clearing member;~~
  - ~~(B)(J) A description of such documents, including the CUSIP or ISIN numbers; and~~
  - ~~(C)(K) The date on which such documents were returned to the clearing member or the details of disposition by other means.~~
- ~~(iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under FCM Regulation 25(g).~~
- ~~(j) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client funds in instruments permitted under FCM Regulation 25(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 25(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)(f) 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, including the amount attributable to each individual FCM Client;~~
- ~~(B) the amount of such FCM Client funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Segregated Accounts on behalf of such FCM Clients, including the amount attributable to each individual FCM Client; and~~
- ~~(C) the amount of the FCM Clearing Member's residual interest in such FCM Client funds.~~
- ~~(ii) In computing the aggregate amount of funds required to be in its FCM 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 a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).~~
- ~~(iii) The daily computations required by this FCM Regulation 25 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)(iii) 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 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 Permitted Depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such Permitted 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) CFTC Regulations. Without limitation of any other provisions of the FCM Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 1, Part 22 and Part 190 of the CFTC Regulations, as well as any other applicable CFTC Regulations, including as provided in FCM Regulation 25(o).~~

**Regulation 26 — FCM Exchange Contracts**

FCM Regulations 26A through 26K apply to FCM Exchange Contracts. Such FCM Regulations shall be referred to as the “**Exchange Contract Rules**”.

**Regulation 26A**      **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 FCM Procedures. If any prescribed day is not a Business Day, an Option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, 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 FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so exercised by the day and time referred to in paragraph (a) above, the Option shall either expire or, if Exchange Rules so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the FCM Procedures. The Clearing House shall not be liable to any FCM Client if the relevant FCM Clearing Member fails to provide proper notice to the Clearing House and an Option expires or is deemed to be exercised in contradiction to such FCM Client's instructions to the FCM Clearing Member.
- (c) Subject to Exchange Rules, an Option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so abandoned by the day and time referred to in paragraph (a) above, the Option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the FCM Procedures.
- (d) If permitted under Exchange Rules or, where relevant, the FCM Procedures, an Option may be exercised or abandoned by or on behalf of an FCM Clearing Member prior to the day and time referred to in paragraph (a) above in accordance with Exchange Rules or, where relevant, the FCM Procedures.
- (e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs (b), (c) or (d) above, or in accordance with the FCM Procedures, as applicable, without making any inquiry, investigation or check as to whether it complies with the Exchange Rules or as to the authority of any person purporting to exercise or abandon an Option on behalf of an FCM Clearing Member; provided, that the Clearing House may, in its sole discretion, reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if, in the sole discretion of the Clearing House, it does not appear to comply with Exchange Rules or the FCM Procedures notwithstanding that the Clearing House may, as Buyer, have passed on such notice or other prescribed form of exercise or abandonment to a Seller.
- (f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received (and not rejected) by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a Buyer under the terms of an FCM Option Contract, the Clearing House may exercise or abandon such FCM Option Contract in accordance with Exchange Rules or the FCM Procedures and in accordance with FCM Regulation 2.
- (h) Upon the exercise or deemed exercise of an Option pursuant to this FCM Regulation 26A, FCM Regulation 2(b)(ii) shall come into effect.

**Regulation 26B** **Physically-Settled FCM Exchange Contract Arising upon the Exercise of an Option**

- (a) Subject to these FCM Regulations, Physically-Settled FCM Exchange Contracts shall be fulfilled in accordance with Exchange Rules. No Physically-Settled FCM Exchange Contract shall be for a unit or quantity smaller than one Lot and the amount or quantity to be delivered shall be one Lot or multiples thereof (or such other amount or quantity as may be specified in Exchange Rules from time to time).
- (b) Where a Physically-Settled FCM Exchange Contract, is registered pursuant to FCM Regulation 26A(h) upon the exercise or deemed exercise of an Option, the Buyer under the terms of the Physically-Settled FCM Exchange Contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the FCM Procedures by the time and in the manner specified in Exchange Rules or the FCM Procedures. The Clearing House as Buyer under the terms of a Physically-Settled FCM Exchange Contract shall, in accordance with FCM Regulation 2, give to the Seller under the terms of such Physically-Settled FCM Exchange Contract, such information as may be prescribed by Exchange Rules or the FCM Procedures.
- (c) The Seller under the terms of a Physically-Settled FCM Exchange Contract shall deliver the commodity to the Clearing House as Buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the FCM Procedures, and the Clearing House as Seller under the terms of a Physically-Settled FCM Exchange Contract shall, in accordance with FCM Regulation 2, deliver the commodity the subject of such Physically-Settled FCM Exchange Contract to an FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) who is a Buyer under the terms of such Physically-Settled FCM Exchange Contract.
- (d) The Buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the FCM Procedures in the form and manner and by the time prescribed in Exchange Rules or the FCM Procedures, and the Clearing House shall, in accordance with FCM Regulation 2, pay the Seller its price and such other amounts as may be required by Exchange Rules or, where relevant, the FCM Procedures.
- (e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may, in its absolute discretion and in accordance with the FCM Procedures:
- (i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM Exchange Contract to deliver the commodity underlying such Physically-Settled FCM Exchange Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a Physically-Settled FCM Exchange Contract, as the Clearing House may appoint; and
  - (ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM Exchange Contract to pay the price and any other amounts payable pursuant to such Physically-Settled FCM Exchange Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a Physically-Settled FCM Exchange Contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such Buyer or Seller as the case may be towards the Clearing House. Each FCM Clearing Member agrees that it will accept delivery of a



- commodity or payment of the price, as the case may be, from an FCM Clearing Member (or Non-FCM Clearing Member, if applicable) as directed in accordance with (i) or (ii) above, in satisfaction of the obligations owed to it by the Clearing House to deliver the commodity or make payment of the price and such other amounts under the terms of a Physically-Settled FCM Exchange Contract.
- (f) If an invoice is not ready when payment becomes due pursuant to this FCM Regulation 26B, payment shall be made and received on account.
- (g) For the avoidance of doubt, the Clearing House shall have no obligation to, and shall not, deal with or accept instructions from an FCM Client (or any person other than the relevant FCM Clearing Member) with respect to an FCM Option Contract or a Physically-Settled FCM Exchange Contract. The Clearing House shall only accept notices, instructions, written confirmations and other related documents required under this FCM Regulation 26B from an FCM Clearing Member who clears FCM Exchange Contracts.

**Regulation 26C — Margining of FCM Exchange Contracts**

All FCM Exchange Contracts shall be subject to margining requirements pursuant to and as prescribed in FCM Regulation 9, the FCM Procedures and, if applicable, the relevant Exchange Rules.

**Regulation 26D      Obligation to Make and Accept Delivery Notice under FCM Exchange Contracts**

- (a)      Subject to these FCM Regulations, FCM Exchange Contracts shall be fulfilled in accordance with Exchange Rules or the FCM Procedures. No FCM Exchange Contract shall be for a unit or quantity smaller one Lot and the amount or quantity delivered shall be for one Lot or multiples thereof (or such other amount or quantity as may be specified in Exchange Rules from time to time). Where the terms of an FCM Exchange Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM Exchange Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.
- (b)      Paragraphs (c) to (l) of this FCM Regulation 26D shall apply only to Physically-Settled FCM Exchange Contracts for which a Delivery Notice is required.
- (c)      An FCM Clearing Member, as Seller in respect of a Physically-Settled FCM Exchange Contract, shall give a Delivery Notice to the Clearing House as Buyer, together with such other documents as may be required by Exchange Rules or the FCM Procedures by the time specified in Exchange Rules or the FCM Procedures in respect of a Physically-Settled FCM Exchange Contract for a particular Delivery Month or Prompt Date, and in the form and manner prescribed by Exchange Rules or the FCM Procedures. The Clearing House, as Seller in respect of a Physically-Settled FCM Exchange Contract, shall in accordance with FCM Regulation 2 give a Delivery Notice to the Buyer under the terms of such Physically-Settled FCM Exchange Contract, together with such other documents as may be required by Exchange Rules or the FCM Procedures.
- (d)      A Seller or Buyer shall give to the Clearing House such additional documents or information required by Exchange Rules to be given in respect of an FCM Exchange Contract Subject to Delivery Notice by the time prescribed by Exchange Rules and in the form and manner specified therein or in the FCM Procedures. The Clearing House as Seller (or Buyer) under the terms of an FCM Exchange Contract Subject to Delivery Notice shall in accordance with FCM Regulation 2 give such additional documents or information to the Buyer (or Seller) under the terms of such FCM Exchange Contract Subject to Delivery Notice.
- (e)      The Clearing House shall be under no obligation to review a Delivery Notice or any other related documents received from an FCM Clearing Member pursuant to paragraph (c) or (d) above. The passing on by the Clearing House of such Delivery Notice or such documents received from a Seller (or Buyer as the case may be) pursuant to the terms of an FCM Exchange Contract Subject to Delivery Notice, to a Buyer (or Seller as the case may be) pursuant to the terms of an FCM Exchange Contract Subject to Delivery Notice, shall not constitute acceptance by the Clearing House of such Delivery Notice or such documents, and if the FCM Clearing Member to whom it passed on such Delivery Notice or such documents rejects the same where permitted by Exchange Rules, the Clearing House shall be entitled to reject the

- same as against the FCM Clearing Member from whom it received such Delivery Notice or such documents.
- (f) Every Buyer (other than the Clearing House) that has a Physically-Settled FCM Exchange Contract in its name for the current delivery period or Prompt Date shall be bound to accept in fulfilment of the Clearing House's obligations as Seller under paragraph (d) any Delivery Notice or other documents complying with Exchange Rules which is given to it by the Clearing House in accordance with FCM Regulation 2.
- (g) Subject to paragraph (e), no Delivery Notice may be withdrawn or substituted by the Seller once such Delivery Notice is received by the Buyer except with the consent of such Buyer or otherwise in accordance with Exchange Rules.
- (h) Where permitted by Exchange Rules, a Delivery Notice together with such other documents as may be required by Exchange Rules or the FCM Procedures may be given to the Clearing House by or on behalf of a Seller in respect of an FCM Exchange Transaction to which the Seller is party, such Delivery Notice to be given to the Clearing House together with such particulars of the FCM Exchange Transaction as may be required by the Clearing House, including if required, the name of the Buyer in respect of such FCM Exchange Transaction, by the time specified in Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction as an FCM Exchange Contract in the name of the Seller shall be effected as prescribed by the FCM Procedures.
- (i) The Clearing House may give a Delivery Notice, together with such other documents as may be required by Exchanges Rules or the FCM Procedures, to a Buyer in respect of an FCM Exchange Transaction to which the Buyer is party. Such particulars of the FCM Exchange Transaction as the Clearing House may require, shall be furnished by or on behalf of the Buyer to the Clearing House in accordance with Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction in the name of the Buyer shall be effected as prescribed by the FCM Procedures.
- (j) The Clearing House may give a Delivery Notice and documents received from a Seller pursuant to paragraph (h) above to a Buyer in respect of an FCM Exchange Transaction to which the Buyer is party, and shall do so as agent for the Seller. The furnishing of particulars and the registration of such FCM Exchange Transaction in the name of a Buyer shall be effected as provided in paragraph (i) above. Upon registration of an FCM Exchange Transaction pursuant to paragraph (h), the giving of the Delivery Notice and documents by the Clearing House to the Buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraphs (c) and (f) above.
- (k) In implementing this FCM Regulation 26D, the Clearing House may effect and register such FCM Exchange Contracts in an FCM Clearing Member's name as may be prescribed in the FCM Procedures at a price determined by the Clearing House in accordance with the FCM Procedures.

(l) If the relevant Exchange Rules require a Buyer to give a Delivery Notice and a Seller to receive a Delivery Notice in respect of an FCM Exchange Contract, any reference in this FCM Regulation 26D and in FCM Regulation 26F to a Seller giving a Delivery Notice shall be construed as being a reference to a Buyer giving a Delivery Notice and a reference to a Buyer receiving a Delivery Notice shall be construed as being a reference to a Seller receiving a Delivery Notice.

**Regulation 26E Physically-Settled FCM Exchange Contracts not Requiring Delivery Notice**

- (a) This FCM Regulation 26E shall only apply with respect to Physically-Settled FCM Exchange Contracts for which a Delivery Notice is not required.
- (b) The obligations of an FCM Clearing Member under a Physically-Settled FCM Exchange Contract shall be performed in accordance with the terms of such Physically-Settled FCM Exchange Contract and in the manner and by the time prescribed by Exchange Rules, these FCM Regulations and the FCM Procedures. The Clearing House shall fulfill its obligations as Seller or Buyer, as the case may be, under the terms of any Physically-Settled FCM Exchange Contract in accordance with FCM Regulation 2 and the FCM Procedures.
- (c) Where the terms of an FCM Exchange Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM Exchange Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.

**Regulation 26F FCM Exchange Contracts Subject to Delivery Notice**

- (a) Without prejudice to the provisions of FCM Regulation 26G, under an FCM Exchange Contract Subject to Delivery Notice or a Physically-Settled FCM Exchange Contract:
- (i) the Buyer shall be obliged to pay his buying price to the Clearing House as Seller in the manner and by the time prescribed by Exchange Rules or the FCM Procedures;
  - (ii) the Clearing House as Buyer shall be obliged to pay the Seller his selling price in the manner and by the time prescribed by FCM Regulation 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 FCM Exchange Contract shall be paid to or by the Clearing House;
- (b) Every Delivery Notice and accompanying documents (except documents which, in accordance with Exchange Rules a Buyer is obliged to take up and pay for) given by the Clearing House as Seller to a Buyer pursuant to FCM Regulation 26D(c) shall for the purposes of these FCM Regulations be deemed to comply with Exchange Rules unless the Buyer notifies the Clearing House, by 10:00 hours (London time) on the Business Day following the day on which the Delivery Notice and accompanying documents were given to him by the Clearing House in accordance with Exchange Rules or the FCM Procedures, that the Delivery Notice and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10:00 hours (London time) on such Business Day, to notify the Seller to it under the terms of an FCM Exchange Contract from whom it received such Delivery Notice and accompanying documents that such Delivery Notice and accompanying documents do not so comply.
- (c) Notwithstanding that FCM Exchange Contracts may have been settled otherwise under the FCM Rulebook (for example, an FCM Nodal Contract under FCM Regulation 63) and not pursuant to a Delivery Notice, a Seller may, with the consent of the Clearing House and by the time specified in the FCM Procedures, give the Clearing House a Delivery Notice in respect of any such FCM Exchange Contract so settled. Upon receipt of such Delivery Notice, the Clearing House shall (unless the FCM Procedures otherwise permit) effect on the FCM Clearing Member's behalf re-opening contracts (that is, a sale by the FCM Clearing Member to the Clearing House and a purchase by the FCM Clearing Member from the Clearing House of one Lot, each on the same terms (including delivery) as the settled FCM Exchange Contract except as to price) and register such re-opening contracts as FCM Exchange Contracts in the FCM Clearing Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the FCM Procedures. The submission of a Delivery Notice in accordance with the FCM Procedures shall constitute confirmation of any such re-opening contracts and the Seller's Delivery Notice (or Buyer's as the case may be) shall be deemed to have

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

(d) Notwithstanding that an FCM Exchange Contract may have been settled otherwise under the FCM Rulebook (for example, an FCM Nodal Contract under FCM Regulation 63) and not pursuant to a Delivery Notice, the Clearing House may in accordance with the FCM Procedures give a Delivery Notice to a Buyer under FCM Regulation 26D as if the FCM Exchange Contract were still open and on so doing the Clearing House shall effect on the FCM Clearing Member's behalf re-opening contracts (defined as in paragraph (c) above and to be effected as there described) and register such re-opening contracts as FCM Exchange Contracts in the FCM Clearing Member's name. The receipt by the Buyer of such Delivery Notice shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the FCM Clearing Member's purchase under the respective re-opening contract.

(e) In implementing this FCM Regulation 26F, the Clearing House may effect and register such FCM Exchange Contracts in an FCM Clearing Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the FCM Procedures and at a price determined by the Clearing House in accordance with the FCM Procedures.



**Regulation 26G Arrangements for Delivery and Payment of Price (Physically-Settled FCM Exchange Contracts)**

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

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

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

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

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

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

(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 FCM Exchange Contract Subject to Delivery Notice, the Clearing House shall be entitled to reject the same as against the Seller from whom it took delivery of the same under the terms of an FCM Exchange Contract Subject to Delivery Notice, and the Clearing House shall not be deemed to have accepted a

commodity delivered to it by a Seller which it delivers on to a Buyer until such Buyer has accepted the commodity.

**Regulation 26H      Restrictions on Clearing House's Obligations and Liability**

(a) This FCM Regulation 26H shall apply to Physically-Settled FCM Exchange Contracts (including FCM Exchange Contracts Subject to Delivery Notice) and shall not apply to any Cash-Settled FCM Exchange Contracts or FCM Option Contracts.

(b) The Clearing House (or any other member of the LCH.Clearent Group) shall not be liable in respect of a claim made against it in respect of a Physically-Settled FCM Exchange Contract by an FCM Clearing Member concerning:

(i) a Delivery Notice given by the Clearing House; or

(ii) any documents accompanying a Delivery Notice as required by Exchange Rules or the FCM Procedures; or

(iii) the performance by the Clearing House of its obligations under an FCM Exchange Contract to make delivery of a commodity or to pay the price; or

(iv) any other dispute or matter arising under the terms of such FCM Exchange Contract;

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

(c) The FCM Clearing Member shall (without prejudice to his taking any other steps which may be required of or open to him under the relevant Exchange Rules or the FCM Procedures) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (London time) (such time to be of the essence) on the seventh Business Day following the day on which, in accordance with the relevant Exchange Rules or the FCM Procedures, documents must be taken up and paid for by the Buyer (whether or not a Buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (London time)(such time to be of the essence) on the seventh Business Day following the last day on which the Buyer, in accordance with the relevant Exchange Rules or the FCM Procedures, must take delivery of the commodity (whether or not the Buyer fulfils such obligation).

(d) Where the relevant Exchange Rules provide for arbitration, the FCM Clearing Member shall refer all disputes referred to in paragraph (b) above in respect of the FCM Exchange Contract to arbitration under the relevant Exchange Rules, and shall give to the Clearing House notice of such referral pursuant to Exchange Rules and details of any award made.

(e) The FCM Clearing Member shall promptly provide the Clearing House with such further particulars of its claim, as the Clearing House may from time to time require in writing.

**Regulation 26l      Arbitration: FCM Exchange Contracts**

- (a)      In this FCM Regulation 26l, “**Relevant Rules**” means the relevant Exchange Rules.
- (b)      A dispute arising from or in relation to any FCM Exchange Contract or in relation to these FCM Regulations relating to the clearing of FCM Exchange Contracts shall, unless resolved between the Clearing House and the FCM Clearing Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon an FCM Clearing Member who is a Buyer and an FCM Clearing Member who is a Seller, under the terms of such FCM Exchange Contracts which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.
- (c)      In the event that the Clearing House elects to arbitrate between a Seller and a Buyer pursuant to FCM Regulation 26l(b) above and the Relevant Rules, the following procedures shall apply:
- (i)      the Clearing House shall give notice of such election to the Buyer, the Seller and the relevant Exchange, in accordance with such Relevant Rules;
- (ii)      the Seller shall, at its own expense have the conduct of the Clearing House’s case against the Buyer, and the Buyer shall, at its own expense have the conduct of the Clearing House’s claim against the Seller, in either case, subject to the provisions of this FCM Regulation 26l;
- (iii)      copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the Seller and the Buyer;
- (iv)      the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
- (v)      the arbitrators shall issue two awards, one between the Seller and the Clearing House and one between the Buyer and the Clearing House which shall determine the rights of each of the Seller and the Buyer against the Clearing House and vice versa.
- (d)      If the Clearing House is found liable to one of the parties to the arbitration (“the first party”) in respect of a breach of an FCM Exchange Contract and the other party to the arbitration (“the second party”) is found liable to the Clearing House in respect of such breach of an FCM Exchange Contract, which has been matched by the Clearing House as referred to in paragraph (a) above, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the

second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

(e) The Clearing House shall be bound by an arbitration award made against it in pursuance of an, arbitration whether it participates directly in the arbitration or not.

(f) No person may refer to arbitration under Exchange Rules any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.

**Regulation 26J**      **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 or FCM Regulations 26H and 26I in respect of an FCM Exchange Contract, any or all cover standing to the credit of the accounts of an FCM Clearing Member who is party to one or more FCM Exchange Contracts under dispute (whether such cover is held with respect to an FCM Exchange Contract under dispute or otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time call for payment by such FCM Clearing Member of additional cover, in such amount as it may deem appropriate in respect of such FCM Exchange Contract(s), to be held by the Clearing House under these FCM Regulations until the claim is finally disposed of. The amount of such cover to be furnished by the FCM Clearing Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant.

**Regulation 26K      Default of a Member: Substituted Obligation**

Where an FCM Clearing Member defaults in performance of an FCM Exchange Contract Subject to Delivery Notice, and by the operation of Default Rules the FCM Clearing Member's rights and liabilities in respect of such performance are discharged and there arises in their place an obligation to account as between the Member and the Clearing House for a settlement amount, then the Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof pro rata, for its rights and liabilities in respect of performance of FCM Exchange Contracts Subject to Delivery Notice with one or more other FCM Clearing Members or Non-FCM Clearing Members, as the case may be (such FCM Exchange Contract and such other FCM Clearing Members or Non-FCM Clearing Members to be selected by the Clearing House in its absolute discretion) for the same commodity and Delivery Month or Prompt Date. No FCM Clearing Member or Non-FCM Clearing Member shall question the settlement amount or any determination made by the Clearing House under this FCM Regulation 26K.

**Regulation 26L Premium Under Option Contracts**

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

(h)



**Regulation 52 Daily Settlement**

- (a) Where the FCM Procedures so provide, in respect of any FCM EnClear Transaction and any FCM EnClear Contract arising therefrom, the Clearing House may effect the daily settlement to market, of such open FCM EnClear Contracts in accordance with the FCM Procedures.
- (b) The Clearing House may, in accordance with the Procedures, in respect of each such open FCM EnClear Contract in an FCM 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 FCM 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 FCM 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 FCM 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 FCM Procedures.
- (c) Upon completion of the procedure set out in paragraph (b) above, the Clearing House may, if the FCM Procedures so provide, calculate the daily settlement amounts in accordance with the FCM Procedures and may thereafter make up the FCM Clearing Member's account and upon the Clearing House so doing, that FCM 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 FCM Procedures in respect of the relevant FCM EnClear 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 FCM Procedures, in respect of those open FCM EnClear Contracts in an FCM 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 FCM Clearing Member's name as open FCM EnClear 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~~Delivery Month, or ~~expiry month~~Expiry Month and price, shall be registered in that FCM Clearing Member's name.

**PART V – ~~[RESERVED]~~ REGULATIONS APPLICABLE TO FCM NODAL CONTRACTS**

**Regulation 60      Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts**

- (a) In order to utilize the FCM Nodal Clearing Services an FCM Nodal Clearing Member must cause particulars of an FCM Nodal Transaction to which it is party to be submitted for registration as an FCM Nodal Contract, through such means as shall be prescribed by the FCM Procedures.
- (b) An FCM Nodal Transaction submitted for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time the particulars of such FCM Nodal Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as two FCM Nodal Contracts (or, if applicable, one FCM Nodal Contract and one Non-FCM Nodal Contract). An FCM Nodal Clearing Member may not revoke, cancel or transfer an FCM Nodal Transaction unless permitted by Nodal's Rules or the FCM Rulebook, or with the consent of the Clearing House and Nodal.
- (c) An FCM Nodal Clearing Member shall not allow the submission for registration of a transaction which is not an FCM Nodal Transaction in connection with the FCM Nodal Clearing Service.
- (d) The Clearing House may require FCM Nodal Transactions presented for registration in the name of an FCM Nodal Clearing Member to be confirmed by or on behalf of such FCM Nodal Clearing Member, in which case it shall specify the manner, form and time of such confirmation in the FCM Procedures.
- (e) The Clearing House may decline to register an FCM Nodal Transaction in the name of an FCM Nodal Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM Nodal Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of cover for margin by both FCM Nodal Clearing Members in whose name any such FCM Nodal Transaction is to be registered.
- (f) Without prejudice to the Clearing House's rights under paragraph (h) of this FCM Regulation 60, an FCM Nodal Clearing Member shall be bound by an FCM Nodal Contract registered in its name pursuant to the presentation of particulars of an FCM Nodal Transaction.
- (g) The Clearing House shall be deemed to register an FCM Nodal Contract in relation to an FCM Nodal Transaction in the name of an FCM Nodal Clearing

Member at the Registration Time for that type of FCM Nodal Contract in accordance with FCM Regulation 61.

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

(i) If at any time after registration of an FCM Nodal Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not an FCM Nodal Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as an FCM Nodal Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such FCM Nodal Contract. Upon the purported FCM Nodal Contract being set aside under this FCM Regulation 60(l), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect of, an FCM Nodal Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 64(g) and its obligations under this FCM Regulation 60(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 an FCM 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 an FCM Nodal Contract.

**Regulation 61**      **Nodal Contracts**

(a) An FCM Nodal Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as either two FCM Nodal Contracts or as one Non-FCM Nodal Contract and one FCM Nodal Contract, one between the First Nodal Clearing Member as the seller and the Clearing House as the buyer, and the other between the Clearing House as the seller and the Second Nodal Clearing Member as the buyer (as the case may be). For the purposes of this FCM Regulation:

(i) "First Nodal Clearing Member" is an FCM Nodal Clearing Member or a Nodal Service Clearing Member who was, before registration of the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, party to the corresponding FCM Nodal Transaction as the seller;

(ii) "Second Nodal Clearing Member" is an FCM Nodal Clearing Member (who may also be the same as the First FCM Nodal Clearing Member) or Nodal Service Clearing Member who was, before registration of the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, party to the corresponding Nodal Transaction as the buyer.

(b) With effect from registration of an FCM Nodal Transaction as either two FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as the case may be, under FCM Regulation 61(a):

(i) the parties to the corresponding FCM 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 FCM Nodal Contract registered under paragraph (a) of this FCM Regulation shall be governed by the relevant FCM Nodal Contract;

Terms applicable to that FCM Nodal Contract:

(iii) subject always to sub-paragraph (ii) above, the First Nodal Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is a party as the seller had and owed in respect of its counterparty under the corresponding FCM Nodal Transaction; and

(iv) subject always to sub-paragraph (ii) above, the Second Nodal Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM 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 FCM Nodal

Transaction (it being assumed, for this purpose, that such FCM 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 an FCM 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 FCM Nodal Contract, unless otherwise determined by the Clearing House.

(d) In the case of an FCM Nodal Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 61 shall take effect.

**Regulation 62 — Daily Settlement or Marking to Market**

- (a) Where the FCM Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open FCM Nodal Contracts in accordance with the FCM Procedures. Daily settlement to market shall not apply to such open FCM Nodal Contracts which are for the account of an FCM Nodal Clearing Member's FCM Clients.
- (b) The Clearing House shall, in accordance with the FCM Procedures, in respect of each open FCM Nodal Contract in an FCM Nodal 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 FCM Nodal Contract, save that where an FCM Nodal Clearing Member is the seller under the terms of the open FCM Nodal Contract that FCM Nodal 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 FCM Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each open FCM 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 FCM Procedures and shall thereafter make up the FCM Nodal Clearing Member's account and upon the Clearing House so doing, that FCM Nodal Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to an FCM Nodal Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these FCM Regulations, such profit shall be paid to that FCM Nodal Clearing Member on its request; and
- (ii) any loss arising to an FCM Nodal Clearing Member shall be debited to the applicable account of that FCM Nodal Clearing Member and (subject to these FCM Regulations) that FCM Nodal 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 FCM Procedures:
- (i) in respect of those open FCM Nodal Contracts in an FCM Nodal Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant Reference Price referred to in the FCM Procedures, FCM Nodal Contracts in that FCM Nodal Clearing Member's name as open FCM Nodal Contracts on the same terms (except as to price or Premium), including the strike price, where applicable, as the settled open FCM Nodal Contracts, save that no FCM 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 FCM Nodal Clearing Member's name; and

- (ii) in respect of those open FCM Nodal Contracts in an FCM Nodal Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the FCM Procedures, register at the relevant Reference Price referred to in the FCM Procedures, FCM Nodal Contracts in the FCM Nodal Clearing Member's name as open FCM Nodal Contracts on the same terms (except as to price or Premium) including the strike price, where applicable, as the settled open FCM Nodal Contracts.
- (e) An FCM Nodal Clearing Member may, in respect of all open FCM Nodal Contracts in its name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the FCM Procedures, to settle such FCM Nodal Contracts being the same number of contracts for the purchase and sale of the same commodity for the same Delivery Month or, where applicable, for the same Expiry Month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the FCM Nodal Clearing Member in accordance with the FCM Procedures) make up the FCM Nodal Clearing Member's account.
- (f) In respect of those open FCM Nodal Contracts of which settlement might have been requested by an FCM Nodal Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the Delivery Month applicable to those FCM Nodal Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the FCM Nodal Clearing Member's accounts accordingly.

## CONTENTS

<u>FCM PROCEDURES</u> .....	1
<u>1. FCM CLEARING MEMBER STATUS</u> .....	1
<u>1.1 FCM Clearing Member Application Procedure</u> .....	1
<u>1.2 Net Capital</u> .....	4
<u>1.3 Calculation Of Net Capital</u> .....	<del>4</del> <u>5</u>
<u>1.4 Reporting</u> .....	<del>4</del> <u>5</u>
<u>1.5 Additional Requirements</u> .....	6
<u>1.6 Other Conditions</u> .....	<del>6</del> <u>7</u>
<u>2. PRODUCT-SPECIFIC PROCEDURES</u> .....	8
<u>2A SWAPCLEAR</u> .....	9
<u>2A.1 The Clearing Process</u> .....	9
<u>2A.2 Operating Times And Calendars</u> .....	10
<u>2A.3 Registration</u> .....	10
<u>2A.4 Position Accounts</u> .....	15
<u>2A.5 Financial Accounts</u> .....	16
<u>2A.6 FCM SwapClear Contract Valuation</u> .....	16
<u>2A.7 Coupon Payments</u> .....	18
<u>2A.8 Initial Margin</u> .....	30
<u>2A.9 Intra-Day Margin Call: Collateral Management</u> .....	31
<u>2A.10 Declearing and Compression</u> .....	31
<u>2A.11 Affiliate Clearing</u> .....	32
<u>2A.12 Transfer of FCM Clients</u> .....	32
<u>2A.13 Proprietary Account Position Transfers</u> .....	<del>35</del> <u>36</u>
<u>2A.14 Amendment of Trade References</u> .....	36
<u>2A.15 Default Management</u> .....	38
<u>2A.16 Payment of Stamp Tax</u> .....	44
<u>2A.17 Section <del>168, Finance</del>696, Corporation Tax Act <del>1994</del>2009</u> .....	44
<u>APPENDIX 2A.A</u> .....	45
<u>SWAPCLEAR PROCESSING SCHEDULE</u> .....	45
<u>APPENDIX 2A.B</u> .....	46
<u>FCM CLIENT – PARTIAL TRANSFER FORM</u> .....	46
<u>APPENDIX 2A.C</u> .....	48
<u>FCM CLIENT – FULL TRANSFER FORM</u> .....	48
<u>APPENDIX 2A.D</u> .....	51
<u>FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER</u> <u>        REPNSES FORM</u> .....	51
<u>APPENDIX 2A.E</u> .....	53
<u>CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN</u> <u>        THE DEFAULT MANAGEMENT GROUP</u> .....	53
<u>2B FOREXCLEAR</u> .....	58
<u>2B.1 Introduction and Interpretation</u> .....	58
<u>2B.2 Users of FCM ForexClear</u> .....	58



2B.3	<a href="#">Termination of FX FCM Status</a>	58
2B.4	<a href="#">Service Scope</a>	58
2B.5	<a href="#">Position Accounts</a>	59
2B.6	<a href="#">Financial Accounts</a>	60
2B.7	<a href="#">Novation and Registration</a>	61
2B.8	<a href="#">Trade Validation and Registration</a>	64
2B.9	<a href="#">Market Data</a>	70
2B.10	<a href="#">FCM ForexClear Contract Valuation</a>	73
2B.11	<a href="#">Initial Margin ("IM")</a>	75
<del>2B.12</del> 2B.12	<a href="#">Additional Margin, MER Buffer, MCE and Intraday Margin Calls</a>	76
2B.12.1	<a href="#">Additional Margin</a>	76
2B.13	<a href="#">Initial Margin Management Events Service ("IMMES")</a>	78
2B.14	<a href="#">Intra-Day Margin Call: Collateral Management</a>	79
2B.15	<a href="#">General Margining Process</a>	79
2B.16	<a href="#">Types of Margin Runs</a>	79
2B.17	<a href="#">Margin Run Process</a>	80
2B.18	<a href="#">Transfer of FCM Clients</a>	81
2B.19	<a href="#">Proprietary Account Position Transfers</a>	84
2B.20	<a href="#">FCM Clearing Member's Client Fund Transfer</a>	85
2B.21	<a href="#">ForexClear Reporting</a>	85
2B.22	<a href="#">Treasury Operations &amp; Collateral Management</a>	87
2B.23	<a href="#">Default Management</a>	88
2B.24	<a href="#">Payment of Stamp Tax</a>	93
2B.25	<a href="#">Section <del>168, Finance</del>696, Corporation Tax Act <del>1994</del>2009</a>	93
2C	<a href="#">ENCLEAR</a>	107
2C.1	<a href="#">General Matters</a>	107
2C.2	<a href="#">Freight Division</a>	123
2C.3	<a href="#">Option Exercise and Expiry</a>	126
2D.	<del>RESERVED</del> <a href="#">THE FCM NODAL CLEARING SERVICE</a>	127
2D.1	<a href="#">Introduction</a>	127
2D.2	<a href="#">Membership</a>	127
2D.3	<del>FINANCIAL</del> <a href="#">GENERAL</a>	128
2D.4	<a href="#">NODAL TRANSACTIONS</a>	128
2D.5	<a href="#">CLEARING FOR NODAL NON-CLEARING PARTICIPANTS</a>	129
2D.6	<a href="#">REGISTRATION OF NODAL TRANSACTIONS</a>	130
2D.7	<a href="#">POSITION AND FINANCIAL ACCOUNTS</a>	130
2D.8	<a href="#">FEES</a>	132
2D.9	<a href="#">MARGIN</a>	132
2D.10	<a href="#">TAX</a>	133
2D.11	<a href="#">SETTLEMENT OF FCM NODAL CONTRACTS</a>	134
2D.12	<a href="#">POSITION TRANSFERS</a>	134

<u>3.</u>	<u>FINANCIAL TRANSACTIONS</u>	<u>135</u>
<u>3.1</u>	<u>Accounts</u>	<del>128</del> <u>135</u>
<u>3.2</u>	<u>Protected Payments System (PPS)</u>	<del>129</del> <u>136</u>
<u>3.3</u>	<u>Acceptable Forms Of Cover</u>	<del>133</del> <u>140</u>
<u>3.4</u>	<u>Distribution Of Cover</u>	<del>133</del> <u>141</u>
<u>3.5</u>	<u>Interest And Accommodation Charge Structure</u>	<u>134</u> <u>1</u>
<u>3.6</u>	<u>Fees</u>	<del>138</del> <u>145</u>
<u>3.7</u>	<u>Default Fund; SwapClear Contributions</u>	<del>138</del> <u>145</u>
<u>3.8</u>	<u>Quantifying SwapClear Contributions</u>	<del>138</del> <u>146</u>
<u>3.9</u>	<u>Default Fund; ForexClear Contributions</u>	<del>139</del> <u>146</u>
<u>3.10</u>	<u>Quantifying ForexClear Contributions</u>	<del>139</del> <u>146</u>
<u>3.11</u>	<u>Default Fund Contributions: EnClear Service</u> <del>139</del> <u>and Nodal Service</u>	<u>146</u>
	<u>APPENDIX 3A</u>	<u>140</u> <u>7</u>
	<u>BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM</u>	<u>140</u> <u>7</u>
	<u>APPENDIX 3B</u>	<u>141</u> <u>8</u>
	<u>BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM</u>	<u>141</u> <u>8</u>
	<u>APPENDIX 3C</u>	<del>143</del> <u>150</u>
	<u>BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM</u>	<del>143</del> <u>150</u>
	<u>APPENDIX 3D</u>	<del>144</del> <u>151</u>
	<u>MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS</u>	<del>144</del> <u>151</u>
<u>4.</u>	<u>COLLATERAL</u>	<u>145</u> <u>2</u>
<u>4.1</u>	<u>General Information</u>	<u>145</u> <u>2</u>
<u>4.2</u>	<u>Securities</u>	<del>148</del> <u>155</u>
<u>4.3</u>	<u>Instructions via the Collateral Management System</u>	<del>148</del> <u>155</u>
<u>4.4</u>	<u>Withholding Taxes</u>	<u>150</u> <u>8</u>
<u>4.5</u>	<u>References</u>	<del>152</del> <u>160</u>
<u>4.6</u>	<u>Contingency arrangements</u>	<del>153</del> <u>160</u>
<u>4.7</u>	<u>Return of Unallocated Excess and FCM Buffer</u>	<del>153</del> <u>160</u>
	<u>APPENDIX 4A</u>	<del>154</del> <u>161</u>
	<u>FCM Client Account Lodgment Form</u>	<del>154</del> <u>161</u>
	<u>APPENDIX 4B</u>	<del>155</del> <u>162</u>
	<u>Contingency FCM House Account Lodgment Form</u>	<del>155</del> <u>162</u>
	<u>APPENDIX 4C</u>	<u>156</u> <u>3</u>
	<u>Contingency Collateral Release Form</u>	<u>156</u> <u>3</u>
	<u>Appendix 4D</u>	<del>157</del> <u>164</u>
	<u>Settlement Accounts</u>	<del>157</del> <u>164</u>
<u>5.</u>	<u>BUSINESS RECOVERY</u>	<u>165</u> <u>8</u>
<u>5.1</u>	<u>Recovery Situations</u>	<u>165</u> <u>8</u>
<u>5.2</u>	<u>Recovery Situations Affecting Members' Offices</u>	<u>165</u> <u>8</u>

5.3	<a href="#">Aldgate House Evacuation</a> .....	1658
5.4	<a href="#">Clearing House Data Centre</a> .....	1648
5.5	<a href="#">Compliance with Business Continuity Testing</a> .....	168
6.	<a href="#">APPEAL PROCEDURES</a> .....	1639
6.1	<a href="#">Introduction</a> .....	1639
6.2	<a href="#">Decisions In Respect Of Which An Appeal May Be Lodged</a> .....	1639
6.3	<a href="#">Initiating An Appeal</a> .....	1639
6.4	<a href="#">The First Tier Appeal</a> .....	164170
6.5	<a href="#">The Second Tier Appeal</a> .....	165171
6.6	<a href="#">Requests For Review</a> .....	1673
6.7	<a href="#">Market Disorders etc. and Default</a> .....	1673
	<a href="#">APPENDIX 6A</a> .....	168174
	<a href="#">APPEAL FORM</a> .....	168174
	<a href="#">APPENDIX 6B</a> .....	1706
	<a href="#">NOTICE OF FURTHER APPEAL</a> .....	1706
7.	<a href="#">COMPLAINTS</a> .....	1728
7.1	<a href="#">Introduction</a> .....	1728
7.2	<a href="#">How To Make A Complaint</a> .....	1728
7.3	<a href="#">Internal Investigation And Review By The Clearing House</a> .....	1739
7.4	<a href="#">Referral To An Independent Investigator</a> .....	1739
7.5	<a href="#">Procedure For Dealing With The Complaint</a> .....	174180
7.6	<a href="#">Outcomes</a> .....	175181
8.	<a href="#">DISCIPLINARY PROCEEDINGS</a> .....	176182
8.1	<a href="#">SCOPE OF THIS PROCEDURE</a> .....	176182
8.2	<a href="#">INVESTIGATION PROCEDURE</a> .....	176182
8.3	<a href="#">IMMEDIATE MEASURE</a> .....	1847
8.4	<a href="#">SANCTIONS</a> .....	1828
8.5	<a href="#">DISPUTING A DECISION</a> .....	1828
8.6	<a href="#">REPORTING AND PUBLICATION</a> .....	1839
8.7	<a href="#">INFRINGEMENT OF APPLICABLE LAW</a> .....	1839

## 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, fulfill all conditions attached to their approval. If an Approved Applicant does not fulfill all such conditions within this three-month period, 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 one or more Products (categories of FCM Contracts as defined in the FCM Regulations). Separate approval from the Clearing House is required in order to clear each Product. An existing FCM Clearing Member may apply to clear additional Products that it does not currently clear. 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 eExchange, 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 promulgated thereunder, or in accordance with any other statutory or regulatory 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 eExchange or clearing memberships held or applied for; and
  - (v) will endeavor to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

#### 1.1.1 General

- (a) 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 Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time.

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

The applicant 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 [or by any relevant Exchange](#).

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.

- (b) 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 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 Transactions will be required to find alternative clearing arrangements by this date or will be unable to enter into FCM 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

**1.3 Calculation Of Net Capital**

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

**1.4 Reporting**

FCM Clearing Members shall provide (without limitation of any other provisions in the FCM Rulebook) the information detailed in this Section 1.4 to the Clearing House.

**1.4.1 Provision of Information**

- (a) Each FCM Clearing Member must, within six months from the date on which its annual accounts are made up, provide the Clearing House with an English-language copy of its income statement (or profit and loss statement) and balance sheet, together with a statement that its auditors have reviewed and approved them, in accordance with applicable law in the relevant jurisdiction and in accordance with the requirements of CFTC Regulation 1.16 or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.
- (b) Each FCM Clearing Member must provide the Clearing House in a prompt and timely manner with:
  - (i) copies of all financial returns/reports made to its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC Regulations (including CFTC Regulation 1.12);
  - (ii) those financial reports detailed in CFTC Regulation 1.10;
  - (iii) any information concerning any financial or business development that that the FCM Clearing Member reasonably considers may materially affect the clearing member's ability to comply with the FCM clearing 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 their settlement procedures;
  - (vi) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an on-going 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:

- (a) shareholders' funds;
- (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).

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

1.5.3 Pursuant to, and in accordance with, FCM Regulation 9(p), where an FCM Client enters into an FCM Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional collateral at a level of:

- (i) in respect of FCM SwapClear Contracts, 10% above the amount that the Clearing House would normally require for such contracts;
- (ii) in respect of FCM ForexClear Contracts, 10% above the amount that the Clearing house would normally require for such contract;
- (iii) in respect of FCM EnClear Contracts, 10% above the amount that the Clearing House would normally require for such contracts; and

~~(iv) [reserved]~~



(iv) in respect of FCM Nodal Contracts, 10% above the amount that the Clearing House would normally require for such contracts.

In connection with FCM Regulation 9(p) and this Section 1.5.3, FCM Clearing Members are not required to lodge Initial Margin with the Clearing House which is in excess of the Required Margin.

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.

## 2. **PRODUCT-SPECIFIC PROCEDURES**

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. ~~The clearing of FCM SwapClear Contracts is discussed in Section 2A, the clearing of FCM ForexClear Contracts is discussed in Section 2B, the clearing of FCM EnClear Contracts is discussed in Section 2C and Section 2D is reserved for a future clearing service.~~

[\(i\) The clearing of FCM SwapClear Contracts is discussed in Section 2A.](#)

[\(ii\) The clearing of FCM ForexClear Contracts is discussed in Section 2B](#)

[\(iii\) The clearing of FCM EnClear Contracts is discussed in Section 2C.](#)

[\(iv\) The clearing of FCM Nodal Contracts is discussed in Section 2D.](#)

## ~~2D.~~ ~~[Reserve]~~ 2D. THE FCM NODAL Clearing SERVICE

### 2D.1 Introduction

#### 2D.1.1 Background

This Section 2D of the FCM Procedures is referred to as the “Nodal Procedures”. FCM Nodal Clearing Members must inform themselves fully of their obligations under the FCM Rulebook, and under the other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Nodal Clearing Members should also familiarize themselves with Nodal’s Rules.

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

Please note that each of the FCM Rulebook and Nodal’s Rules are subject to change from time to time. Enquiries regarding these Nodal Procedures or any other aspects of the operation of the FCM Nodal Clearing Service should be directed to the Clearing House’s Business Operations Department at +44 (0)20 7426 7689. Enquiries regarding FCM Nodal Clearing Member status should be directed to the Clearing House’s Membership Department at +44 (0)20 7426 7627 / 7063. Enquiries relating to Nodal’s Rules should be directed to Nodal.

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

#### 2D.1.2 Interpretation

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

### 2D.2 Membership

An FCM Nodal Clearing Member may submit an FCM Nodal Transaction for registration by the Clearing House. Note that a transaction in a Nodal Eligible Derivative Product that will be cleared on one side by an FCM Nodal Clearing Member and on the other side by a Nodal Service Clearing Member is both an FCM Nodal Transaction (with respect to the FCM Nodal Clearing Member) and a Nodal Transaction, as such term is defined in the UK General Regulations (with respect to the Nodal Service Clearing Member). An FCM Nodal Transaction may also be submitted for registration on behalf of the applicable FCM Nodal Clearing Member by a Nodal Non-Clearing Participant (“Nodal NCP”) as set out at Section 2D.4.1.

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

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

Details of how to be approved as an FCM Nodal Clearing Member can be obtained from the Clearing House Membership Department at +44 (0)20 7426 7627 / 7063.

### 2D.2.1 Submission of Nodal Transactions for Registration

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

## 2D.3 GENERAL

### 2D.3.1 Operating Times

#### 2D.3.1.1 Opening Days

Details of the days on which the FCM Nodal Clearing Service is operational will be published by the Clearing House by circular to FCM Nodal Clearing Members. Details of the days on which the Nodal Trading Facility is operational are available from Nodal.

#### 2D.3.1.2 Opening Hours

The FCM Nodal Clearing Service will be operational from 02:00 to 18:00 hours, Eastern Prevailing Time (the "Opening Hours").

## 2D.4 NODAL TRANSACTIONS

### 2D.4.1 Eligible Transactions

Only the transactions referenced in this Section 2D.4 in Nodal Eligible Derivative Products that are executed or registered through a Nodal Trading Facility in accordance with Nodal's Rules will be designated as FCM Nodal Transactions eligible for registration by the Clearing House.

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

#### Presentation for Registration.

An FCM Nodal Transaction will be presented to the Clearing House for registration as either two FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as applicable, with the Clearing House (i) as seller to the buying FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and (ii) as buyer to the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable).

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

- with one in which such FCM Nodal Clearing Member is buyer and the Clearing House is the seller;
- and the other in which such FCM Nodal Clearing Member is the seller and the Clearing House is the buyer.

#### **2D.4.2 FCM Nodal Contracts and Nodal Contracts – Eligibility Criteria**

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

- (a) Seller and the Buyer;
- (b) the Nodal Eligible Derivatives Product which is the subject of the FCM Nodal Transaction; and
- (c) the transaction specific information in respect of the Nodal Eligible Derivative Product.

#### **2D.5 CLEARING FOR NODAL NON-CLEARING PARTICIPANTS**

##### **2D.5.1 NODAL NCPs**

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

- (a) the Nodal NCP is a participant of Nodal; and
- (b) the FCM Nodal Clearing Member and the Nodal NCP are party to a valid and enforceable agreement under which the FCM Nodal Clearing Member agrees to clear FCM Nodal Transactions on behalf of such person. Such agreement must confer rights on the FCM Nodal Clearing Member and the FCM Nodal Clearing Member must lawfully be entitled at all times to pass to the Clearing House, in accordance with FCM Regulation 15, such information and data relating to the Nodal NCP as the Clearing House may in its sole discretion deem appropriate.

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

The Clearing House contracts with the FCM Nodal Clearing Member alone and, to the fullest extent permitted by law, disclaims any duties or obligations to any Nodal NCP.

Further details regarding clearing for Nodal NCPs can be obtained from the Clearing House's Membership Department at +44 (0) 207426 7627 / 7063.

##### **2D.5.2 Termination**

The FCM Nodal Clearing Member may terminate its agreement with a Nodal NCP at any time by giving 21 days written notice to Nodal and the Clearing House. For the avoidance of doubt, (i) the Clearing House need not receive any notice of or any confirmation of such termination from the Nodal NCP and

(ii) termination by the FCM Nodal Clearing Member of its agreement with a Nodal NCP will be without prejudice to the FCM Nodal Clearing Member's obligations arising from or in relation to any FCM Nodal Transaction or FCM Nodal Contracts arising prior to such termination.

## **2D.6 REGISTRATION OF NODAL TRANSACTIONS**

### **2D.6.1 General**

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

### **2D.6.2 Registration**

All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of an FCM Nodal Transaction, are deemed to have been registered by the Clearing House immediately upon receipt by TRS/CPS.

### **2D.6.3 Novation**

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

### **2D.6.4 Notification**

With respect to an individual FCM Nodal Clearing Member, all FCM Nodal Contracts arising from its FCM Nodal Transactions are listed on its Nodal Service CM Report available through TRS.

## **2D.7 POSITION AND FINANCIAL ACCOUNTS**

### **2D.7.1 Position-Keeping Accounts**

#### **2D.7.1.1 Types of Account**

Positions with regard to FCM Nodal Contracts are recorded within CPS in position-keeping accounts at Individual Trader Mnemonic ("ITM") level, which are not FCM Nodal Clearing Member accounts as described in FCM Regulation 4. The account types are as follows:

H House (excluding FCM Clients)

N Non-segregated (not to be used for FCM Client business)

S Segregated FCM Client

Z Default account, only to be used in the event of a FCM Nodal Clearing Member default under the Default Rules

The requirement to open an H account and an S account is compulsory. Other position-keeping accounts may be opened by agreement with the Clearing House.

#### 2D.7.1.2 Basis of Position Keeping

The ITM represents a trading desk within the NCP. As such, the ITM is the basis for the position keeping account and NCPs can have several ITMs.

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

#### 2D.7.2 Financial Accounts

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

Where appropriate, an FCM Nodal Clearing Member's financial accounts are identified by a single character code: C for segregated client business (recorded as S within CPS); H for house business (recorded as H within CPS).

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

##### 2D.7.2.1 Relationship with Position-keeping accounts

<u>Position-keeping accounts</u>	<u>Financial account</u>
<u>H House</u>	<u>H</u>
<u>N Non-segregated</u>	<u>H</u>
<u>S Segregated FCM Client (used for Initial Margin flows)</u>	<u>C</u>

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

##### 2D.7.2.2 Other Financial Accounts

Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:

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

LCH client segregated account (used for Variation Margin flows)

L

### 2D.7.2.3 Default Fund (DF) Account

Each FCM Nodal Clearing Member's Contribution is held on a separate financial account, in accordance with the Default Fund Rules. The Default Fund account code is F.

## 2D.8 FEES

### 2D.8.1 General

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

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

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

### 2D.8.2 Execution Fees

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

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

## 2D.9 MARGIN

For the purposes of the FCM Nodal Clearing Service only, a "Reference Price" includes daily Settlement Price and final Settlement Price as used in Nodal's rules.

### 2D.9.1 Variation Margin

Certain FCM Nodal Contracts are settled to market daily by the Clearing House. Profits or losses are either credited to or debited from FCM Nodal Clearing Member's relevant financial accounts (realized margin).

#### 2D.9.1.1 Realized Margin

Realized margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant daily Settlement Price with the value of positions recorded (i.e., the Traded Price for new trades and the previous day's daily Settlement Price for other positions). The currency of this margin amount will be the same as the currency denomination of the contract's Reference Price.



## 2D.9.2 Initial Margin

Separate Initial Margin calculations are performed for a FCM Nodal Clearing Member's house "H" and client "C" accounts; **no offset between these accounts is allowed.** "H" accounts are margined net, meaning that if long and short positions are held in the same delivery month/prompt date, Initial Margin is charged on the net position. "C" accounts are margined gross on an FCM-Client-by-FCM-Client basis, meaning that if long and short positions with the same Delivery Month/Prompt Date are attributable to the same FCM Client, Initial Margin is charged on the net position, whereas no netting of positions may occur between positions attributable to distinct FCM Clients. A list of acceptable collateral to cover Initial Margin requirements can be found at the following location:

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

### 2D.9.2.1 Initial Margin Parameters

Initial Margin parameters are set by the Clearing House. However, in accordance with the FCM Regulations, the Clearing House retains the discretion to vary the rates for the whole market or for Nodal CM's "H" and/or "C" accounts.

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

### 2D.9.2.2 Intra-day Margin Calls

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

### 2D.9.2.3 Calculation of Initial Margin

#### 2D.9.2.3.1 VaR

Initial Margin is re-calculated at the close of each business day using a VaR algorithm developed to margin Nodal exchange contracts.

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

## 2D.10 TAX

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

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any FCM Nodal Contract, it shall have the right to require reimbursement of such tax liability, together with any costs and expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the FCM Nodal Clearing Member who is or

was party to that FCM Nodal Contract, and who, in the Clearing House's opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through PPS.

## **2D.11 SETTLEMENT OF FCM NODAL CONTRACTS**

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

### **2D.11.1 Cash Settlement**

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

### **2D.11.2 Reference Prices for daily settlement to market**

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

## **2D.12 POSITION TRANSFERS**

An FCM Clearing Member may effect a transfer only in accordance with FCM Regulation 8. The Clearing House will effect such transfer (in conjunction with Nodal) within two days of receiving a request for such transfer from the relevant Receiving FCM Clearing Member; provided, that the FCM Clearing Member completes to the satisfaction of the Clearing House any documentation as required and provided by the Clearing House.

### 3. **FINANCIAL TRANSACTIONS**

#### 3.1 **Accounts**

##### 3.1.1 **Overview**

FCM Clearing Members are usually provided with two sub-accounts per financial account:

- **Cover account;**
- **Tender account (not applicable to Default Fund (DF) accounts).**

These accounts are used to record cash movements between the Clearing House and the FCM Clearing Member. Refer to Section 2A.5 for a full description of financial accounts relating to the FCM SwapClear Service. Although the Clearing House and FCM Clearing Members are permitted to physically commingle the collateral of FCM Clients relating to FCM Contracts in any Business Category of FCM Contract, FCM Clearing Members and the Clearing House are required to maintain separate accounts with the Clearing House for each such Business Category of FCM Contract. [Furthermore, collateral furnished on behalf of FCM Clients with respect to FCM Contracts that are Futures Products may not be commingled with collateral furnished on behalf of FCM Clients with respect to FCM Contracts that are Swap Products.](#)

##### 3.1.2 **Cover Account Postings**

Transactions posted to the Cover account include but are not limited to:

- **PPS payments and receipts;**
- **Option **P**remiums;**
- **[Prompt Day delivery amounts;](#)**
- **Interest and accommodation charges;**
- **Currency purchases and sales;**
- **Clearing House fees, charges and rebates;**
- **Exchange fees, levies and rebates;**
- **Variation margin, Price Alignment Interest and coupons;**
- **SwapClear coupon payments;**
- **SwapClear coupon adjustments;**
- **Net Present Value (NPV); and**
- **Consideration.**

In addition, FCM Clearing Members must open PPS accounts in London in USD and in all other currencies in which it incurs settlements. For details of current PPS banks, please refer to the following link:

[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account.

The GBP non-segregated PPS account will, *inter alia*, be used to process DF contributions for all services other than ForexClear Service. For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Clients' funds and collateral must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, [Part 22](#) and Part 190 of such regulations ~~(but excluding Part 22 until compliance therewith becomes mandatory. Furthermore, PPS accounts that contain FCM Clients' funds held with respect to Futures/Options Contracts may not contain FCM Clients' funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations, as specified in the FCM Regulations).~~

(b) Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of cover held by the Clearing House (see section 3.3) any shortfall is called through London PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its London PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00, or within one hour of a subsequent call, on the day on which the PPS Call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to an FCM Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

(c) Intraday PPS Calls

The intra-day margin call by the Clearing House is for intra-day cover payments. GBP, EUR or USD can be used to cover margin intraday. Between 14.30 ~~and~~ 16.00 [hours](#) (London time) only USD will be called in London.

charges. The sterling cover account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant cover account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) interest due to be credited or debited;
- (b) accommodation charges;

VAT on accommodation charges is subject to the standard rate, some markets may be excluded.

### 3.6 **Fees**

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to the house cover account.

The invoice/credit note displays the type of fee, contract, [future or option type](#), 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 [eExchange](#).

### 3.7 **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 Rule S2(k) of the Default Fund Rules (each a "**SwapClear Reset Day**"). SwapClear Contribution requirements will be notified to the applicable FCM Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Excess SwapClear Contribution amounts due to FCM Clearing Members following the adjustment to the SwapClear Contribution will be repaid to FCM Clearing Members' PPS accounts on the SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to FCM Clearing Members' PPS accounts on the first working day after the SwapClear Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day. Notwithstanding anything else herein, if the rate of interest payable on SwapClear Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

### 3.8 **Quantifying SwapClear Contributions**

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear 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 September 28, 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

### 3.9 **Default Fund: ForexClear Contributions**

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

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members' PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members' PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

### 3.10 **Quantifying ForexClear Contributions**

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FX FCM shall be determined by reference to the ForexClear Contracts comprising the ForexClear House and Client Business of that FX FCM only.

### 3.11 **Default Fund Contributions: EnClear Service [and Nodal Service](#)**

For the EnClear Service [and FCM Nodal Clearing Service](#), Default Fund [e](#)Contributions will be called via PPS normally on the fourth working day ("**Reset Day**") of the quarter (i.e., early February, May, August and November). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on Member Reporting Website.

Excess Default Fund amounts due to FCM Clearing Members following the adjustment to Default Fund accounts and the crediting of interest will be repaid to FCM Clearing Members' PPS accounts on the Reset Days.

#### 4.1.3 Additional General Information

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as collateral and to determine when a security will cease to be acceptable as collateral.

If any instrument or security, lodged in accordance with any of the following procedures, is in any way found to be unacceptable, it will immediately be given a zero value in the FCM Clearing Member's cover account with the Clearing House. Replacement cover may be required immediately from the FCM Clearing Member.

#### 4.1.4 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash and securities via the Collateral Management system. Instructions for other types of collateral must be sent via fax using the appropriate form in the annex. The lodgement/release forms must be sent in by fax and email to:

- Email to: [teamcollateral@lchclearnet.com](mailto:teamcollateral@lchclearnet.com)
- Fax: + 44 (0)20 7375 3518
- Treasury Operations can be contacted on +44 (0)207 426 7593

Originals of faxed instructions need to be sent into the Clearing House within fourteen days.

The Clearing House is entitled to act upon Collateral Management system instructions and faxed instructions or communications appearing to have been issued by, on behalf of, or have come from, an FCM Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- to be inaccurate, whether in whole or in part; or
- not to have been given by the FCM Clearing Member or an FCM Client or with the authority of the Clearing Member or FCM Client.

The Clearing House will only accept delivery of securities in accordance with these FCM Procedures, and will not sell, purchase or encash securities for FCM Clearing Members, except in so far as it is acting under its Default Rules and related provisions of the FCM Rulebook or in relation to ~~exchange rules~~ [Exchange Rules](#).

The Clearing House reserves the right to require an FCM Clearing Member to execute revised versions of the Form of Charge and Client Consent documentation whenever the Clearing House, at its sole discretion, considers that it would be appropriate.

The Clearing House reserves the right to change the information required on instructions received via the Collateral Management system, whenever the Clearing House, at its sole discretion, considers that it would be appropriate.

#### 4.1.5 Excess collateral

In the event that the Clearing House at any time determines that it is holding excess collateral (as defined below) from an FCM Clearing Member, the Clearing