

05 November 2012

Ms. Sauntia Warfield
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington DC 20581

RE: Revision to LCH.Clearnet Limited's Rules and Regulations Concerning the Introduction of LSOC Accounts for the ForexClear and EnClear Services (submitted for self-certification on 18 Oct 2012).

Dear Ms. Warfield:

LCH.Clearnet Limited is revising the self-certification submitted on 18 October 2012 to include clarifying language requested by Commission staff. Please find attached a black-line document showing the affected revision (Exhibit A), and the original submission pursuant to Commission regulation 40.6 (Exhibit B).

We note, for the avoidance of doubt, that given the relief provided by Commission staff in implementing CFTC regulation Part 22, LCH.Clearnet Limited will implement Part 22 and commence providing LSOC treatment to customer funds on 14 November 2012.

Should you have any questions regarding this submission please contact me at the information below or Jay Iyer at jay.iyer@lchclearnet.com or +44-207-426-7285.

Yours sincerely,



pp:

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Exhibit A

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. FCM Clearing Members are not permitted to commingle FCM Client assets held in connection with FCM Nodal Contracts with FCM Client assets held in connection with Cleared Swap Products. Each FCM Client Segregated Depository Account maintained by each FCM Clearing Member, other than an FCM Client Segregated Depository Account established for clearing FCM Nodal Contracts, shall be designated as part of the Cleared Swaps Account Class for the purposes of Part 190 of the CFTC Regulations.

- (f) 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, other than FCM Omnibus Nodal Client Accounts with LCH (for which client sub-accounts are not established and maintained by the Clearing House). 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(i), 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.
- (g) 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 (or, in the case of the LCH Nodal Client Segregated Depository Account, such other depository permitted under applicable law) 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), other than the LCH Nodal Client Segregated Depository Account, 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; provided, that in the case of the LCH Nodal Client Segregated Depository Account, such account may

Exhibit B

Via Electronic mail

Ms Sauntia Warfield
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

RE: Amendments to LCH.Clearnet Limited's Rules and Regulations in relation to the introduction of Legally Segregated, Operationally Commingled ("LSOC") Accounts for the ForexClear and EnClear services, and with regards to the introduction of an FCM model for Nodal.

Dear Ms Warfield

LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC Regulation §40.6, amendments to LCH.Clearnet's Rules and Regulations to reflect changes to the LCH.Clearnet ForexClear and EnClear services by introducing LSOC accounts in order to comply with Part 22 of the CFTC Rules. LCH.Clearnet is also submitting for self-certification, pursuant to CFTC Regulation §40.6, amendments to LCH.Clearnet's Rules and Regulations in relation to the introduction of an FCM model for the Nodal service.

This document is set out in three parts; Part A outlining the introduction of the LSOC model for the ForexClear and EnClear services respectively. Part B provides the necessary explanation and rule discussion in relation to the introduction of an FCM model for the LCH.Clearnet's Nodal service. Part C describes minor additional changes to the ForexClear service.

Part A: Introduction of LSOC accounts for the ForexClear and EnClear services

Section I: Explanation and Analysis

The following changes to the EnClear service are planned to take effect from November 5, 2012, with the corresponding changes to the ForexClear service taking effect at the launch of the FCM client clearing service (at a later date to be notified to the CFTC). In each case the rules coming into effect is subject to the regulatory approval by the UK Financial Services Authority ("FSA").

Introduction of Legally Segregated, Operationally Commingled (“LSOC”) Accounts: In order to comply with CFTC Part 22 - Protection of Cleared Swaps Customer Contracts and Collateral - (“LSOC rules”), LCH.Clearnet will be introducing certain changes to its **ForexClear and EnClear Services**, and the associated account class offerings. LCH.Clearnet notes that its rules as submitted are intended to comply with Part 22 as currently constituted, and may require subsequent revision following expected guidance from the Commission relating to the manner in which FCM buffer may be held in a client account.

Rationale for the Rule Amendments

1. “Legally Segregated, Operationally Commingled” (“LSOC”)

1.1. Introduction

Part 22 describes the manner in which cleared swaps collateral must be treated prior to and after bankruptcy by both FCMs and DCOs. The model introduced by CFTC Regulation Part 22 permits client collateral of cleared swaps customers to be kept, pre-default, in one account at both the FCM and DCO level. However, in the event of an FCM default, a DCO will not have recourse to the collateral posted by one customer to cover losses suffered by another customer.

1.2 General LSOC Principles

1.2.1 The LSOC Segregation Calculation

CFTC Regulation 22.2(d), Limitations of Use, states that:

“No futures commission merchant shall use, or permit the use of, the Cleared Swaps Customer Collateral of one Cleared Swaps Customer to purchase, margin, or settle the Cleared Swaps of, any person other than such Cleared Swaps Customer. “

As the rule does not allow for any period of time when individual treatment is not applied, it is the responsibility of the FCM to ensure that the information the DCO is relying upon is accurate. In order to comply, to the extent that the collateral a customer has provided to the FCM is less than the initial margin requirement of the DCO, an FCM will fund the remaining required margin from its own capital and not the excess collateral of any other customer.

In order to ensure customers are receiving the protections required by LSOC, an FCM must always ensure that the DCO has an accurate depiction of the disposition of customer funds in its possession to enable the DCO to segregate any customer collateral it holds and to enable it to ensure that the FCM is compliant with its obligation not “to permit” the collateral of one customer to margin another customer in accordance with CFTC Regulation 22.2.

1.2.2 Unallocated Excess

“Unallocated Excess” funds are those held by a DCO attributed to each FCM but not allocated to individual clients. In the event that a default occurs while the DCO is holding Unallocated Excess, the DCO may not use these funds to meet any losses, and will instead return them to the Bankruptcy Trustee of the defaulted FCM. A DCO may not rely on this

value in a default. However, Unallocated Excess may belong to a customer with an increased requirement and a DCO may utilise Unallocated Excess as long as the FCM provides a certification that all or part of the Unallocated Excess may be used. LCH.Clearnet does not currently support such certification.

1.2.3 Variation Margin Is Not Required to Be Segregated

The protection against fellow customer risk granted by LSOC only applies to Cleared Swap Customer Collateral, and CFTC staff has informed LCH.Clearnet, along with other market participants, that it does not apply to unsettled Variation Margin. Cleared Swap Customer Collateral includes any property in the individual customer account belonging to that customer. Therefore, once Variation Margin is paid to an FCM's Cleared Swaps Customer Account, it receives the protections granted pursuant to Part 22. As a DCO, LCH.Clearnet will continue to settle the variation margin gains and losses of an FCM's underlying customers on a net basis, before and after a default.

1.2.4 LSOC Protection is based on Post Haircut Value

The protection that Part 22 provides is based on the "value" of the initial margin requirement associated with the customer's portfolio of rights and obligations, as calculated by the DCO, and is segregated on this basis. All collateral delivered to the DCO is valued on a post haircut basis, regardless of whether it is required or excess collateral.

1.2.5 The FCMs Buffer May Be Commingled With Customer Funds

Part 22 provides that "any collateral deposited by a Futures Commission Merchant which is identified as such futures commission merchants own property may be used by the derivatives clearing organization...to margin, guarantee, or secure the cleared swaps of any or all cleared swaps customers". Because it is the responsibility of the FCM to identify the value of collateral that is the FCM's own contribution to the customer pool at the DCO, it is also the responsibility of the FCM to ensure that the amount the DCO is relying upon, as the FCM's own value, is always accurate in accordance with CFTC Regulation 22.2.

As stated in FCM Regulation 9(i)(iv), LCH.Clearnet will allow an FCM to deposit its own funds into the Cleared Swaps Customer account at the DCO, but these funds must be separately identified to the DCO in order for them to be treated as such.

1.2.6 LSOC Without Excess

Part 22 requires a DCO that intends to accept excess customer funds from an FCM must receive a report from the FCM at least daily which reflects the value of the collateral belonging to each individual customer. The "value of collateral required" arising from a customer's "portfolio of rights and obligations", or swap portfolio, is a customer's Initial Margin Requirement.

LCH.Clearnet does not intend to offer a 'with excess' model on 5 November 2012.

1.2.7 Establishing a Customer's Legally Segregated Value ("LSV")

Once an FCM meets its margin obligation at LCH.Clearnet, LCH.Clearnet will adjust the legally segregated values of each customer, thereby protecting a customer's collateral value

at LCH.Clearnet from being used to meet the obligations of any other customer in the event of a default.

In accordance with Part 22, LCH.Clearnet will only use an individual customer's LSV to meet any loss arising from that customer's own swap portfolio. Once porting can be arranged, a customer may be transferred with its LSV.

1.2.8 The Treatment of "Excess" in "LSOC Without Excess"

As a result of the nature of clearing, funds may become excess without an explicit excess deposit. This will be evident in cases where a customer's margin requirement decreases or the value of the swaps customer collateral pool increases. In such cases, the DCO is limited in how it is able to treat this excess value. In a model where the DCO does not have collateral value reporting from the FCM, the DCO will be unaware of the underlying owner of this excess. As a result, when a customer's requirement decreases, creating excess, the DCO may not presume such excess to be FCM Buffer. The DCO can either call an FCM for the aggregate amount by which any customer's new Initial Margin requirement is greater than the customer's LSV and return all Unallocated Excess once the call is met, or the DCO can allow the FCM to provide a certification that stipulates how much of the Unallocated Excess can be used to offset the call. In the second instance the DCO could either return any remaining Unallocated Excess or hold it to be used along with future certifications.

LCH.Clearnet will not support the FCM certification method in the rules taking effect from November 5, 2012.

1.2.9 Margining

Each time the DCO performs an Initial Margin Settlement with the FCM, or seeks to collateralize the increase in requirements of individual customers, the DCO will base its call on the aggregate amount by which a customer's requirements have gone up in aggregate. This amount may be reduced by the firm's buffer deposited at the DCO as well as Unallocated Excess accompanied by FCM certification.

The variation margin settlement each day will be handled separately from the initial margin settlement described above. By separating the two, the DCO will ensure that it is not offsetting a decrease in customer IM requirements with a net variation margin loss across all customers. LCH.Clearnet will separate initial margin and variation margin settlement in this model (where it does not receive customer specific excess reporting from the FCM).

Section II: Amendments to the Rules & Regulations of LCH.Clearnet

In order to effect LSOC protections for the EnClear and ForexClear services, the provisions put in place for the SwapClear service (described in LCH.Clearnet's self-certification submission under section 40.6 dated October 18, 2012) will be extended to include those services. The documents included with this application indicate the incremental changes required to effect compliance for those two services.

Individual changes required to give existing SwapClear provisions more general application are not specifically highlighted in this description.

1 Amendments to FCM Regulations

Certain changes have been made to LCH.Clearnet's FCM regulations in order to incorporate the requirements of Part 22.

The original SwapClear specific FCM Regulations were expanded to include EnClear as of October 15, 2012 and are being amended to facilitate the addition of the ForexClear and Nodal services. There is a set of generic regulations (FCM Regulations 1 to 26) that are generally applicable to all services, followed by a series of chapters applicable to SwapClear (FCM Regulations 30 to 33), ForexClear (FCM Regulations 40 to 43), EnClear (FCM Regulations 50 to 53), and Nodal (FCM Regulations 60 to 64).

In order to assist the Commission in its review of LCH.Clearnet's submission, a comparison of the FCM Regulations contained within against the SwapClear LSOC version submitted on October 18 is attached to this certification as Exhibit A – 1.a. In addition, because the October 18 version did not include ForexClear, an additional blackline is attached to show changes relative to the ForexClear FCM Regulations certified on August 3, 2012 (Exhibit A – 1b).

The Definitions will be amended to extend coverage of the FCM LSOC model to EnClear and ForexClear and make consequential amendments.

Regulation 4 requires that each FCM Clearing Member keeps books and records identifying all information regarding its Affiliates, FCM Clients for which it provides Clearing Services, and regarding trades made on its own behalf through its Proprietary Account.

Regulation 4.d will be amended to include the requirement that books and records must also include all FCM Contracts and Account Assets maintained in each FCM Client Segregated Sub-Account for the relevant Client.

This demand is mirrored on the side of LCH.Clearnet, by the addition of **Regulation 4.f** which requires LCH.Clearnet to establish and maintain on its books and records an FCM Client Segregated Sub-Account, in the name of each FCM Client of an FCM Clearing Member and an FCM Buffer sub-account in the name of each FCM Clearing Member. Each FCM Client Sub-Account and FCM Buffer Sub-Account will be sub-accounts of the FCM Omnibus Client Account maintained for the FCM Clearing Member. LCH.Clearnet will also be required to reflect on its books all FCM Contracts and associated Account Assets held on behalf of individual FCM Clients in the appropriate FCM Client Sub-Accounts. LCH.Clearnet however, will have no responsibility for ensuring that the information provided by the FCM Clearing Member regarding FCM Contracts and Account Assets held by itself are correct.

Ancillary changes were made in **Regulations 4.e and 4.g** to accommodate for the introduction of Part 22 of the CFTC Regulations.

Regulation 4.h will be amended to contain the 'waterfall' for how initial margin increases are met across FCM Client Sub-Accounts and the FCM Clearing Members' Proprietary Account, as well as details in case LCH.Clearnet increases the Required Margin of FCM Contracts of an FCM Client and the order in which the margin increase shall be met.

FCM Clearing Members are required to inform the Clearing House of all FCM Contracts and Account Assets held by such Clearing Member for each of its FCM Clients.

Regulation 4.i will be amended to include the duty of the FCM Clearing Member to instruct LCH.Clearnet as to the FCM Contracts and Assets reflected in each corresponding FCM Client Segregated Sub-Account.

Under **Regulation 4.j** FCM Clearing Members will not be allowed to withdraw any amounts from their FCM Omnibus Client Account or Proprietary Account, if this would cause the Margin Requirements not to be met. The regulation has been amended to include the prohibition of FCM Clearing Members to withdraw amounts from their Proprietary Accounts where there is insufficient margin in an FCM Client Sub-Account, and an insufficient amount of FCM Buffer available to offset such a deficiency in the Required Margin.

Regulation 5.c introduces rule changes to provide for the introduction of Part 22 of the CFTC Regulations and its effect on accounts (including the required level of segregation). In particular, the new regulation requires that LCH.Clearnet must treat the value of all Account Assets received on behalf of a Client as belonging to that Client, and therefore cannot be used to margin, guarantee or secure Contracts or Obligations of other Clients or of the Clearing Member. Furthermore, LCH.Clearnet will not be allowed to combine or consolidate the balances of several FCM Omnibus Client Accounts belonging to the same FCM Clearing Member.

The rules regarding the provisions for the transfer of the portfolio of an FCM Client will be amended to cater for the introduction of FCM Client Segregated Sub-Accounts. **Regulations 8.a, 8.b, and 8.c** will be amended to cater for the introduction of sub-accounts.

Regulations 9.h and 9.i address how LCH.Clearnet deals with excess attributable to an account (both proprietary accounts and client sub-accounts). It includes a restriction on FCM Clearing Members providing excess to LCH.Clearnet (in the LSOC without excess model). The provision also details how excess is swept to an Unallocated Excess Account at the end of each day.

Regulations 9.r and 9.s will be amended to ensure that FCM Client positions are subject to gross margin requirements in accordance with CFTC Regulation 39.13(g)(8)(i).

2 Amendments to the FCM Procedures

A comparison of the FCM Procedures against the SwapClear LSOC version submitted on October 18 is attached to this certification as Exhibit A –2a. In addition, for the ForexClear specific section of the FCM Procedures, an additional blackline is attached to show changes relative to the version certified on August 3, 2012 (Exhibit A-2b).

Rules 2B.23.6 (for ForexClear) and 2C.1.20 (for EnClear) of the Procedures detail how, in the event that LCH.Clearnet determines that an FCM Client’s position will be liquidated, following a default, hedging and liquidation costs are allocated among such FCM Clients. It provides supplementary procedures (in addition to the Default Rules and other applicable provisions in the Rulebook) that will apply upon the default of an FCM Clearing Member.

3 Amendments to the Default Rules (at Exhibit A3)

The Default Rules were amended in order to accommodate the introduction of LSOC accounts:

Rules 8 (f), (g) and (h). As part of the its default management processes, LCH.Clearnet hedges the contracts of clients that are not ported to an alternative clearing member. The references in these paragraphs cross refer to the new sections in the FCM Procedures which sets out how hedging and liquidation costs are apportioned.

Rule 9.A.a deals with the transfer of FCM Contracts between FCM Clearing Members in case of a default, and the credit of individual clients' variation margin credits post default to the transferee FCM Clearing Member.

Rule 9.A.b deals with the transfer of FCM Contracts between FCM Clearing Members in case of a default, and the credit of individual clients' variation margin payments post default directly to the client

Rule 9.c.i contains provisions to limit the return of post default variation margin credits where a sum is due to LCH.Clearnet with respect to the relevant client.

Rule 9.c.ii deals with rights of LCH.Clearnet to set off any payments or credits in regards to Variation Margin owed by LCH.Clearnet against excess liquidation costs applicable to the relevant client, where an FCM Client's FCM Contracts are liquidated.

Rule 9A.d Each FCM Client of a defaulter is made a third-party beneficiary of rule 9A. This clause is designed to ensure that individual clients' post default variation margin payments are enforceable.

Changes will be made in **Rules 10.a, 10.i, 10.b and 10.c** to cater for the introduction of multiple sub-accounts.

4 Amendments to the Default Fund Rules (at Exhibit A4)

Minor consequential changes have been made to definitions in the Default Fund Rules to ensure that FCM client clearing business is correctly reflected.

5 Amendments to the General Regulations (at Exhibit A5)

The General Regulations have been amended to update definitions to ensure that FCM client clearing business is correctly reflected.

6 Amendments to Section 1 (Membership) of the Clearing House Procedures (at Exhibit A6)

Minor conforming amendments have been made to this section of the Clearing House Procedures to reflect new categories of membership established in the FCM Procedures.

Part B: Introduction of an FCM model for the Nodal Service

Section I: Explanation and Analysis

1 Introduction

The Nodal client clearing model described below is based on SwapClear's current FCM model as adopted for US-based client clearing. The rules include certain provisions which are intended to recognize the fact that Nodal contracts will be classified as exempt futures pursuant to Nodal's grandfathered status as an Exempt Contract Market, which status is currently scheduled to expire on December 31, 2012. Nodal made an application to the Commission on October 11, 2012 to register as a Designated Contract Market, and has informed LCH.Clearnet that it intends to retain the treatment of its contracts as futures. .

1.1 *The Nodal FCM service*

The client clearing aspects of the proposed Nodal FCM service are designed to follow the existing SwapClear FCM service closely. The only significant difference is Nodal is separated from the other FCM services given that the Nodal contracts will not be classified as "swaps" and therefore will not be part of the same "cleared swaps" account class. Two further amendments are being made to the FCM Regulations and Procedures for Nodal, described in 1.5 below.

1.2 *Membership criteria*

The membership criteria for Nodal FCMs will follow the membership criteria for SwapClear FCMs, which are set out at FCM Regulation 3. In summary, an applicant for Nodal FCM membership status must:

- be registered with the CFTC as an FCM;
- be incorporated in a US state;
- have a net capital of US\$50 million or more;
- have evidenced the operational and technical capabilities required by LCH.Clearnet;
- have, within its corporate group, at least one banking, credit or investment institution licensed in the US or an EU member state, or an equivalent in another jurisdiction;
- in the event of a default, be able to receive and process relevant contracts;
- complete all relevant documentation; and
- complete all necessary testing and training as required by LCH.Clearnet.

Nodal places no access criteria upon clients of FCMs. FCMs are free to take on the business of clients based on their own due diligence and analysis and become responsible for the performance of the trades upon registration.

1.3 *Arrangements for holding client business*

Based on the characterization of the Nodal contracts as futures, and LCH.Clearnet's understanding that CFTC regulation Part 22 applies only to swaps transactions, the submission does not incorporate changes related to LSOC. The manner in which client funds will be treated is described in more detail below.

1.4 *Collateral*

All Nodal client collateral will be held in a separate omnibus account and LCH.Clearnet will require the physical separation of the Nodal customer accounts (both at the FCM and LCH.Clearnet level) from all other account types. In particular, Nodal customer account types and Nodal customer collateral will be required to be segregated both for accounting purposes and in different physical accounts.

LCH.Clearnet's FCM client clearing model is intended to allow clients to port their positions and collateral upon the insolvency of the FCM. LCH.Clearnet will act upon a default (in the case of insolvency) in accordance with the relevant US regulatory requirements and the applicable bankruptcy laws. The rules contained in the submission are intended to ensure that the porting provisions facilitate the efficient the administration of the estate.

1.5 *Risk management*

Existing CFTC regulation 39.13(g)(8)(i) imposes requirements on LCH.Clearnet with respect to customers' initial margin requirements.

In respect of the Nodal service, changes are being made to the FCM Regulations to ensure that the Nodal service is segregated from the other LCH.Clearnet FCM services, given that the Nodal contracts will not be classified as swaps and therefore will not be part of the same "cleared swaps" account class. Two further amendments are being made to the FCM Regulations and FCM Procedures for Nodal:

- The FCM Regulations will be amended to account for the implementation of gross margining for Nodal (see FCM Regulation 4(h)). CFTC Rule 39.13(g)(8)(i) requires that a DCO 'collect initial margin on a gross basis for each clearing member's customer accounts', effective November 8th. Given that, LCH.Clearnt is planning to implement gross margining for all Nodal members, both FCM and non-FCM.
- The FCM Procedures will be amended to account for the implementation of the non-hedger mark-up provision for all Nodal members, in accordance with CFTC Rule 39.13(g)(8)(ii) (see Sections 1.5.3 and 2D.1.1 of the FCM Procedures). The previous FCM procedures that were submitted to the FSA and CFTC on September 26th specified that the non-hedger mark-up be applied to Nodal FCMs only. We would now like to apply this rule to all Nodal members, should any clients not successfully transfer positions to FCMs by November 8th.

39.13(g)(8)(i) requires LCH.Clearnet to hold all Nodal Clearing Members' clients' initial margin on a gross basis in the applicable client account. LCH.Clearnet will not net positions of different FCM and General Clearing Member's ("GCM") clients against one another and FCMs and GCMs cannot net client positions against one another in their client omnibus accounts. However, LCH.Clearnet will continue to call initial margin on clearing members' House accounts on a net basis (on their net positions).

A further requirement under CFTC Regulation is for the DCO's Clearing Members to collect initial margin from their customers, for non-hedge positions, at a level that is greater than 100 percent of the DCO's initial margin requirements. The initial published rate will be 10%

above the usual requirement. Clearing Members will not be required to pay this additional margin to LCH.Clearnet.

Section II: Amendments to the Rules & Regulations of LCH.Clearnet

1 Amendments to the FCM Regulations (at Exhibit A-1a)

The original SwapClear specific FCM Regulations were expanded to include EnClear as of October 15, 2012 and are being amended to facilitate the addition of the Nodal and ForexClear services.

The Nodal service has been designed around the structure of the existing FCM Regulations to reflect the structure of the General Regulations. In summary, the changes to the FCM Regulations are as follows:

Regulations 1 to 26 have been modified in accordance with the addition of the Nodal service, including changes required to exclude the application of Part 22 of the CFTC's regulations to the Nodal service. Minor amendments have been made throughout these regulations to reflect that FCM Nodal Contracts are exchange contracts.

Regulation 3 has been amended to specify that certain criteria applicable to clearing member applicants is applicable only to clearing members seeking to clear certain FCM services. For example, the provisions in FCM Regulations 3(c)(ii), (vi), (vii) and (ix) are applicable to FCM Clearing Members clearing SwapClear and ForexClear only, and hence do not apply to the FCM Nodal service.

Regulation 4 has been modified to provide for holding of FCM Client assets in respect of FCM Nodal Contracts, which are not subject to the provisions of Part 22. In particular, Regulation 4 provides that neither the Clearing House nor FCM Clearing Members may physically commingle FCM Client collateral held in connection with FCM Nodal Contracts with any other FCM Clearing Services. The Clearing House and FCM Clearing Members may continue to physically commingle FCM Client collateral held in connection with FCM SwapClear Contracts, FCM ForexClear Contracts and FCM EnClear Contracts, in the same depository account.

Regulation 9 has been amended to show that certain margining concepts discussed therein (e.g., "FCM Buffer" and "Unallocated Excess") are different with respect to the Nodal services as compared to the other FCM services. See, in particular, FCM Regulations 9(h) and (i).

A new Part V to the FCM Regulations (**Regulations 60 to 64**) has been inserted to govern FCM Nodal Contracts. These provisions mirror the General Regulations governing the Nodal Service (Regulations 92 to 95 of the UK General Regulations). In summary:

Regulation 60 sets out the requirements for FCM Nodal Transactions to be registered as FCM Nodal Contracts.

Regulation 61 describes the formation of FCM Nodal Contracts (or one FCM Nodal Contract and a corresponding Nodal Contract).

Regulation 62 provides for the calculation of variation margin for FCM Nodal Contracts.

Regulation 63 relates to option exercise (where relevant).

Regulation 64 provides for physical delivery (where relevant).

2 Amendments to the FCM Procedures (at Exhibit A-2a)

As with the FCM Regulations, the FCM Procedures have been amended to enable the insertion of procedures for Nodal.

In summary, the changes to the FCM Procedures are:

Section 1 has been modified to be of general application to all FCM services, including FCM Nodal.

A new Section 2D has been inserted that largely mirrors the pre-existing Section 2G of the UK Procedures to cover both the FCM Nodal service and the UK Nodal service. Section 2G of the UK Procedures will be deleted. Cross-referencing has been written into the new Section 2D for those Nodal CMs who remain covered by the UK rulebook (i.e. doing House business only). Other specific amendments for Section 2D relate to accounts.

Consequential amendments have been made to the remaining sections of the FCM Procedures to reflect to introduction of the FCM Nodal service.

3 Amendments to the Default Rules (at Exhibit A3)

The majority of the changes to the Default Rules (Rules 8 and 9A) relate to the implementation of LSOC and are therefore not relevant to the FCM Nodal service. Rule 10 (which makes provision for the combination of accounts) contains amendments at Rule 10(a)(iii) and Rule 10(c)(vi) to provide for the combination of an FCM Omnibus Nodal Client Account with other FCM Omnibus Nodal Client Accounts in order to produce a net sum.

4 Amendments to the Default Fund Rules (at Exhibit A4)

There is a minor amendment to the Default Fund Rules.

5 Amendments to the General Regulations of the Clearing House (at Exhibit A5)

There are consequential amendments to the UK General Regulations to amend the definitions and cross-references.

6 Amendments to Section 2G of the Clearing House Procedures (at Exhibit A7)

The substantive text in Section 2G (Nodal) of the UK Procedures has been deleted and replaced with a cross-reference to Section 2D of the FCM Procedures.

Part C: Miscellaneous changes to the rules for the ForexClear service

Amendments to the Clearing House Procedures Section 2K (at Exhibit A8)

In addition to the implementation of Part 22, three minor sets of changes to the ForexClear procedures (both section 2K of the UK Clearing House Procedures, and section 2B of the FCM Procedures) will be implemented via this new set of rules.

These changes are intended to clarify the rules in relation to more frequent margin runs; to make a minor change in the reporting of settlement of ForexClear non-deliverable forwards; and to clarify how multiple ForexClear Clearing Members in the same corporate group may satisfy the market data submission requirements.

(a) Mini margin runs

Changes will be made to clarify the treatment of transactions that cannot be registered in a particular margin run, and have therefore generated a margin call. Under the increased frequency of margin runs introduced on 1 October, a new margin run may begin before cash has been delivered in the PPS to meet the margin call. Changes are being made to clarify what occurs in this situation, namely that the transactions generating the margin call are temporarily excluded from subsequent margin runs until the necessary margin has been delivered by the Clearing Member.

Procedure 2K.2.3.3(c) (FCM Procedure 2B.7) has been amended to clarify that it is only the transactions of the relevant Clearing Member that are suspended from settlement when there is insufficient margin cover.

Procedure 2K.3.5.2(e) (fifth paragraph of FCM Procedure 2B.8.4) has been deleted as it was not required.

Procedure 2K.6.1 (FCM Procedure 2B.16) has been amended to add a description of “mini margin runs”.

Procedure 2K.6.2 (FCM Procedure 2B.17) has been amended to conform with the change to 2K.2.3.3(c).

(b) Settlement reporting

A change is being made to the reporting of ForexClear final settlement: the final settlement amount of the NDF contract and the return of accumulated variation margin (VM) will now be reported separately, but the amounts will continue to be netted for settlement purposes.

Procedure 2K.3.8 (FCM Procedure 2B.8.9) has been amended to effect this change.

(c) Market data reporting in the event of multiple FXCCMs from the same group

The provisions governing the submission of market data by FXCCMs are being amended to clarify that an FXCCM may rely on data being submitted by another FXCCM in the same corporate group. Without this change, the submission of identical data by several member entities could bias the market data snap process.

Procedure 2K.5.1.1 (FCM Procedure 2B.10.1) has been amended to effect this change.

Part D: Certification by LCH.Clearnet

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

http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp

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

Part E: Compliance with Core Principles

LCH.Clearnet will continue to comply with all Core Principles following the introduction of these proposed amendments into the LCH.Clearnet Rulebook. LCH.Clearnet has concluded that its compliance with Core Principles would not be adversely affected by these changes. Finally, the rule changes as a result of CFTC regulation coming into effect on November 8, 2012 will ensure continued compliance with the Core Principles and in particular with Core Principle E.

Part F: 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.

Should you have any questions regarding this submission please contact me on +44-207-426-7285 or at jay.iyer@lchclearnet.com.

Yours sincerely



Jay Iyer
Chief Compliance Officer
LCH.Clearnet Limited

**Exhibit A – 1.a
FCM Regulations**

See Attached

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

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM ~~SwapClear~~ Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited ~~nor do they cover clearing services provided by~~ LCH.Clearnet SA or any other affiliates of LCH.Clearnet Group, Ltd, all of which are governed by ~~a~~ separate sets of rules.

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

Definitions

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

- Account Assets* - Means all cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to ~~the Clearing House by an FCM Clearing Member~~ by its FCM Clients and deposited with or transferred to the Clearing House by such FCM Clearing Member. in connection with ~~an account~~ the accounts carried by such FCM Clearing Member on behalf of ~~an~~ its FCM Clients, as ~~cover~~ margin and security for and in respect of the clearing of FCM ~~SwapClear~~ Contracts for such FCM Clients. For the avoidance of doubt, any Applied FCM Buffer or Buffer applied by the Clearing House in respect of an FCM Client's FCM Client Segregated Sub-Account does not constitute "Account Assets" of such FCM Client, provided that Applied FCM Buffer may be transformed into Account Assets as provided in FCM Regulation 9(i)(iv)(C).
- Account Manager Executing Party* - Means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
- Affiliate* - Means, with respect to an FCM Clearing Member, any entity that controls, is controlled by or is under common control with such FCM Clearing Member, and the account of which, when carried by the FCM Clearing Member, would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation ~~22.1~~ (or any such successor or replacement regulation).
- Allocating SwapClear Transaction* - Has the meaning assigned to such term in FCM Regulation ~~5(e)~~ 30(q)(iii).
- Applied FCM Buffer* - Has the meaning assigned to such term in FCM Regulation ~~10(h)~~ 9(i)(iv)(A).
- Approved Broker* = A person authorized by the Clearing House to participate as a broker in the LCH EnClear OTC Services (as such term is used in the UK General Regulations), including the FCM EnClear Clearing Services as the context may require.
- Auction Portfolio* - 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.
- Base Currency* = Has the meaning assigned to such term in FCM Regulation 24A(d)(ii).
- Business ~~Day~~ Category of FCM* - ~~Means in respect of an FCM SwapClear Contract (except where specified otherwise in the relevant FCM SwapClear~~

Contract

~~Contract Terms), a day on which the Clearing House is open for business as set forth in the FCM Procedures.~~ Means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of cover owed by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the "SwapClear Business Category"), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the "ForexClear Business Category"), (3) FCM EnClear Contract (referred to in the FCM Rulebook as the "EnClear Business Category) and (4) FCM Nodal Contracts (referred to in the FCM Rulebook as the "Nodal Business Category").

Business Day

= Means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms, FCM EnClear Contract Terms or FCM Nodal Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.

Carrying FCM Clearing Member

- Means an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM ~~SwapClear~~ Contracts and Account Assets held in such account may be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation ~~9 of these FCM Regulations~~⁸ and in accordance with the FCM Procedures.

CEA

- Means the U.S. Commodity Exchange Act.

CFTC

- Means the U.S. Commodity Futures Trading Commission.

CFTC Regulations

- Means the rules and regulations promulgated by the CFTC.

Cleared Swap

- Means "Cleared Swap" as such term is defined in CFTC Regulation 22.1.

Cleared 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.

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 ~~SwapClear~~ Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing

- Member's name, being an FCM ~~SwapClear~~ Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member's name, save that where the Clearing House ~~is paying Rate has position "X"~~ under the terms of such open FCM ~~SwapClear~~ Contract, (where such FCM Contract consists of positions "X" and "Y"), the Clearing House shall ~~pay Rate Y~~ have position "Y" under the terms of such closing-out FCM ~~SwapClear~~ Contract, and vice-versa.
- Contribution* - Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
- cover* - Means an amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the FCM Procedures.
- defaulter* - Has the meaning ~~attributed~~ 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.
- 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 or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides FCM Clearing Services.
- exchange contract = 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.
- Exchange Rules = Means the rules, regulations, administrative procedures, Memorandum and Articles of Association or 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

	<u>procedures, practices and administrative requirements of the Exchange.</u>
<i>Excess Margin</i>	- Means, (i) in respect of an FCM Client's FCM OTC -Client Segregated Sub-Account <u>with respect to any Product (other than FCM Nodal Contracts)</u> or in respect of an FCM Clearing Member's Proprietary Account, cover (excluding FCM Buffer or Applied FCM Buffer) held by the Clearing House in respect of FCM SwapClear —Contracts corresponding to any such account, which is in excess of the Required Margin in respect of such corresponding FCM SwapClear <u>Contracts as determined by the Clearing House in accordance with the FCM Rulebook, and (ii) in respect of an FCM Clearing Member's FCM Omnibus Nodal Client Account with LCH, cover held by the Clearing House in respect of all FCM Nodal Contracts in such account which is in excess of the Required Margin in respect of such corresponding FCM Nodal</u> Contracts as determined by the Clearing House in accordance with the FCM Rulebook.
<i>Executing Party</i>	- Means each person described as a party to an FCM SwapClear —Transaction in the details submitted to the Clearing House by an FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
<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 e <u>E</u> Exchange, a clearing house, a swap execution facility, a designated contract market or other similar venue, approved by the Clearing House for executing FCM SwapClear Transactions and/or submitting <u>or presenting</u> such FCM SwapClear —Transactions to the Clearing House. <u>For the avoidance of doubt, the "SwapClear API" is not an FCM Approved Trade Source System.</u>
<i>FCM Buffer</i>	- Has the meaning assigned to such term in FCM Regulation 40(h <u>9(i)</u> (iv)(A).
<i>FCM Clearing Member</i>	- Means an FCM that has been approved by the Clearing House for the clearing of FCM SwapClear <u>one or more categories of FCM</u> 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 SwapClear —Contracts together with any ancillary agreements.

- FCM Clearing Services - Means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services, the FCM EnClear Clearing Services and the FCM Nodal Clearing Services, collectively.
- FCM Client* - Means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in ~~Cleared Swaps, including FCM SwapClear Contracts~~, on behalf of which the FCM Clearing Member provides FCM ~~SwapClear~~ Clearing Services and clears FCM ~~SwapClear~~ Contracts; provided, that any such client is only an FCM Client with respect to its positions in Cleared Swaps and/or FCM Nodal Contracts.
- FCM Client Business - Means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.
- FCM Client ~~Business Segregated~~-
Depository Account* - ~~Means the provision of FCM SwapClear Clearing Services by an FCM Clearing Member to its FCM Clients.~~ 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 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.
- FCM Client ~~Segregated~~ Sub-
Account ~~Balance~~* - ~~Means with respect to an FCM Client, at any given time, the value of Account Assets attributable to such FCM Client's FCM OTC Client Segregated Sub-Account as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client's Account Assets in no event includes any FCM Buffer applied by the Clearing House in respect of such FCM Client's FCM OTC Client Segregated Sub-Account.~~ Means an individual segregated sub-account within an FCM Omnibus Clearing Product 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 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 in the relevant FCM Omnibus Clearing Product Client Account with LCH for each Business category of FCM Contracts in which such FCM Client clears FCM Contracts, except in the case of FCM Nodal Contracts and any FCM Omnibus Nodal Client Account with LCH.
- FCM Client Sub-Account - Means with respect to an FCM Client, at any given time, the value of Account Assets attributable to any FCM

<u>Balance</u>		<u>Client Segregated Sub-Account of such FCM Client as determined by the Clearing House in accordance with the FCM Rulebook.</u>
<u>FCM Contract</u>	=	<u>Means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM EnClear Contract or an FCM Nodal Contract. "FCM Contracts" means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM EnClear Contracts and FCM Nodal Contracts, collectively.</u>
<u>FCM Contract Terms</u>	=	<u>Means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, the FCM EnClear Contract Terms and the FCM Nodal Contract Terms, collectively.</u>
<u>FCM Default Fund Agreement</u>	-	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.
<u>FCM EnClear Clearing Services</u>	=	<u>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.</u>
<u>FCM EnClear Clearing Member</u>	=	<u>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 Contracts.</u>
<u>FCM EnClear Contract</u>	=	<u>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.</u>
<u>FCM EnClear Contract Terms</u>	=	<u>Means the terms applicable to each FCM EnClear Contract as set out from time to time in the FCM Regulations.</u>
<u>FCM EnClear Transaction</u>	=	<u>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.</u>
<u>FCM ForexClear Clearing Member</u>	=	<u>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.</u>
<u>FCM ForexClear Clearing Services</u>	=	<u>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</u>

- 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 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 "Nodal Contract Terms" as such term is defined in the UK General Regulations.
- FCM Nodal Transaction = Means any contract in a Nodal Eligible Derivative Product arising or registered on a Nodal Trading Facility and meeting the requirements of the FCM Regulations and the FCM Procedures, 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 Client Account with LCH, an FCM Omnibus EnClear Client Account with LCH or an FCM Omnibus Nodal Client Account with LCH.
- FCM Omnibus ~~OTG~~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 ~~Swap~~EnClear Contracts

cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated ~~cover and other payments and deliveries~~ 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 ~~OTC~~ Client Segregated Sub-Accounts within each FCM Omnibus ~~OTC~~ EnClear Client Account with LCH.

FCM ~~OTC~~ Omnibus ForexClear Client ~~Segregated Depository~~ Account with LCH - Means an omnibus account located in the United States and maintained by on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients ~~with a Permitted Depository,~~ in which is segregated in accordance with the CEA and CFTC Regulations and contains the Account Assets deposited by such FCM Clients in connection with FCM SwapClear all FCM ForexClear Contracts cleared for such FCM Clients 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 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. The Clearing House will not establish FCM Client Segregated Sub-Accounts within any FCM Omnibus Nodal Client Account with LCH.

FCM ~~OTC~~ Omnibus SwapClear Client ~~Segregated Sub~~-Account with LCH - Means an ~~individual segregated sub omnibus~~ account established located in the United States and maintained on the books of the Clearing House ~~on behalf of an FCM Client in the name of~~ an FCM Clearing Member, ~~reflecting the~~ 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, ~~carried for each such FCM Client by such FCM Clearing Member, based~~ will be reflected on ~~information provided by the applicable FCM~~ the books of the Clearing ~~Member~~ 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 Procedures* - Means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House.
- FCM Regulations* - Means these FCM Regulations entitled as such, relating to FCM ~~SwapClear~~ Contracts and the clearing of FCM ~~SwapClear~~ Contracts only, from time to time in force.
- FCM Rulebook* - Means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM ~~SwapClear~~ Clearing Services, as published and amended from time to time.
- FCM Segregated Accounts* - Means, with respect to each FCM Clearing Member, (i) its FCM ~~OTC~~ Client Segregated Depository Accounts and (ii) its PPS Accounts in which the FCM Clearing Member holds the Client funds ~~of~~ held in connection with its FCM Clients' cleared FCM Contracts.
- ~~*FCM SwapClear Clearing End-User Notice* - Means the "FCM SwapClear Clearing End-User Notice" as specified by the Clearing House from time to time and as published by the Clearing House on its website or otherwise.~~
- FCM SwapClear Clearing Services* - Means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
- FCM SwapClear Contract* - Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
- FCM SwapClear Contract Terms* - Means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Regulations.
- FCM SwapClear Transaction* - Means any transaction 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 an SCM SwapClear Contract,~~ one ~~SCM~~ SwapClear Contract and one FCM SwapClear Contract (as the case may be), 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 Transaction = Means either an FCM SwapClear Transaction, an FCM ForexClear Transaction, an FCM EnClear Transaction or 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.
- Hedged Account = Has the meaning assigned to it in the FCM Procedures.
- Ineligible FCM ForexClear Transaction = Has the meaning assigned to it in FCM Regulation 40(f)(i).
- Initial Margin* - Means an amount determined and published from time to time by the Clearing House with regard to each ~~category~~Business Category of FCM ~~SwapClear~~ Contract, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures as a condition of registration of an FCM ~~SwapClear~~ Contract by the Clearing House and otherwise in respect of all FCM ~~SwapClear~~ Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.
- LCH.Clearnet Group* - Means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a “member” of LCH.Clearnet Group within these FCM Regulations is to be construed accordingly).
- LCH Approved Outsourcing Party Agent* - Means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.
- LCH EnClear OTC 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.
- LCH Clearing Product Client Segregated Depository Account = Means either the LCH ForexClear Client Segregated Depository Account, the LCH SwapClear Client Segregated Depository Account, the LCH EnClear Client Segregated Depository Account or the LCH Nodal Client

Segregated Depository Account.

~~LCH OTG~~ EnClear 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 ~~Swap~~ EnClear 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, except for the LCH Nodal Client Segregated Depository Account, in a single physical depository account with a Permitted Depository.

LCH ForexClear 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 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, except for the LCH Nodal Client Segregated Depository Account, in a single physical depository account with a Permitted Depository.

~~Official Quotation~~ LCH Nodal
Client Segregated Depository
Account

- ~~Means a price determined by the Clearing House under FCM Regulation 11.~~ Means the omnibus account (which will consist of one or more accounts at one or more depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a depository, which is segregated in accordance with these FCM Regulations, and contains the Account Assets

deposited by such FCM Clearing Members on behalf of their FCM Clients in connection with FCM Nodal Contracts cleared for such FCM Clients by such FCM Clearing Members. The Clearing House may not physically commingle the Account Assets held in such account with the Account Assets held in any other LCH Clearing Product Client Segregated Depository Accounts; provided, however, that the Clearing House may physically commingle such assets with the assets held by the Clearing House in its client accounts relating to the clearing of Non-FCM Nodal Contracts for clients of Non-FCM Clearing Members under the UK General Regulations.

LCH SwapClear 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 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, except for the LCH Nodal Client Segregated Depository Account, in a single physical depository account with a Permitted Depository.

Nodal

= Means Nodal Exchange, LLC of 8065 Leesburg Pike, 3rd Floor, Vienna, VA 22182, United States of America.

Nodal Eligible Derivative Product

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

Nodal's Rules

= 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.

Nodal Service 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.

Nodal Trading Facility

= Means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.

<u>Non-FCM Clearing Member</u>	=	<u>Means either a SwapClear Clearing Member, a ForexClear Clearing Member, an LCH EnClear OTC Clearing Member or a Nodal Service Clearing Member, as applicable.</u>
<u>Non-FCM Contract</u>	=	<u>Means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract, a Non-FCM EnClear Contract or a Non-FCM Nodal Contract, as applicable.</u>
<u>Non-FCM EnClear Contract</u>	=	<u>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.</u>
<u>Non-FCM ForexClear Contract</u>	=	<u>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>
<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>
<u>Non-FCM SwapClear Contract</u>	=	<u>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.</u>
<u>Non-Porting Client</u>	=	<u>Has the meaning assigned to it in the FCM Procedures.</u>
<u>Official Quotation</u>	=	<u>Means a price determined by the Clearing House under FCM Regulation 10.</u>
"Open Contract" or "open contract"	-	Means an FCM- SwapClear Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms "Open Contract" and "open contract" shall not include a Closing-out Contract.
Other Specific Regulations	-	Means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.
Permitted Depository	-	Means "Permitted Depository" as such term is defined in CFTC Regulations -22.1 and -22.4 .
Portfolios	-	Has the meaning assigned to it in <u>either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.</u>
<u>Porting FCM Contracts</u>	=	<u>Has the meaning assigned to it in FCM Regulation 8(c).</u>
Price	-	Means, in the case of an FCM- SwapClear Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.

- Product - 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, (3) FCM EnClear Contracts and (4) FCM Nodal Contracts.
- Proprietary Account* - Means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM ~~SwapClear~~ Contracts made by the FCM Clearing Member for its own account or accounts of its Affiliates (but never accounts of its FCM Clients) are registered and to which monies in respect of such FCM ~~SwapClear~~ Contracts are credited.
- PPS Account(s)* - Means the Protected Payments System (PPS) bank account(s) established by FCM Clearing Members and by LCH, as described in the FCM Procedures.
- Rate X and Rate Y - 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.
- Receiving FCM Clearing Member* - Means an FCM Clearing Member receiving the transfer of part or all of the FCM ~~SwapClear~~ Contracts and Account Assets of an FCM Client from a Carrying FCM Clearing Member that previously carried such account, pursuant to ~~FCM Regulation 9 of these FCM Regulations~~8 and in accordance with the FCM Procedures.
- Reference Currency Buyer - Has the meaning assigned to it in the Clearing House's "General Regulations".
- Reference Currency Seller - Has the meaning assigned to it in the Clearing House's "General Regulations".
- Reference Price* - Means a price (howsoever called) by reference to which an FCM ~~SwapClear~~ Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.
- Registration Time* - Means, in respect of an FCM ~~SwapClear Contracts~~ Contract, the ~~meaning given in FCM Regulation 5(e) or FCM Regulation 5(f) as applicable~~ time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.
- Regulatory Body* - Means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation ~~or~~ 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 ~~SwapClear~~ 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.
- ~~SGM SwapClear Contract~~ Second EnClear Clearing Member - ~~Means a "SwapClear Contract" (as such term is defined in the U.K. General Regulations) and which is governed in accordance with the UK General Regulations. 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).
- Settlement Finality Regulations* - Means the Clearing House's Settlement Finality Regulations from time to time in force.
- Settlement Price* - Means, in relation to an FCM ~~SwapClear~~ Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
- Standard Terms* - Means ~~that part~~ those parts of the FCM ~~SwapClear~~ Contract Terms designated as Standard Terms by the Clearing House from time to time.
- ~~Suspension Sub-Account~~ SwapClear Contribution - ~~Has~~ Means, in relation to the Default Fund Rules, the meaning assigned to such term in FCM Regulation 5(o)(ii). 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.
- SwapClear Clearing Member* - Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
- SwapClear ~~DMP~~ Suspension Sub-Account* - Has the meaning assigned to ~~its such term in the SwapClear DMP Annex of the Default Rules.~~ FCM Regulation 30(g)(ii).
- Termination Amount = Has the meaning assigned to such term in FCM Regulation 24A(d)(iii).
- UK General Regulations* - Means the Default Rules, the Default Fund Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.
- UK General Procedures = Means the Clearing House's "Procedures" as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.

- Unallocated Excess* - Has the meaning assigned to such term in FCM Regulation ~~40~~9(h)(v)(A).
- Unallocated Excess Sub-Account* - Has the meaning assigned to such term in FCM Regulation ~~40~~9(i)(iii).
- Unallocated FCM SwapClear Contract* - Has the meaning assigned to such term in FCM Regulation ~~5~~30(g)(ii).
- Unallocated FCM SwapClear Transaction* - Has the meaning assigned to such term in FCM Regulation ~~5~~30(g)(i).
- Variation Margin* - Means an amount determined by the Clearing House in accordance with the FCM Procedures in respect of original contracts or Open Contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the FCM Procedures) and the value of such contracts at the Reference Price or at such other prices as the Clearing House may determine pursuant to the FCM Procedures, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures.

Withdrawal Date - Means the date upon which the Clearing House determines to withdraw the FCM SwapClear Service, the FCM ForexClear Service or the FCM EnClear Service, as applicable, in accordance with these FCM Regulations and the FCM Procedures.

In the Rulebook, except as the context may otherwise require:

(a) Any reference in these FCM Regulations or the FCM Procedures to statutes, laws or ~~statutory instruments regulations~~ (or to specific provisions within them) thereof shall be to such statutes, laws or ~~statutory instruments regulations~~ (or to specific provisions thereof within them) as amended, modified, supplemented or replaced from time to time.

(b) Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

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

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

(e) The words "include", "includes" or "including" are to be deemed followed by the words "without limitation".

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

(g) Any reference in these FCM Regulations or the FCM Procedures to a person or a party (howsoever described) shall include its legal successors or assigns.

(h) Headings are used herein for ease of reference only.

DRAFT

PART I – REGULATIONS OF GENERAL APPLICABILITY**Regulation 1 Obligations of the Clearing House to each FCM Clearing Member**

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open Contracts in accordance with these FCM Regulations. FCM Clearing Members are fully liable to the Clearing House for the performance of all obligations arising in connection with FCM ~~SwapClear~~ Contracts, regardless of whether such FCM ~~SwapClear~~ Contracts are cleared by such FCM Clearing Members as principal for their own accounts, or as agent and guarantor for their respective FCM Clients and Affiliates (as set forth in FCM Regulation 3(b)).
- (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation 1 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation 1 or any of the other FCM Regulations to any person who is not a member.

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

The Clearing House's obligations under the terms of an Open Contract shall be performed in the manner and form and by such day and time as may be prescribed in [the rules of an FCM Approved Trade Source System \(where applicable\)](#), these FCM Regulations or the FCM Procedures; provided, that where the Economic Terms of an FCM-~~SwapClear~~ Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time-; provided, further, that where the rules of an FCM Approved Trade Source System 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 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 expressly provide that performance must be made by the Clearing House by such time.

Regulation 3 FCM Clearing Member Status of the Clearing House and Application of LCH Regulations

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM ~~SwapClear~~ Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM 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 ~~SwapClear~~ Transactions involving an FCM Client or an Affiliate cleared by an FCM Clearing Member as FCM ~~SwapClear~~ Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients and Affiliates in connection with the clearing of such FCM ~~SwapClear~~ Contracts; provided, that each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM ~~SwapClear~~ Contracts.
- (c) Qualification of FCM Clearing Members. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM ~~SwapClear~~ Clearing Services. 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;
 - (iii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$50,000,000 (fifty million United States dollars); provided, that (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$50,000,000); 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;
 - (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 ~~SwapClear~~ Transactions through an FCM Approved Trade Source System;
- (v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the Clearing House Default Fund in accordance with the FCM Rulebook;
- (vi) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), be able to successfully participate or demonstrate that it has: (A) ~~an affiliated SwapClear Non-FCM~~ Clearing Member (or, alternatively, a non-~~SwapClear Clearing Member~~ clearing member Affiliate that clears through the FCM Clearing Member) that can successfully participate; or (B) an LCH Approved Outsourcing PartyAgent that can successfully participate in a ~~SwapClear~~ “fire drill” run by the Clearing House from time to time which 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) 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 SwapClear Non-FCM~~ Clearing Member (or, alternatively, a non-~~SwapClear Clearing Member~~ clearing member Affiliate that clears through the FCM Clearing Member) that can successfully participate; or (B) ~~an LCH Approved Outsourcing PartyAgent~~ that can successfully participate in the Default Management Process operated by the Clearing House;
- (viii) 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 ~~SwapClear~~ Contracts and ~~SCM SwapClear Non-FCM~~ Contracts, (of the type(s) that it is approved to clear), and any associated hedge trades, in FPML ~~format~~.
- (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.

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Regulation 4 FCM Client Business and Proprietary Account Trading

- ~~(f)~~ Subject to the provisions of these FCM Regulations, FCM ~~SwapClear~~ Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; provided, however, that each FCM Clearing Member shall, before providing FCM ~~SwapClear~~ Clearing Services to any FCM Client, ensure that:
- ~~(i)(a)~~ it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House; and, 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.
- ~~(ii)~~ the FCM Client has been provided with or has been directed to a copy of the FCM ~~SwapClear~~ Clearing End-User Notice and that the FCM Clearing Member confirms to the Clearing House in writing that it has done so.
- ~~(g)(b)~~ ~~FCM SwapClear~~ FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients, and FCM ~~SwapClear~~ Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only through an FCM Omnibus ~~OTC~~ Clearing Product Client Account with LCH maintained by the Clearing House in the name of the FCM Clearing Member for the benefit of its FCM Clients.
- ~~(h)(c)~~ If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to enter into and clear FCM ~~SwapClear~~ Contracts for their own account or accounts of their Affiliates, in each case through their Proprietary Accounts. An FCM Clearing Member wishing to provide FCM ~~SwapClear~~ Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. An FCM Clearing Member providing FCM ~~SwapClear~~ Clearing Services to its Affiliates shall notify the Clearing House of any such Affiliates and the Products cleared for ~~which it provides such FCM SwapClear Clearing Services~~ such Affiliates.
- ~~(i)(d)~~ Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its FCM Clients and any Affiliates for which it provides FCM ~~SwapClear~~ Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the FCM ~~SwapClear~~ Contracts cleared for such FCM Clients, Affiliates, or on its own behalf, and the cover held in respect of such cleared FCM ~~SwapClear~~ Contracts, subject to the provisions of the following paragraph (e). 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 each FCM

OTC Omnibus Clearing Product Client Account with LCH and in each FCM Client Segregated Sub-Account for the relevant FCM Clients.

- (j)(e) Each FCM Clearing Member shall establish and maintain ~~one or more~~ OTC 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 ~~29~~. ~~The~~ 25. ~~Each~~ Each FCM ~~OTC~~ Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and CFTC Regulations ~~and the~~. 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) ~~in such relating to Cleared Swap Products in a single~~ FCM OTC Client Segregated Depository Account in a single omnibus account established and maintained in accordance with CFTC Regulations. ~~The FCM OTC~~ FCM Clearing Members are not permitted to commingle FCM Client assets held in connection with FCM Nodal Contracts with FCM Client assets held in connection with Cleared Swap Products. Each FCM Client Segregated Depository Account maintained by each FCM Clearing Member, other than an FCM Client Segregated Depository Account established for clearing FCM Nodal Contracts, shall be designated as part of the Cleared Swaps Account Class for the purposes of Part 190 of the CFTC Regulations.
- (k)(f) The Clearing House shall establish and maintain on its books and records an FCM ~~OTC~~ Client Segregated Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of ~~the each applicable~~ FCM Omnibus OTC Clearing Product Client Account with LCH maintained for such FCM Clearing Member ~~other than FCM Omnibus Nodal Client Accounts with LCH (for which client sub-accounts are not established and maintained by the Clearing House)~~. The Clearing House shall reflect on its books and records the FCM ~~SwapClear~~ Contracts and associated 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 ~~40(h)(9)(i)~~, 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 ~~the each~~ FCM Omnibus OTC 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.
- (l)(g) The Clearing House shall establish and maintain an LCH ~~OTC~~ 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. ~~The~~ Each LCH ~~OTC~~ Clearing Product Client Segregated Depository Account shall be maintained with a Permitted Depository (or, in the case of the LCH Nodal Client Segregated Depository Account, such other depository permitted under applicable law) 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 ~~deposited or~~ held in connection with ~~FCM SwapClear Contracts~~) ~~in such FCM OTC Cleared Swaps~~, other than the LCH Nodal Client Segregated Depository

Account ~~in a single omnibus account established and maintained~~, in accordance with the CFTC Regulations. All cover deposited by FCM Clearing Members in connection with FCM ~~SwapClear~~ Contracts cleared on behalf of FCM Clients shall be held in such applicable LCH OTC Clearing Product Client Segregated Depository Accounts. Each LCH ~~OTC 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 ~~any other~~ assets ~~that of~~ the Clearing House ~~is holding for clients (other than FCM Clients)~~, and shall contain no assets other than cover deposited by FCM Clearing Members in connection with the clearing of FCM ~~SwapClear~~ Contracts on behalf of their FCM Clients. The LCH OTC Client Segregated Depository Account; provided, that in the case of the LCH Nodal Client Segregated Depository Account, such account may also contain assets deposited by Nodal Service Clearing Members on behalf of their clients and relating to the clearing of Non-FCM Nodal Contracts. Each LCH Clearing Product Client Segregated Depository Account, other than the LCH Nodal 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.

~~(m)~~(h) Where the amount of Required Margin applicable to ~~the FCM SwapClear~~ 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 (A) in the case of FCM SwapClear Contracts, FCM ForexClear Contracts or FCM EnClear Contracts, such FCM Client's relevant FCM-OTC Client Segregated Sub-Account or (B) in the case of FCM Nodal Contracts, the relevant FCM Omnibus Nodal Client Account with LCH, 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 ~~10(h)~~ and/or 9(i)), 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) 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 ~~SwapClear~~ 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 ~~R~~required Margin shall be discharged by:

- (x) if and ~~d~~ 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) ~~in~~if the obligation of the FCM Clearing Member to satisfy the ~~R~~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 ~~SwapClear~~ 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 ~~s~~ shall require its FCM Clients to satisfy such ~~gross margin~~ requirements ~~— as applicable.~~

FCM ~~SwapClear~~ Contract positions established in an FCM Clearing Member's Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements 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 ~~SwapClear~~ 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 ~~SwapClear~~ Clearing Services on a net basis, netting the positions and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or an FCM Clearing Member may impose such margin requirements on a gross basis.

~~(n)~~(i) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding the FCM ~~SwapClear~~ Contracts ~~and~~ Account Assets 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 ~~SwapClear~~ Contracts and Account Assets to be reflected in each relevant and corresponding FCM ~~OTC~~ Client Segregated Sub-Account, at such times 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 ~~SwapClear~~ Contracts by such FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf.

~~(e)~~(i) No FCM Clearing Member may withdraw any amount from any of its FCM Omnibus ~~OTC~~ Clearing Product Client Accounts with LCH or its Proprietary Account if such withdrawal would cause the account balance to be less than the Required Margin then attributable to such FCM Omnibus ~~OTC~~ Clearing Product Client Account with LCH or to such Proprietary Account, as applicable, determined by the Clearing House in accordance with the provisions of the FCM Rulebook; provided, further, that the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from its Proprietary Account if (i) the account balance in any of its FCM ~~OTC~~ Client Segregated Sub-Accounts would be less than the Required Margin then attributable to any such FCM ~~OTC~~ Client

Segregated Sub-Account and there is an insufficient amount of FCM Buffer (within the applicable account) available to offset any such deficiencies or (ii) the account balance in its FCM Omnibus Nodal Client Account with LCH would be less than the Required Margin then attributable to such account.

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~~Regulation 4 — Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression~~

- ~~(a) — In order for an FCM to submit an FCM SwapClear Transaction for registration as an FCM SwapClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as FCM SwapClear Contracts in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.~~
- ~~(b) — Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, (i) the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures and (ii) such FCM Clearing Member shall be obligated to pay, upon request of the Clearing House, all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction.~~
- ~~(c) — Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 5, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or SwapClear Clearing Member, as applicable.~~
- ~~(d) — The Clearing House shall register an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration within a commercially reasonable time, provided that:~~
- ~~(i) — both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of the) the Executing Parties;~~
 - ~~(ii) — the relevant FCM SwapClear Transaction meets the eligibility criteria prescribed in the FCM Rulebook at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;~~
 - ~~(iii) — each FCM SwapClear Contract is consented to by the relevant FCM Clearing Member (automatically or otherwise) in accordance with paragraph (b) above and Section 2.3.2 of the FCM Procedures;~~
 - ~~(iv) — the applicable FCM Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with FCM Regulation 10 and such other applicable provisions of the FCM Rulebook, all cover in respect of such~~

~~FCM SwapClear Contract prior to registration; and~~

- ~~(v) all the conditions applicable (under the terms of the FCM Rulebook or the Rulebook, as the case may be) for the registration of the other corresponding FCM SwapClear Contract or the other SCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction have been satisfied.~~

~~If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or SCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract or SCM SwapClear Contract (as the case may be) and shall not have any liability whatsoever to any FCM Clearing Member or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.~~

- ~~(e) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 5 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures ("Registration Time"). At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.~~
- ~~(f) If at any time after registration of FCM SwapClear Contracts, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as FCM SwapClear Contracts pursuant to the FCM Rulebook, the Clearing House shall, as soon as practicable thereafter, set aside such FCM SwapClear Contracts. Upon the FCM SwapClear Contracts being set aside under this FCM Regulation 5, the particulars of the corresponding FCM SwapClear Transaction in question shall be deemed never to have been submitted to the Clearing House. Any payment made under, or in respect of, an FCM SwapClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 26 and its obligations under this FCM Regulation 5, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM SwapClear Contract.~~
- ~~(g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Transactions are to be registered to furnish it with cover as a condition of registration of such FCM SwapClear Transaction(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable provisions in the FCM Rulebook.~~
- ~~(h) The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its~~

~~own protection or the protection of the relevant market, provided that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.~~

~~(i) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:~~

~~(i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one SCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the SCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or~~

~~(ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.~~

~~In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client or Affiliate.~~

~~(j) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 5(i) above:~~

~~(i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and SCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;~~

~~(ii) each FCM SwapClear Contract registered under FCM Regulation 5(i) above~~

~~shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;~~

- ~~(iii) subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and~~
- ~~(iv) subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.~~

~~In subparagraphs (3) and (4) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration); notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.~~

- ~~(k) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 5 or any other applicable provision of the FCM Rulebook.~~
- ~~(l) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 5 shall take effect.~~
- ~~(m) An FCM Clearing Member may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.~~
- ~~(n) Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, (ii) registered on behalf of the same FCM Client or (iii) registered on behalf of the same Affiliate, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM~~

~~SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 5(n), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 5(n) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 5(n) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and provided that in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).~~

- ~~(e) Unallocated FCM SwapClear Transactions. In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of an Account Manager Executing Party in accordance with the following provisions:~~
- ~~(i) An FCM SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an “Unallocated FCM SwapClear Transaction”) shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House.~~
 - ~~(ii) The FCM SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated FCM SwapClear Transaction (an “Unallocated FCM SwapClear Contract”) shall be registered in a suspense sub-account of the applicable FCM Clearing Member’s FCM Omnibus OTC Client Account with LCH (such sub-account, the “Suspension Sub-Account”).~~
 - ~~(iii) The allocation of a portion of an Unallocated FCM SwapClear Contract to an FCM Client is effected by the entering into of an FCM SwapClear Transaction between the applicable Account Manager Executing Party and the relevant~~

~~FCM Client (such transaction, an “**Allocating Transaction**”) which results in: (A) an FCM SwapClear Contract being registered in the name of the FCM Clearing Member (on behalf of the Account Manager Executing Party) having substantially the same Economic Terms (but a lower notional value) as the Unallocated FCM SwapClear Contract such that the Unallocated FCM SwapClear Contract and that FCM SwapClear Contract can be compressed in accordance with FCM Regulation 5(n); and (B) the corresponding FCM SwapClear Contract being registered in the name of the applicable FCM Client.~~

~~An FCM Clearing Member must notify the Clearing House when it submits or accepts an FCM SwapClear Transaction which is an Allocating Transaction.~~

- ~~(iv) An FCM Clearing Member that submits and clears Unallocated FCM SwapClear Transactions and Allocating Transactions must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulation 1.35) and all other applicable law, and shall be responsible for ensuring that Account Manager Executing Parties clearing through it shall be in compliance therewith.~~

Regulation 5 Treatment of Accounts at LCH

- (a) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to LCH for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with FCM Client Business.
- (c) This paragraph applies to an FCM Clearing Member's FCM Omnibus OTCClearing Product Client Accounts with LCH. FCM Omnibus OTCClearing 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) ~~including as set forth in FCM Regulation 25, 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. ~~In accordance with the foregoing, in the event, provided, that more than one the Clearing House shall be permitted to physically hold and commingle all Account Assets and other cover deposited in any FCM Omnibus OTCSwapClear Client Account with LCH, FCM Omnibus ForexClear Client Account with LCH is opened in respect of an FCM Clearing Member (unless otherwise prohibited by the or FCM Rulebook), the Clearing House shall not combine or consolidate the balances of such FCM Omnibus OTC Client Accounts Omnibus EnClear Client Account with LCH of an FCM Clearing Member in a single physical depository account with a Permitted Depository.~~
- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules) be paid, 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) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.
- (h) Subject to the provisions of the Default Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.
- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation ~~26~~4A, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member; provided, that in accordance with these FCM Regulations, including without limitation FCM Regulation ~~29~~25, an FCM Clearing Member's obligations to the Clearing House (other than solely in respect of the obligations of its FCM Clients) may never be set off with amounts in FCM ~~OTC~~-Client Segregated Depository Accounts.
- (j) Where a payment has been made to the Clearing House by an FCM Clearing Member through PPS 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.

(i)

Regulation 6 Designation

An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM ~~SwapClear~~ Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, determine in which account of the FCM Clearing Member the FCM ~~SwapClear~~ Contract shall be entered.

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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 98. [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 ~~FCM SwapClear Contracts~~ a Product held in the relevant FCM ~~OTC~~ Client Segregated Sub-Account from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) ~~the relevant FCM OTC-Client Segregated Sub-Account and all~~ of the FCM ~~SwapClear Contracts~~ of such Product entered into by the Carrying FCM Clearing Member on behalf of such FCM Client, as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the FCM ~~SwapClear Contracts~~ to be transferred (such transfer to occur by novation of such FCM ~~SwapClear Contracts~~ rather than by closeout and rebooking of new FCM ~~SwapClear Contracts~~); and (y) upon request, if any, of the Receiving FCM Clearing Member on behalf of the relevant FCM Client, all Account Assets deposited with or transferred to the Clearing House by a Carrying FCM Clearing Member and held by the Clearing House in the relevant FCM ~~OTC-Client Segregated Sub-Account~~ in respect of the FCM ~~SwapClear Contracts~~ that are being transferred to a Receiving FCM Clearing Member designated by the FCM Client as set out in the FCM Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such Account Assets); provided, that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
 - (iii) the Receiving FCM Clearing Member has consented to such transfer;
 - (iv) the Clearing House considers that it has received sufficient cover from the Receiving FCM Clearing Member in order to enable the transfer; and
 - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM ~~SwapClear~~ Contracts being transferred or the FCM Client's related collateral.

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 ~~SwapClear~~ Contracts held in the relevant FCM ~~OTC~~ Client Segregated Sub-Account (or the relevant FCM Omnibus Nodal Client Account with LCH in the case of FCM Nodal Contracts) from a Carrying FCM Clearing Member, (the ~~"Porting FCM SwapClear Contracts"~~), the Clearing House shall transfer (such transfer to occur by novation of such Porting FCM ~~SwapClear~~ Contracts rather than by closeout and rebooking of new FCM ~~SwapClear~~ Contracts) the Porting FCM ~~SwapClear~~ Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client to a Receiving FCM Clearing Member, designated by the FCM Client as set out in the FCM Procedures; provided that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
 - (iii) the Receiving FCM Clearing Member has consented to such transfer;
 - (iv) the Receiving FCM Clearing Member has provided sufficient cover to the Clearing House in respect of its current FCM ~~SwapClear~~ Contracts and the Porting FCM ~~SwapClear~~ Contracts in order to enable the transfer;
 - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and

- (vi) in the event that the transfer will lead to an increased cover requirement from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient cover to the Clearing House in respect of such increased cover requirement.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM ~~SwapClear~~ Contracts being transferred or the FCM Client's related collateral.

~~(d) Upon request from the Clearing House, and in order to facilitate a transfer pursuant to FCM Regulation 9(b), the Carrying FCM Clearing Member shall notify the Clearing House of the Account Assets which are attributable to the transferring FCM Client and, along with the Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the Account Assets that are attributable to the relevant FCM Client, the Clearing House shall transfer such collateral as it deems appropriate and as set out in the FCM Procedures.~~

~~(e)~~(d) (i) By notifying the Clearing House of a request to accept a transfer of FCM ~~SwapClear~~ Contracts of an FCM Client, and the related Account Assets if applicable, pursuant to FCM Regulation 98(b) or 98(c), the Receiving FCM Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions set forth herein and in the FCM Procedures to the transfer of the account of the FCM Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under these FCM Regulations or the FCM Procedures, the Clearing House shall transfer the FCM ~~SwapClear~~ Contract(s) into the name of the Receiving FCM Clearing Member as agent for the relevant FCM Client.

- (i) In the case where a transfer pursuant to FCM Regulation 98(b) will include the transfer of the related Account Assets in addition to the transfer of FCM ~~SwapClear~~ Contracts:

- (A) Upon completion of the transfer, the Account Assets deposited with or transferred to the Clearing House by the Carrying FCM Clearing Member and held by the Clearing House in respect of the FCM ~~SwapClear~~ Contracts that are being transferred shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to the Clearing House and subject to the security interest granted by the Receiving FCM Clearing Member pursuant to FCM Regulation ~~10~~9(o). Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Account Assets transferred.
- (B) The transfer of the FCM ~~SwapClear~~ Contracts and related Account Assets shall be deemed to occur simultaneously, and the transfer of the FCM ~~SwapClear~~ Contracts shall be conditioned on the transfer of the related Account Assets, and vice versa.

- (C) If the transfer of all such FCM ~~SwapClear~~ Contracts and related Account Assets is not completed for any reason, then any actual transfer of Account Assets or FCM ~~SwapClear~~ Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Account Assets or FCM ~~SwapClear~~ Contracts that has occurred shall be immediately unwound.
- ~~(f)~~(e) Except as may be permitted by paragraph ~~(hg)~~ below, expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an Open Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation ~~98~~, shall be void.
- ~~(g)~~(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 ~~(including the SwapClear DMP Annex)~~, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM ~~SwapClear~~ Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM ~~SwapClear~~ Contracts held by FCM Clients of the defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM ~~SwapClear~~ Contracts or by transferring such FCM ~~SwapClear~~ Contracts to the FCM Clearing Member designated by such FCM Clients; provided, that the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM ~~SwapClear~~ Contracts ~~and~~; provided, further, that the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM ~~SwapClear~~ Contracts of FCM Clients of the defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open Contracts of FCM Clients of the defaulter that it determines to be appropriate in its sole discretion, which may include (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.

~~(h)~~(g) If and to the extent permitted under the FCM Procedures, an FCM Clearing Member may transfer Open Contracts between its Proprietary Account and ~~accounts~~the FCM Client Segregated Sub-Account(s) of each of its FCM Clients, and vice versa, upon ~~a client~~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.

~~(i)~~(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 ~~98~~, 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 ~~OTC~~-Client Segregated Sub-Account (except in the case of FCM Nodal Contracts for which there are no such sub-accounts) and that the appropriate account, FCM-~~SwapClear~~ Contracts and Account Assets have been identified, and the Clearing House shall have no responsibility or liability therefor.

Regulation 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 ~~SwapClear~~ Contracts from time to time to be registered in its name as Open Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish cover to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the FCM Clearing Member to furnish cover to the Clearing House pursuant to these FCM Regulations.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any security deposited by an FCM Clearing Member as cover is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such cover as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation ~~5 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 ~~409~~.

- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM ~~SwapClear~~ Contract or to call for larger or additional amounts of cover for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any cover called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate provision of cover from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such cover by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the member is party. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as cover in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept cover in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of cover in accordance with its standard risk management procedures and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.

~~(h) Excess Margin; FCM Buffer; Unallocated FCM Collateral.~~

(h) FCM Nodal Service: Excess Margin. The provisions of this FCM Regulation 9(h) apply to the Clearing House's FCM Nodal Service. Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to the settlement of any other obligations of an FCM Clearing Member to the Clearing House:

(i) an FCM Clearing Member that is not a defaulter may request the return of any Excess Margin corresponding to its FCM Omnibus Nodal Client Account with LCH at any time, and upon such request the Clearing House shall return such Excess Margin; and

(ii) an FCM Clearing Member that is not a defaulter may request the return of any Excess Margin corresponding to any of its Proprietary Accounts at any time, and upon such request the Clearing House shall return such Excess Margin; provided, that at such time (A) each FCM Client Segregated Sub-Account held by such FCM Clearing Member has sufficient cover to satisfy the Required Margin applicable to it and (B) the FCM Omnibus Nodal Client Account with LCH of such FCM Clearing Member has sufficient cover to satisfy the Required Margin applicable to it.

The Clearing House is permitted at any time, without request of the applicable FCM Clearing Member, to transfer back to such FCM Clearing Member any Excess Margin held in its Proprietary Accounts or its FCM Omnibus Nodal Client Account with LCH.

(i) FCM SwapClear Service, FCM ForexClear Service and FCM EnClear Service: Excess Margin; FCM Buffer; Unallocated Excess. The provisions of this FCM Regulation 9(i) 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 ~~OTC~~-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 provisions of this FCM Regulation ~~10(h)~~ 9(i) 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 ~~OTC~~-Client Segregated Sub-Account ~~of~~ 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 ~~OTC~~-Client Segregated Sub-Accounts on a Day-to-Day Basis. Excess Margin is not permitted to be maintained in any FCM ~~OTC~~-Client Segregated Sub-Account on a day-to-day basis. However, an FCM Client's FCM-~~OTC~~ Client Segregated Sub-Account is permitted to hold Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM ~~Client's FCM-OTC-Client~~ Segregated Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM ~~SwapClear-Service~~ Clearing

Services shall be transferred by the Clearing House into an Unallocated Excess sub-account of the applicable FCM Omnibus ~~OTC~~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 ~~OTC~~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 ~~OTC~~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 ~~OTC~~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 ~~OTC~~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 ~~OTC~~Client Segregated Sub-Account ~~of~~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 ~~OTC~~Client Segregated Sub-Account balance and the Applied FCM Buffer applicable to such FCM Client’s FCM ~~OTC~~ 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 ~~OTC~~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 ~~OTC~~Client Segregated Sub-Account on a Business Day and remains

applied to such sub-account at the opening of the relevant FCM Swap 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 ~~cover~~ Account Assets deposited in such FCM Client's FCM ~~OTC~~ Client Segregated Sub-Account and shall thereafter no longer ~~be considered~~ constitute Applied FCM Buffer ~~(or, for the avoidance of doubt, 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 ~~of the applicable~~ corresponding to such FCM Omnibus Clearing Member 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 ~~10.9~~ 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 Member 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 ~~its~~ 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 ~~OTC~~ 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.

~~(j)~~ (i) 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~~ provided, that at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with cover in a specified form and to demand that the FCM Clearing Member replace the whole or part of any security furnished by an FCM Clearing Member pursuant to these FCM Regulations by cover in the form of cash.

~~(j)~~ (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 ~~SwapClear~~ Contract in accordance with the FCM Rulebook, the Clearing House shall return all Initial Margin attributable to such FCM ~~SwapClear~~ Contract

to the respective FCM Clearing Member, provided that no portion of such Initial Margin is required as cover or otherwise required by the FCM Rulebook for any other positions established by the FCM Clearing Member with respect to (i) its Proprietary Account (with respect to Initial Margin to be released in connection with positions for the Proprietary Account) ~~or an~~, (ii) any applicable FCM OTC Client Segregated Sub-Account(s) (with respect to Initial Margin to be released in connection with positions ~~for~~attributable to such FCM OTC Client Segregated Sub-Account(s)), or (iii) its FCM Omnibus Nodal Client Account with LCH (with respect to Initial Margin to be released in connection with such account).

~~(k)~~(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 ~~the~~any FCM Omnibus ~~OTC~~Clearing Product Client Accounts with LCH be applied to the satisfaction of proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's FCM Client Business- 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).

~~(j)~~(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 ~~(including the SwapClear DMP Annex)~~ 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 ~~(including the SwapClear DMP Annex)~~ 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 ~~OTC~~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 ~~SwapClear~~ 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 ~~OTC~~ 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~~ OTC Clearing Product Client Accounts with LCH; or (ii) ~~an FCM Client with an FCM~~ OTC Client Segregated Sub-Account by application of Account Assets held in the FCM ~~OTC~~ Client Segregated Sub-Account of another FCM Client.

~~(e)~~(p) Each FCM Clearing Member shall ensure that ~~where it has entered into~~with respect to an FCM ~~SwapClear~~ Transaction ~~which~~ results in the registration of an FCM ~~SwapClear~~ 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 ~~SwapClear~~ Contract in an amount ~~which~~ shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the Procedures.

~~(p)~~(q) Each FCM Clearing Member shall ensure that ~~no~~ FCM Client withdraws cover from ~~the~~ an FCM ~~OTC~~ Client Segregated Depository Account unless the "net liquidating value" (as ~~the~~ such term is used in Part 39 of the CFTC Regulations) plus the cover attributable to such FCM Client remaining in ~~that~~ such FCM ~~OTC~~ 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 ~~SwapClear~~ Contracts entered into on behalf of that FCM Client.

(r) 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.

(s) 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.

Regulation 10 Official Quotations and Reference Price

- (a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price determined by a third party or any Reference Price.

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Regulation 11 — Daily Marking to Market

- ~~(a) — The Clearing House shall, in accordance with the FCM Procedures, in respect of each FCM SwapClear Contract in an FCM Clearing Member's name, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.~~
- ~~(b) — The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.~~
- ~~(c) — For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.~~
- ~~(d) — The net present value of each FCM SwapClear Contract shall be calculated by the Clearing House in accordance with paragraphs (a) and (b) of this FCM Regulation 12, in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash cover for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.~~
- ~~(e) — In respect of a portfolio of FCM SwapClear Contracts and each payment date for coupon payments (in accordance with the FCM Procedures), the Clearing House shall net:~~
- ~~(i) — the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date; and~~
 - ~~(ii) — the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date;~~

~~and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this FCM Regulation 12 shall be automatically satisfied and discharged on payment by the applicable party of the excess. All netting in respect of a portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in an FCM Clearing Member's Proprietary Account and with respect to FCM SwapClear Contracts held on behalf of FCM Clients.~~

~~Regulation 12~~[Regulation 11](#) Market Disorders, Impossibility of Performance, Trade Emergency

- (a) If the Clearing House, in relation to FCM ~~SwapClear~~ Contracts, determines that one of the following conditions exists, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM ~~SwapClear~~ Contract; or
 - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM ~~SwapClear~~ Contract; or
 - (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM ~~SwapClear~~ Contract; or has given notice of its intention to do so or appears to be about to do so;
- then:
- (iv) in respect of such Open Contracts which are FCM ~~SwapClear~~ Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM ~~SwapClear~~ Contracts in accordance with FCM Regulation [4513](#) and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM ~~SwapClear~~ Contracts. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing Member who is a party to Open Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

~~Regulation 13~~ 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 ~~SwapClear~~ Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation ~~13~~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, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other in respect of affected FCM ~~SwapClear~~ Contracts, the Clearing House shall be entitled to require any of the affected FCM ~~SwapClear~~ Contracts to be performed in accordance with directions issued by the Clearing House, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM ~~SwapClear~~ Contracts.

Regulation 14~~Regulation 13~~ **Invoicing Back**

- (a) Invoicing back of an FCM Clearing Member's FCM ~~SwapClear~~ Contracts pursuant to FCM Regulation ~~4311~~ or FCM Regulation ~~4412~~ or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM ~~SwapClear~~ Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of Open Contracts in their names on the same FCM ~~SwapClear~~ Contract Terms as the FCM ~~SwapClear~~ Contracts invoiced back under paragraph (a) above.
- (c) Where Open Contracts are invoiced back pursuant to FCM Regulation ~~4311~~ or FCM Regulation ~~4412~~ the Clearing House shall make up the accounts of any FCM Clearing Member affected by such invoicing back in accordance with FCM Regulation ~~4311~~ or FCM Regulation ~~4412~~, as applicable.
- (d) Opposite FCM ~~SwapClear~~ Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation ~~4311~~, be at a price determined by the Clearing House or, in the case of FCM Nodal Contracts, at a price or (where applicable) a premium fixed or determined by the board or applicable governing body of Nodal, and shall be binding as a final settlement upon the parties affected by invoicing back. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation ~~4513~~:
- (i) "net position" means: (A) in respect of Open 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 ~~SwapClear~~ Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM ~~SwapClear~~ Contracts on the same Economic Terms; Contracts on the same Economic Terms and (B) in respect of Open Contracts in all other Products not specified in (A) above, one or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts for the same delivery month, expiry month or prompt date; and
- (ii) "opposite contract" means an FCM ~~SwapClear~~ Contract on the same terms (except as to price), as the FCM ~~SwapClear~~ Contract to be invoiced back in accordance with this FCM Regulation ~~4513~~, but where an FCM Clearing Member ~~is a floating rate payer, has position "X"~~ in respect of an FCM ~~SwapClear~~ Contract to be invoiced back, (where such FCM Contract consists of positions "X" and "Y"), such FCM Clearing Member shall ~~be a fixed rate payer, have position "Y"~~ in respect of the opposite contract and vice versa.

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~~Regulation 15~~ 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 ~~OTC~~ Client Segregated Depository Accounts and FCM Omnibus ~~OTC~~ [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.

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~~Regulation 17~~ [Regulation 16](#) Fees and Other Charges

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such FCM Clearing Members, by such times, and in such manner as may be prescribed by the FCM Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to FCM Regulation ~~10(e)~~[8\(d\)](#) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.

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~~Regulation 18~~ Regulation 17 Records

An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation ~~87~~, FCM Regulation 98 and FCM Regulation 312.

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~~Regulation 20~~ Regulation 19 Alteration of FCM Regulations and the FCM Procedures

- (a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to FCM Clearing Members, amend or extend these FCM Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these FCM Regulations may take effect so as to apply to FCM ~~SwapClear~~ Contracts registered in an FCM Clearing Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.
- (b) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the FCM Procedures by notice to such FCM Clearing Members as may be affected.
- (c) The accidental omission to give notice under this FCM Regulation 2419 to, or the non-receipt of notice under this FCM Regulation 2419 by, any FCM Clearing Member shall not invalidate the amendment or extension with which the notice is concerned.

Regulation 24REGULATION 23 GOVERNING LAW AND JURISDICTION

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

Regulation 25 REGULATION 24 **EXCLUSION OF LIABILITY**

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM ~~SWAPCLEAR~~ Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM ~~SWAPCLEAR~~ Contract, the terms of such FCM ~~SWAPCLEAR~~ Contract or whether any alleged agreement or arrangement constitutes an FCM ~~SWAPCLEAR~~ Contract.
- (b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation ~~2624~~(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of ANY NATURE whatsoever ~~NATURE~~ suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations ~~13, 14~~11, 12, 30(f) or ~~5(G40)~~(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation ~~2624~~(b) and FCM Regulation ~~2624~~(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation ~~2624~~ shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or willful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or willful default on the part of the Clearing House.
- (e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation ~~2624~~(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.

Regulation 264A **Netting**

- (a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a defaulter, under an FCM ~~SwapClear~~ Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.
- (c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM ~~SwapClear~~ Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM ~~SwapClear~~ Contract between them which would, but for this FCM Regulation-264A, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
 - (ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM ~~SwapClear~~ Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM ~~SwapClear~~ Contract where agreed by the Clearing House and the FCM Clearing Member (the "**Base Currency**"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM ~~SwapClear~~ Contract; and
 - (iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "**Termination Amount**").

- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM ~~OTC Omnibus Clearing Product~~ Client ~~Segregated Depository~~ Accounts with LCH:
- (A) the FCM Clearing Member shall determine two net amounts under paragraph (d)(iii); one net amount in respect of gains and losses arising on FCM ~~SwapClear~~ Contracts registered in the FCM Clearing Member's FCM ~~OTC Omnibus Clearing Product~~ Client ~~Segregated Depository~~ Account with LCH (or in its multiple FCM ~~OTC Omnibus Clearing Product~~ Client ~~Segregated Depository~~ Accounts with LCH as combined, if applicable; provided, that an FCM Omnibus Nodal Client Account with LCH shall not be combined with any other FCM Omnibus Clearing Product Client Accounts with LCH for these purposes) and a second net amount in respect of gains and losses arising on all other FCM ~~SwapClear~~ Contracts; and
- (B) the two net amounts determined under paragraph (iv)(1) shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall, subject to FCM Regulation ~~264B~~, 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 ~~264A~~, 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 ~~264A~~ 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 ~~65~~(i)).

Regulation 264B **Distribution of Assets**

- (a) Where (after the netting and set-off provided for in FCM Regulation ~~264A~~ and FCM Regulation 65(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation ~~264A~~ 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 ~~this~~ these FCM Regulations or the FCM Rulebook, this FCM Regulation ~~264B~~ 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 ~~264B~~, 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 26 — The reset rate for, and the net present value of, an FCM SwapClear Contract~~

~~The Clearing House may determine the reset rate for, and the net present value of, an FCM SwapClear Contract for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.~~

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~~Regulation 27 — Withdrawal of the SwapClear Service by the Clearing House~~

- ~~(a) — If at any time the Clearing House decides to withdraw the FCM SwapClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members of the date on which the service will be withdrawn ("the SwapClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this FCM Regulation 28 to, or the non-receipt of notice under this FCM Regulation 28 by, one or more FCM Clearing Members shall not invalidate the SwapClear Withdrawal Date.~~
- ~~(b) — Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 5(n), register an FCM SwapClear Contract (other than a Closing-out Contract) after notice to withdraw the service has been given under FCM Regulation 28(a).~~
- ~~(c) — If, at the SwapClear Withdrawal Date, an FCM Clearing Member or SwapClear Clearing Member has not closed out all open FCM SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:~~
- ~~(i) — liquidate any or all of such FCM SwapClear Contracts and require such FCM SwapClear Contracts to be cash settled at a price determined by the Clearing House; or~~
 - ~~(ii) — postpone the SwapClear Withdrawal Date until such time as the Clearing House determines.~~

~~Regulation 28~~ Regulation 25 Rules Relating to FCM ~~OTC~~ 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) All ~~With respect to~~ FCM Client funds ~~(deposited or held~~ 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. ~~All;~~
- (B) all such funds must be held by the applicable ~~FCM~~ Clearing Member or deposited with a Permitted Depository, and such 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 FCM Rulebook and Part ~~22~~ of the CFTC Regulations. ~~Each; 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 ~~the~~ 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 ~~29~~ 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 ~~SwapClear~~ Contracts of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, (or, in the case of the LCH Nodal Client Segregated Depository Account, such FCM Clients and the Nodal clients of Nodal Service Clearing Members), and the Clearing House shall not hold, use or dispose of such FCM Client funds except as belonging to such FCM Clients ~~-(or, in the case of the LCH Nodal Client Segregated Depository Account, such FCM Clients and the Nodal clients of Nodal Service Clearing Members)~~. Without limitation, all such funds shall be reflected in the appropriate FCM ~~OTC~~ Client Segregated Sub-Account ~~established, except in respect of FCM Client positions in FCM Nodal Contracts~~ for the appropriate FCM Client which client sub-accounts are not maintained by the Clearing House. 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 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 and/or 1.26~~ (as applicable), from such Permitted Depository that it was informed that the funds deposited in any LCH ~~OTC~~ 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 CEA, CFTC Regulations and the FCM Rulebook.
- (iii) Each FCM Clearing Member shall treat and deal with FCM Client funds as belonging to such FCM Clients. All FCM Client funds 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 respect of FCM SwapClear Contracts~~ connection with Cleared Swap Products may be physically commingled ~~in the same LCH OTC Client Segregated Depository Account~~ (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA ~~and~~ the CFTC Regulations and the FCM Rulebook; ~~provided, further, that FCM Client funds may be invested in accordance with FCM Regulation 2925(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 CEA and the regulations thereunder, or (ii) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.

(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.

~~(v)~~(vi) 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 ~~OTC~~ 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.

(c) Care of Money and Securities Accruing to FCM Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any cleared FCM ~~SwapClear~~ Contracts made by or through such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. 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 ~~such FCM Client's the relevant~~ FCM OTC Segregated Client Sub-Account of such FCM Client; provided, that in respect of FCM Nodal Contracts received in an FCM Omnibus Nodal Client Account with LCH, each such account may be treated and dealt with as belonging undivided to the applicable FCM Clients having open cleared FCM Nodal Contracts which if closed would result in a credit to such FCM Clients' accounts.

(d) Use of FCM Client Funds Restricted. No FCM Clearing Member shall use, or permit the use of, FCM Client funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Client funds held in an FCM ~~OTC~~ Client Segregated Depository Account (other than FCM Client funds in an FCM Client Segregated Depository Account used to margin or secure FCM Nodal Contracts) shall not be used to carry trades or positions of the same FCM Client other than in connection with ~~FCM SwapClear Contracts or other Cleared Swaps. In addition, Account Assets held in an FCM OTC Client Segregated Sub-Account shall not be used to margin or carry trades or positions of any FCM Client other than the FCM Client for which such FCM OTC Client Segregated Sub-Account is held~~ Cleared Swap Products or other Cleared Swaps.

- (e) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. FCM Regulation [2925\(b\)](#), 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 [2925\(g\)](#), 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 ~~the Clearing House, a bank, trust company or other FCM Clearing Member, provided~~ 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 ~~SwapClear~~ Contracts of the FCM Clients of such FCM Clearing Member.
- (g) Investments of FCM Client Funds. An FCM Clearing Member or the Clearing House may invest FCM Client funds subject to the terms and conditions set forth in CFTC Regulation 1.25, which regulation shall apply to such funds in accordance with the provisions of the CEA and CFTC Regulations thereunder related to transactions in the Cleared Swaps Account Class.
- (h) Deposit of Instruments Purchased with FCM Client Funds.
- (i) Each FCM Clearing Member that invests FCM Client funds in instruments permitted under FCM Regulation [2925\(g\)](#) 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 ~~2925~~(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, other than relating to the clearing of FCM Nodal Contracts, 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)-; provided, further, that assets held in the LCH Nodal Client Segregated Depository Account may be commingled with assets deposited by Nodal Service Clearing Members on behalf of their clients and relating to the clearing of Non-FCM Nodal Contracts.~~ Such instruments, when deposited with ~~a~~ 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) 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 2925(g).
- (j) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client funds in instruments permitted under FCM Regulation 2925(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 2925(g) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (l) FCM Segregated Accounts; Daily Computation and Record.
 - (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
 - (A) the aggregate amount of FCM Client funds on deposit in its FCM Segregated Accounts on behalf of FCM Clients, including the amounts 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 ~~29~~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) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM ~~SwapClear~~ Contracts of such FCM Clients. Such record shall show separately for each FCM Client: a description of the securities or property received; the name and address of such FCM Client; the dates when the securities or property were received; the identity of the 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's regulations~~CFTC Regulations, as well as any other applicable CFTC Regulations, including as provided in FCM Regulation ~~29~~25(o).
- (o) Change in Law or Regulations. The Clearing House shall enforce the rules set forth in this FCM Regulation ~~29~~25 (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 26 Acknowledgements and Agreements of FCM Clients and Affiliates

Each FCM Client and Affiliate, by participating in FCM ~~SwapClear~~-Transactions and entering FCM ~~SwapClear~~ Contracts through its respective FCM Clearing Member(s), shall be deemed to understand, acknowledge and agree that:

- (p)(a) the services provided by the Clearing House with regard to the FCM ~~SwapClear~~ Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;
- (q)(b) the FCM Regulations shall govern the registration of FCM ~~SwapClear~~ Contracts and all transactions between an FCM Client or Affiliate and its FCM Clearing Member resulting in the registration of FCM ~~SwapClear~~ Contracts, and at the time of registration of an FCM ~~SwapClear~~ Contract the FCM Client or Affiliate on whose behalf it was registered will be deemed to be bound by the relevant FCM ~~SwapClear~~ Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including, without limitation, all applicable terms of the FCM Regulations and ~~Schedule A~~ the schedules thereto) automatically and without any further action by such FCM Client or Affiliate or by its FCM Clearing Member, and such FCM Client or Affiliate agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM ~~SwapClear~~ Contracts in all respects;
- (r)(c) the provisions of FCM Regulation 2624 (Exclusion of Liability) shall apply to each FCM Client and Affiliate *mutatis mutandis* as though entered into by each FCM Client and Affiliate directly with the Clearing House;
- (s)(d) the Clearing House shall be under no obligation to deal directly with any FCM Client or Affiliate, and the Clearing House may deal exclusively with the FCM Clearing Members;
- (t)(e) upon the default of an FCM Client's or Affiliate's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's or Affiliate's FCM ~~SwapClear~~ Contracts entered into by such FCM Clearing Member, subject to applicable law, regardless of whether such FCM Client or Affiliate had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;
- (u)(f) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client or an Affiliate;
- (v)(g) where an FCM Clearing Member provides an FCM Client's or Affiliate's securities or other assets to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and applicable law, and FCM Clients and Affiliates shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and applicable law; and
- (w)(h) each FCM Client and Affiliate provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any securities or other assets of such FCM

Client or Affiliate in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as cover for the purposes of clearing FCM ~~SwapClear~~ Contracts entered on behalf of the FCM Client or Affiliate.

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SCHEDULE A TO THE FCM

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[Regulations 27-29: \[Reserved\]](#)

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PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS**Part A****FCM SwapClear Contract Terms****Regulation 30 Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts**

- (a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.
- (b) Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, (i) the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures and (ii) such FCM Clearing Member shall be obligated to pay, upon request of the Clearing House, all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction.
- (c) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 30, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) The Clearing House shall register an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration within a commercially reasonable time, provided that:
- (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;
 - (ii) the relevant FCM SwapClear Transaction meets the eligibility criteria prescribed in the FCM Rulebook at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;

- (iii) such FCM SwapClear Contract is consented to by the relevant FCM Clearing Member (automatically or otherwise) in accordance with paragraph (b) above and Section 2A.3.2 of the FCM Procedures;
- (iv) the applicable FCM Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with FCM Regulation 9 and such other applicable provisions of the FCM Rulebook, all cover in respect of such FCM SwapClear Contract prior to registration; and
- (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction, have been satisfied.

If for any reason in respect of an FCM SwapClear Contract the other FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any SwapClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

- (e) Notwithstanding the satisfaction of the conditions in paragraph (d) of this FCM Regulation 30 in respect of an FCM SwapClear Contract, the Clearing House may decline at its discretion to register such FCM SwapClear Contract where it has not received sufficient cover in respect of FCM SwapClear Contracts and/or Non-FCM SwapClear Contracts which are "other SwapClear Contracts" in relation to that FCM SwapClear Contract as described in Section 2A.3.4 of the Procedures.
- (f) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 30 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures ("**Registration Time**"). At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.
- (g) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration pursuant to the FCM Rulebook, the Clearing House shall, as soon as practicable thereafter, set aside such FCM SwapClear Contract. Upon the FCM SwapClear Contract being set aside under this FCM Regulation 30, the particulars of the corresponding FCM SwapClear Transaction in question shall be deemed never to have been submitted to the Clearing House. Any payment made under, or in respect of, an FCM SwapClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 30,

the Clearing House (and each other member of the LCH.Clearent Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM SwapClear Contract.

(h) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with cover as a condition of registration of such FCM SwapClear Contract(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable provisions in the FCM Rulebook.

(i) The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, provided that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.

(j) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:

(i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one Non-FCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the Non-FCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or

(ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client or Affiliate.

(k) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 30(j) above:

(i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and Non-FCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;

(ii) each FCM SwapClear Contract registered under FCM Regulation 30(j) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;

(iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and

(iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

(l) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 30 or any other applicable provision of the FCM Rulebook.

(m) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed

to be the time chosen by the Clearing House whereupon this FCM Regulation 30 shall take effect.

(n) An FCM Clearing Member approved to provide FCM SwapClear Clearing Services may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.

(o) Compression. Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, (ii) registered on behalf of the same FCM Client or (iii) registered on behalf of the same Affiliate, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 30(o), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 30(o) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 30(o) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and provided that in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original

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

(p) SwapClear Accounts. All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or associated cover and other payments and deliveries other than in connection with FCM SwapClear Contracts. Furthermore, the LCH SwapClear Client Segregated Depository Account shall not contain any FCM Contracts other than FCM SwapClear Contracts or associated cover and other payments and deliveries other than in connection with FCM SwapClear Contracts.

(q) Unallocated FCM SwapClear Transactions. In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of an Account Manager Executing Party in accordance with the following provisions:

(i) An FCM SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an “**Unallocated FCM SwapClear Transaction**”) shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House.

(ii) The FCM SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated FCM SwapClear Transaction (an “**Unallocated FCM SwapClear Contract**”) shall be registered in a suspense sub-account of the applicable FCM Clearing Member’s FCM Omnibus SwapClear Client Account with LCH (such sub-account, the “**SwapClear Suspension Sub-Account**”).

(iii) The allocation of a portion of an Unallocated FCM SwapClear Contract to an FCM Client is effected by the entering into of an FCM SwapClear Transaction between the applicable Account Manager Executing Party and the relevant FCM Client (such transaction, an “**Allocating SwapClear Transaction**”) which results in: (A) an FCM SwapClear Contract being registered in the name of the FCM Clearing Member (on behalf of the Account Manager Executing Party) having substantially the same Economic Terms (but a lower notional value) as the Unallocated FCM SwapClear Contract such that the Unallocated FCM SwapClear Contract and that FCM SwapClear Contract can be compressed in accordance with FCM Regulation 30(o); and (B) the corresponding FCM SwapClear Contract being registered in the name of the applicable FCM Client.

An FCM Clearing Member must notify the Clearing House when it submits or accepts an FCM SwapClear Transaction which is an Allocating SwapClear Transaction.

(iv) An FCM Clearing Member that submits and clears Unallocated FCM SwapClear Transactions and Allocating SwapClear Transactions must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulation 1.35) and all other applicable law, and shall be responsible for ensuring that Account Manager Executing Parties clearing through it shall be in compliance therewith.

Regulation 31 Daily Marking to Market

- (a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each FCM SwapClear Contract in an FCM Clearing Member's name, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.
- (b) The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.
- (c) For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.
- (d) The net present value of each FCM SwapClear Contract shall be calculated by the Clearing House in accordance with paragraphs (a) and (b) of this FCM Regulation 31, in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash cover for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.
- (e) Netting of Coupon Payments with respect to FCM SwapClear Contracts. In respect of a portfolio of FCM SwapClear Contracts and each payment date for Coupon Payments (in accordance with the FCM Procedures), the Clearing House shall net:
- (i) the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date; and
 - (ii) the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date.

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this FCM Regulation 31 shall be automatically satisfied and discharged on payment by the applicable party of the excess. All netting in respect of a portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in an FCM Clearing Member's Proprietary Account and with respect to FCM SwapClear Contracts held on behalf of FCM Clients in the relevant FCM Client Segregated Sub-Account.

Regulation 32 The reset rate for, and the net present value of, an FCM SwapClear Contract

The Clearing House may determine the reset rate for, and the net present value of, an FCM SwapClear Contract for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

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Regulation 33 Withdrawal of the FCM SwapClear Service by the Clearing House

- (a) If at any time the Clearing House decides to withdraw the FCM SwapClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM SwapClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 33 to, or the non-receipt of notice under this FCM Regulation 33 by, one or more FCM Clearing Members shall not invalidate the Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 30(o), register an FCM SwapClear Contract (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 33(a).
- (c) If, with respect to FCM SwapClear Clearing Services, at the Withdrawal Date an FCM Clearing Member or Non-FCM Clearing Member has not closed out all of the applicable open FCM SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:
- (i) liquidate any or all of such FCM SwapClear Contracts and require such FCM SwapClear Contracts to be cash settled at a price determined by the Clearing House; or
 - (ii) postpone the Withdrawal Date until such time as the Clearing House determines.

[Regulations 34-39: \[Reserved\]](#)

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PART III – REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS**Regulation 40 Registration of FCM ForexClear Contracts; ForexClear Accounts**

- (a) In order for an FCM to submit an FCM ForexClear Transaction for registration as an FCM ForexClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).
- (b) [Intentionally Omitted].
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 40, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM ForexClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 40, an FCM ForexClear Transaction, particulars of which are submitted for registration as an FCM ForexClear Contract, must meet the eligibility criteria prescribed in these FCM Regulations and the FCM Procedures at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM ForexClear Contract, at which time the FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be) shall replace and supersede such corresponding FCM ForexClear Transaction.
- (e) The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation 40 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM ForexClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule B hereto.
- (f) Ineligible Registered FCM ForexClear Transactions.
- (i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM

ForexClear Contract pursuant to the FCM Rulebook in existence at the Registration Time (such an FCM ForexClear Transaction, an "Ineligible FCM ForexClear Transaction"), the Clearing House shall, as soon as practicable thereafter set aside such FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be).

- (ii) Ineligible FCM ForexClear Transactions. Upon an FCM ForexClear Contract being set aside under subsection (i) above (such set aside contract, an "Ineligible FCM ForexClear Contract"), the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM ForexClear Contract via the ForexClear Matcher that such Ineligible FCM ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (A) such Ineligible FCM ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (B) all Variation Margin (if any) paid by the Clearing House or by an FCM Clearing Member in respect of such Ineligible FCM ForexClear Contract shall be retained by the receiving party upon termination; (C) where there is a difference between the value of the Ineligible FCM ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible FCM ForexClear Contract at the time of the next official settlement rate for the relevant currency pair, then a payment shall be made between the FCM Clearing Members (or one FCM Clearing Member and one Non-FCM Clearing Member, as the case may be) to the original Ineligible FCM ForexClear Transaction equal to such difference; and (D) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible FCM ForexClear Contract and shall be retained by the receiving party upon termination in accordance with clause (A) of this paragraph as a termination payment.

The Clearing House may not determine an FCM ForexClear Transaction to be an Ineligible FCM ForexClear Transaction after the Valuation Date (as defined in Part A of Schedule B to these FCM Regulations) in respect of the FCM ForexClear Contracts arising from the registration of such FCM ForexClear Transaction has occurred.

The Clearing House shall provide no less than 10 business days' prior notice (including by email) to FCM Clearing Members providing FCM ForexClear Clearing Services of an amendment to the eligibility criteria for the registration of FCM ForexClear Contracts.

- (iii) Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 40, the Clearing House (and each other member of the LCH.Clearent Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear 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 ForexClear Contract.

- (g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM ForexClear Transactions are to be registered to furnish it with cover as a condition of registration of such FCM Transaction(s), and such cover shall be furnished to the Clearing House in

accordance with FCM Regulation 9 and such other applicable provisions in the FCM Rulebook.

- (h) The Clearing House may decline to register an FCM ForexClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market; provided, that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM ForexClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM ForexClear Transaction is to be registered.
- (i) Registration of FCM ForexClear Transactions. An FCM ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (i) in the case where one Executing Party clears its side of such FCM ForexClear Transaction either through a Non-FCM Clearing Member or directly with the Clearing House in its capacity as a Non-FCM Clearing Member, and the other Executing Party clears its side of such FCM ForexClear Transaction as or through an FCM Clearing Member, as one Non-FCM ForexClear Contract pursuant to the UK General Regulations applicable to Non-FCM Clearing Members and one FCM ForexClear Contract pursuant to these FCM Regulations, where (i) the FCM ForexClear Contract shall be registered between the FCM Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller (or vice versa as applicable), and (ii) the Non-FCM ForexClear Contract shall be registered between the Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable);
or
- (ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.
- (iii) In each of the foregoing cases in clauses (i) and (ii) above, to the extent the FCM ForexClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM ForexClear Contract cleared on behalf of its FCM Client or Affiliate.

(j) Effect of Registration of FCM ForexClear Transactions. With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation 40(i):

(i) Such FCM ForexClear Transaction shall be extinguished and replaced by the corresponding FCM ForexClear Contracts (or if applicable, the corresponding FCM ForexClear Contract and Non-FCM ForexClear Contract), and the parties to such FCM ForexClear Transaction shall be released and discharged from all rights and obligations under such FCM ForexClear Transaction which fall due for performance on or after the Registration Time.

(ii) Each FCM ForexClear Contract registered under FCM Regulation 40(i) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.

(iii) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Buyer under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction; and

(iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.

In subsections (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM ForexClear Transaction (it being assumed, for this purpose, that such FCM ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

(k) If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation 40 or any other applicable provision of the FCM Rulebook.

(l) In the case of an FCM ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 40 shall take effect.

(m) An FCM Clearing Member may provide any of its approved FCM Clearing Services in connection with FCM ForexClear Contracts or FCM ForexClear Transactions to any of its Affiliates. Such FCM Clearing Services shall be

provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.

- (n) ForexClear Accounts. All FCM Omnibus ForexClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM ForexClear Contracts or associated cover and other payments and deliveries other than in connection with FCM ForexClear Contracts. Furthermore, the LCH ForexClear Client Segregated Depository Account shall not contain any FCM Contracts other than FCM ForexClear Contracts or associated cover and other payments and deliveries other than in connection with FCM ForexClear Contracts.

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Regulation 41 Cancellation of FCM ForexClear Contracts

- (a) An FCM Clearing Member may, in accordance with this FCM Regulation 41 and the FCM Procedures, cancel an FCM ForexClear Contract to which it is a party.
- (b) The Clearing House shall have no obligation to inform, notify or seek the consent of any FCM Clearing Member (or Non-FCM Clearing Member) prior to cancelling an FCM ForexClear Contract in accordance with this FCM Regulation 41.
- (c) The cancellation of an FCM ForexClear Contract to which an FCM Clearing Member is a party (referred to in this FCM Regulation 41 as the "First ForexClear Contract") is contingent upon, *inter alia*, the cancellation of the corresponding FCM ForexClear Contract (or Non-FCM ForexClear Contract, if applicable) that arose from the same underlying FCM ForexClear Transaction (referred to in this FCM Regulation 41 as the "Second ForexClear Contract"), and vice versa.
- (d) The date and time of the cancellation of an FCM ForexClear Contract shall be as reported by the Clearing House in accordance with the FCM Procedures and shall be binding on FCM Clearing Members (and Non-FCM Clearing Members, as applicable).
- (e) The Clearing House may decline to cancel an FCM ForexClear Contract if:
- (i) in the opinion of the Clearing House acting in its sole discretion, the cancellation of that FCM ForexClear Contract is not consistent with the FCM Rulebook (and if applicable the UK General Regulations) and any policies of the clearing house concerning risk management; or
 - (ii) there is insufficient margin standing to the credit of an FCM Clearing Member's account to accommodate the cancellation of the First ForexClear Contract and/or the Second ForexClear Contract.
- (f) With effect from the time of the cancellation of an FCM ForexClear Contract in accordance with this FCM Regulation 41, neither the FCM Clearing Member nor the Clearing House shall have any obligations under the terms of that FCM ForexClear Contract and liability in respect thereof.

Regulation 42 Variation Margin

- (a) The Clearing House shall, at least daily and in accordance with and at the times stated in the Procedures, pay to, or require payment from, an FCM Clearing Member cash cover for variation margin in respect of any FCM ForexClear Contracts registered on behalf of such FCM Clearing Member. The amount paid represents the change from the preceding business day in the net present value of all FCM ForexClear Contracts registered in such FCM Clearing Member's name.
- (b) The net present value of each FCM ForexClear Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.
- (c) The Clearing House pays to (or receives from) each applicable FCM Clearing Member interest on cash cover received (or paid) by the Clearing House, calculated in accordance with the Procedures, in respect of open FCM ForexClear Contracts.
- (d) All payments by an FCM ForexClear Clearing Member made pursuant to this FCM Regulation 42 to the Clearing House shall be reflected in the relevant FCM Omnibus ForexClear Client Account with LCH.
- (e) This FCM Regulation 42 is without prejudice to the Clearing House's right to require cover to be provided to it under FCM Regulation 9.

Regulation 43 Withdrawal of the FCM ForexClear Service by the Clearing House

- (a) If at any time the Clearing House decides to withdraw the FCM ForexClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM ForexClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 43 to, or the non-receipt of notice under this FCM Regulation 43 by, one or more FCM Clearing Members shall not invalidate the Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM ForexClear Contract (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 43(a).
- (c) If, five Business days prior to the Withdrawal Date, an FCM Clearing Member or Non-FCM Clearing Member has not closed out all of the applicable open FCM ForexClear Contracts registered in its name, the Clearing House may, in its sole discretion and upon five Business Days' notice to the FCM Clearing Members providing FCM ForexClear Clearing Services:
- (i) liquidate any or all of such FCM ForexClear Contracts and require such FCM ForexClear Contracts to be cash settled at a price determined by the Clearing House; or
 - (ii) postpone the Withdrawal Date until such time as the Clearing House determines.

Regulations 44-49: [Reserved]

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PART IV – REGULATIONS APPLICABLE TO FCM ENCLEAR CONTRACTS**Regulation 50 Registration of FCM EnClear Contracts**

- (a) An FCM EnClear Clearing Member must submit particulars of an FCM EnClear Transaction for registration as an FCM EnClear Contract, through such means as shall be prescribed by the FCM Procedures.
- (b) Without prejudice to the Clearing House's rights under FCM Regulation 50(f), an FCM EnClear Clearing Member shall be bound by an FCM EnClear Contract registered in its name pursuant to the presentation of particulars of an FCM EnClear Transaction by it or on its behalf, or by an Approved Broker or presented by another FCM EnClear Clearing Member provided that the particulars of such FCM EnClear Transaction are submitted to the Clearing House through such means as shall be prescribed by the FCM Procedures.
- (c) Without prejudice to the Clearing House's rights under FCM Regulation 50(f), an FCM EnClear Transaction, the particulars of which are submitted for registration as an FCM EnClear Contract, must meet the eligibility criteria prescribed in these FCM Regulations and the FCM Procedures at the time the particulars of such FCM EnClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM EnClear Contract.
- (d) The Clearing House shall be deemed to register an FCM EnClear Contract, in accordance with this FCM Regulation 50 in the name of an FCM EnClear Clearing Member at the Registration Time.
- (e) For the avoidance of doubt, any transaction of which details have been submitted by, or on behalf of, an FCM EnClear Clearing Member or by an Approved Broker for registration as an FCM EnClear Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (f) If at any time after registration of an FCM EnClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not an FCM EnClear Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as an FCM EnClear Contract, the Clearing House shall, as soon as practicable thereafter, set aside such FCM EnClear Contract. Upon the FCM EnClear Contract being set aside under this FCM Regulation 50 (f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto. Any payment made under, or in respect of, an FCM EnClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 50(f), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM EnClear 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 EnClear Contract.

Regulation 51 FCM EnClear Contracts

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

(i) "First EnClear Clearing Member" is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or Non-FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the seller, or party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be; and

(ii) "Second EnClear Clearing Member" is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or the Non-FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the buyer, or the party paying a Floating Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be.

For the purposes of this FCM Regulation 51, "Accepted" shall mean that the relevant FCM EnClear Clearing Member (or LCH EnClear OTC Clearing Member, where applicable) has agreed, by such means as may be prescribed from time to time by the FCM Procedures, to become counterparty with the Clearing House to such FCM EnClear Contract (or Non-FCM EnClear Contract, where applicable).

(b) With effect from registration of an FCM EnClear Transaction as either two FCM EnClear Contracts or one FCM EnClear Contract and one Non-FCM EnClear Contract, as the case may be, under FCM Regulation 51(a):

(i) the parties to the corresponding FCM EnClear Transaction, to the extent that they are bound by these FCM Regulations or the UK General Regulations, shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding FCM EnClear Transaction are not bound by these FCM Regulations or the UK General Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;

(ii) each FCM EnClear Contract registered under FCM Regulation 51(a) shall be governed by the relevant FCM EnClear Contract Terms as applicable to that FCM EnClear Contract;

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

(iv) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non-FCM EnClear 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 EnClear 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 Economic Terms of the corresponding FCM EnClear Transaction (it being assumed, for this purpose, that such FCM EnClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

(c) If an FCM EnClear 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 EnClear Contract arising under this FCM Regulation 51 (including any subsequent FCM EnClear Contract novated or transferred in accordance with the FCM Rulebook, if applicable).

(d) In the case of an FCM EnClear 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 51 shall take effect.

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, or expiry month and price, shall be registered in that FCM Clearing Member's name.

Regulation 53 Withdrawal of the FCM EnClear Service by the Clearing House

- (a) If at any time the Clearing House decides to withdraw its FCM EnClear Service (or any part of it) it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM EnClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 52 to, or the non-receipt of notice under this FCM Regulation 52 by one or more FCM Clearing Members shall not invalidate the Withdrawal Date. Where only a part of the FCM EnClear Service is being withdrawn, notice shall only be given to those FCM Clearing Members authorised or approved to participate in that part of the FCM EnClear Service.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM EnClear Contract, other than a Closing-out Contract after notice to withdraw the service has been given under FCM Regulation 52(a).
- (c) If, at the Withdrawal Date, an FCM Clearing Member has not closed out all open FCM EnClear Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:
- (i) liquidate any or all of such FCM EnClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and
 - (ii) postpone the Withdrawal Date until such time as the Clearing House determines.

Regulations 54-59: [Reserved]

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PART V – 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, 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.
- (i) Treatment of FCM Client Funds Held or Deposited in Connection with FCM Nodal Transactions and FCM Nodal Contracts. Subject to the provisions of FCM Regulation 25(o), with respect to the treatment by FCM Clearing Members of FCM Client funds held in connection with FCM Nodal Transactions and FCM Nodal Contracts, the FCM Rulebook shall not be construed to require FCM Clearing Members to segregate such FCM Client funds to any greater extent than as required under the CEA, the CFTC Regulations and other applicable law.

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;

- (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.

Regulation 63 Exercise of Options; Delivery Contract Arising upon the Exercise of an Option and Event Protection Contracts

- (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 Nodal's 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 Nodal's Rules, or if no such day is so prescribed, on the next business day.
- (b) Subject to Nodal's Rules an option may be exercised by notice in writing or in such other form as may be prescribed by Nodal's 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 Nodal's Rules so provide, be deemed to have been exercised in accordance with Nodal's Rules or, where relevant, the Procedures.
- (c) Subject to Nodal's Rules, an option may be abandoned by notice in writing or in such other form as may be prescribed by Nodal's 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 Nodal's Rules or, where relevant, the FCM Procedures.
- (d) If permitted under Nodal's Rules or, where relevant, the FCM Procedures, an option may be exercised or abandoned by or on behalf of a Member prior to the day and time referred to in paragraph (a) above in accordance with Nodal's 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 without making any enquiry, investigation or check as to whether it complies with Nodal's Rules or as to the authority of any person purporting to exercise or abandon an option on behalf of an FCM Nodal Clearing Member save that the Clearing House may reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if it does not appear to comply with Nodal's Rules or the FCM Procedures notwithstanding that it may as buyer have passed on such notice or other prescribed form of exercise or abandonment to a seller.
- (f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a buyer under the terms of an option contract, the Clearing House may exercise or abandon an option in accordance with Nodal's 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 63, the option contract shall be replaced by novation by an Open Contract on the terms specified in the option contract at the strike price or at some other price in accordance with the terms of such option contract.
- (i) Subject to these FCM Regulations open contracts which are delivery contracts shall be fulfilled in accordance with Nodal's Rules. No delivery contract shall be for a unit or quantity smaller than one lot and the amount or quantity to be delivered shall be one lot

or such other amount or quantity as may be specified for the commodity in Nodal's Rules from time to time after agreement with the Clearing House.

(j) Where an Open Contract which is a delivery contract arises by novation (pursuant to paragraph (h) above) upon the exercise or deemed exercise of an option, the buyer under the terms of the delivery contract shall give to the Clearing House such information as may be prescribed by Nodal's Rules or, where relevant, the FCM Procedures by the time and in the manner specified in Nodal's Rules or the FCM Procedures. The Clearing House as buyer under the terms of a delivery contract shall, in accordance with FCM Regulation 2, give to the seller under the terms of such contract, such information as may be prescribed by Nodal's Rules or the FCM Procedures.

(k) The seller under the terms of a delivery contract shall deliver the commodity to the Clearing House as buyer in such manner and at such time as may be prescribed in Nodal's Rules or, where relevant, the FCM Procedures, and the Clearing House as seller under the terms of a delivery contract shall, in accordance with FCM Regulation 2, deliver the commodity the subject of such contract to an FCM Nodal Clearing Member (or Nodal Service Clearing Member, if applicable) as buyer under the terms of such contract.

(l) The buyer shall pay the price and such other amounts to the Clearing House as may be required by Nodal's Rules or, where relevant, the FCM Procedures in the form and manner and by the time prescribed in Nodal's Rules or the FCM Procedures, and the Clearing House shall, in accordance with FCM Regulation 2, pay the seller his price and such other amounts as may be required by Nodal's Rules or, where relevant, the FCM Procedures.

(m) Notwithstanding paragraphs (k) and (l) above, the Clearing House may in its absolute discretion in accordance with the FCM Procedures:

(i) direct an FCM Nodal Clearing Member or Nodal Service Clearing Member who is a seller under a delivery contract to deliver the commodity the subject matter of such contract to such other FCM Nodal Clearing Member (or Nodal Service Clearing Member, if applicable), being a buyer under a delivery contract, as the Clearing House may appoint; and

(ii) direct an FCM Nodal Clearing Member or Nodal Service Clearing Member who is a buyer under a delivery contract to pay the price and any other amounts payable pursuant to such contract to such other FCM Nodal Clearing Member (or Nodal Service Clearing Member, if applicable), being a seller under a delivery contract, as the Clearing House may appoint;

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

(n) If an invoice is not ready when payment becomes due pursuant to this FCM Regulation 63, payment shall be made and received on account.

Regulation 64 **Obligation to Make and Accept Tender under Cleared Exchange Contracts; Delivery Contracts; Open Contracts Subject to Tender; Open Contracts Subject to Tender; Restrictions on Clearing House's Obligations and Liability; Arbitration; Cover in Event of a Claim; Default of a Member; Substituted Obligation**

- (a) Obligation to Make and Accept Tender under Cleared Exchange Contracts.
- (i) Subject to these FCM Regulations open contracts which are FCM Nodal Contracts shall be fulfilled in accordance with Nodal's Rules or the FCM Procedures. No FCM Nodal Contract shall be for a unit or quantity smaller than one lot and the amount or quantity tendered shall be for one lot or such other amount or quantity as may be specified for the commodity in Nodal's Rules from time to time after agreement with the Clearing House. Where the terms of an FCM Nodal Contract so permit, the Clearing House may give directions to one or more FCM Nodal Clearing Members concerning the performance of such contract and in such case each such FCM Nodal Clearing Member shall be bound by and shall comply with any such direction.
 - (ii) Paragraphs (iii) to (xii) below and FCM Regulations 64(c) and 64(d) shall not apply to FCM Nodal Contracts which are contracts for differences or such option contracts as the FCM Procedures may prescribe. FCM Nodal Clearing Members shall fulfil their obligations to the Clearing House under the terms of such contracts in the manner and by the time prescribed by Nodal's Rules, these FCM Regulations and the FCM Procedures. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of such contracts in accordance with FCM Regulation 2. FCM Regulation 64(b) shall apply and paragraphs (iii) to (xi) below shall not apply to delivery contracts.
 - (iii) An FCM Nodal Clearing Member, as seller in respect of an FCM Nodal Contract in its name which is not to be settled pursuant to FCM Regulation 62, shall give a tender to the Clearing House as buyer, together with such other documents as may be required by Nodal's Rules or the FCM Procedures by the time specified in Nodal's Rules or the FCM Procedures in respect of an FCM Nodal Contract for a particular delivery month or prompt date, and in the form and manner prescribed by Nodal's Rules or the FCM Procedures. The Clearing House, as seller in respect of an FCM Nodal Contract which is not to be settled pursuant to FCM Regulation 62, shall in accordance with FCM Regulation 2 give a tender to the buyer under the terms of such contract, together with such other documents as may be required by Nodal's Rules or the FCM Procedures.
 - (iv) A seller or buyer shall give to the Clearing House such additional documents or information required by Nodal's Rules to be given in respect of an open contract subject to tender by the time prescribed by Nodal's 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 open contract subject to tender shall in accordance with FCM Regulation 2 give such additional documents or information to the buyer (or seller) under the terms of such contract.

- (v) The Clearing House shall be under no obligation to check a tender or documents received from an FCM Nodal Clearing Member pursuant to paragraph (iii) or (iv) above. The passing on by the Clearing House of such tender or such documents received from a seller (or buyer as the case may be) pursuant to the terms of an open contract subject to tender, to a buyer (or seller as the case may be) pursuant to the terms of an open contract subject to tender, shall not constitute acceptance by the Clearing House of such tender or such documents, and if the FCM Nodal Clearing Member to whom it passed on such tender or such documents rejects the same where permitted by Nodal's Rules, the Clearing House shall be entitled to reject the same as against the FCM Nodal Clearing Member from whom it received such tender or such documents.
- (vi) Every buyer (not being the Clearing House) that has an FCM Nodal 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 (iii) any tender or documents complying with Nodal's Rules which is given to it by the Clearing House in accordance with FCM Regulation 2.
- (vii) Subject to paragraph (v), no tender may be withdrawn or substituted by the seller once such tender is received by the buyer except with the consent of such buyer or otherwise in accordance with Nodal's Rules.
- (viii) Where permitted by Nodal's Rules, a tender together with such other documents as may be required by Nodal's Rules or the FCM Procedures may be given to the Clearing House by or on behalf of a seller in respect of an original exchange contract to which the seller is party, such tender to be given to the Clearing House together with such particulars of the contract as may be required by the Clearing House, including if required the name of the buyer in respect of such contract, by the time specified in Nodal's Rules or the FCM Procedures. Registration of such contract in the name of the seller shall be effected as prescribed by the FCM Procedures.
- (ix) The Clearing House may give a tender, together with such other documents as may be required by Nodal's Rules or the FCM Procedures, to a buyer in respect of an original exchange contract to which the buyer is party. Such particulars of the contract as the Clearing House may require shall be furnished by or on behalf of the buyer to the Clearing House in accordance with Nodal's Rules or the FCM Procedures. Registration of such contract in the name of the buyer shall be effected as prescribed by the FCM Procedures.
- (x) The Clearing House may give a tender and documents received from a seller pursuant to paragraph (viii) above to a buyer in respect of an original exchange contract to which the buyer is party, and shall do so as agent for the seller. The furnishing of particulars and the registration of such contract in the name of a buyer shall be effected as provided in paragraph (ix) above. Upon registration of an original exchange contract pursuant to paragraph (viii), the giving of the tender and documents by the Clearing House to the buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraph (iii) and (vi) above.

(xi) In implementing this FCM Regulation 64(a), the Clearing House may effect and register such FCM Nodal Contracts in an FCM Nodal 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.

(xii) If Nodal's Rules require a buyer to give a tender and a seller to receive a tender in respect of an FCM Nodal Contract, a reference in this FCM Regulation 64(a) and in FCM Regulation 64(c) to a seller giving a tender shall be construed as being a reference to a buyer giving a tender and a reference to a buyer receiving a tender shall be construed as being a reference to a seller receiving a tender.

(b) Delivery Contracts.

(i) The obligations of FCM Nodal Clearing Members under delivery contracts shall be performed in accordance with the terms of such delivery contracts and in the manner and by the time prescribed by Nodal's 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 a delivery contract in accordance with FCM Regulation 2 and the FCM Procedures.

(ii) Where the terms of an open contract so permit, the Clearing House may give directions to one or more FCM Nodal Clearing Members concerning the performance of such open contract and in such case each such FCM Nodal Clearing Member shall be bound by and shall comply with any such direction.

(c) Open Contracts Subject to Tender.

(i) Without prejudice to the provisions of FCM Regulation 64(d)(i), under an open contract subject to tender or a delivery contract:

(1) 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 Nodal's Rules or the FCM Procedures;

(2) 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;

(3) subject to Nodal's Rules any compensation, adjusting payment, or other allowance payable by or to either the buyer or seller under the terms of the open contract shall be paid to or by the Clearing House;

(ii) Every tender and accompanying documents (except documents which, in accordance with Nodal's 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 64(a)(iii) shall for the purposes of these FCM Regulations be deemed to comply with Nodal's Rules unless the buyer notifies the Clearing House, by 10.00 hours on the business day following the day on which the tender and accompanying documents were given to him by the Clearing House in accordance with Nodal's Rules or the FCM

Procedures, that the tender and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10.00 hours on such business day, to notify the seller to it under the terms of an open contract from whom it received such tender and accompanying documents that such tender and accompanying documents do not so comply.

(iii) Notwithstanding that open contracts may have been settled under FCM Regulation 62, a seller may, with the agreement of the Clearing House and by the time specified in the FCM Procedures, give the Clearing House a tender in respect of any such contract so settled. Upon receipt of such tender, the Clearing House shall (unless the FCM Procedures otherwise allow) effect on the FCM Nodal Clearing Member's behalf re-opening contracts (that is a sale by the FCM Nodal Clearing Member to the Clearing House and a purchase by the FCM Nodal Clearing Member from the Clearing House of one lot, each on the same terms (including delivery) as the settled contract except as to price) and register such contracts as open contracts in the FCM Nodal 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 tender in accordance with the FCM Procedures shall constitute confirmation of any such re-opening contracts and the seller's tender (or buyer's as the case may be) shall be deemed to have been made pursuant to his sale (or purchase) under the respective re-opening contract.

(iv) Notwithstanding that an open contract may have been settled under FCM Regulation 62, the Clearing House may in accordance with the FCM Procedures give a tender to a buyer under FCM Regulation 64(a) as if the contract were still open and on so doing the Clearing House shall effect on the FCM Nodal Clearing Member's behalf re-opening contracts (defined as in paragraph (iii) above and to be effected as there described) and register such contracts as open contracts in the FCM Nodal Clearing Member's name. The receipt by the Buyer of such tender shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the FCM Nodal Clearing Member's purchase under the respective re-opening contract.

(v) In implementing this Regulation, the Clearing House may effect and register such contracts in an FCM Nodal 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.

(d) Arrangements for Delivery and Payment of Price.

(i) In respect of its obligations under the terms of any open contract as seller to deliver a commodity to the buyer or as buyer to pay the price and any other payments required to be made under the terms of such FCM Nodal Contract to the seller, the Clearing House may in its absolute discretion in accordance with the FCM Procedures:

(1) direct an FCM Nodal Clearing Member or Nodal Service Clearing Member who is a seller under an open contract to

deliver the commodity the subject matter of such contract to such other FCM Nodal Clearing Member (or Nodal Service Clearing Member, if applicable), being a buyer under an open contract as the Clearing House may appoint, and

(2) direct an FCM Nodal Clearing Member or Nodal Service Clearing Member who is a buyer under an open contract to pay the price and any other amounts payable pursuant to such contract to such other FCM Nodal Clearing Member (or Nodal Service Clearing Member, if applicable), being a seller under an open contract as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each FCM Nodal 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 Nodal Clearing Member (or Nodal Service 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 an open contract.

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

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

(iv) If a buyer, where permitted by Nodal's Rules, rejects the commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the commodity under the terms of an open contract subject to tender, the Clearing House shall be entitled to reject the same as against the seller from whom it took delivery of the same under the terms of an open contract subject to tender, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a seller which it delivers on to a buyer until such buyer has accepted the commodity.

(e) Restrictions on Clearing House's Obligations and Liability.

(i) This FCM Regulation 64(e) shall apply to open contracts subject to tender and delivery contracts and shall not apply to contracts for differences or option contracts.

(ii) The Clearing House (or any other member of the LCH.Clearnet Group) shall not be liable in respect of a claim made against it in respect of an open contract subject to tender or a delivery contract by an FCM Nodal Clearing Member concerning:

(1) a tender given by the Clearing House; or

- (2) any documents accompanying a tender as required by Nodal's Rules or the FCM Procedures; or
- (3) the performance by the Clearing House of its obligations under an open contract to make delivery of a commodity or to pay the price; or
- (4) any other dispute or matter arising under the terms of such contract;

unless the conditions set out in paragraphs (iii), (iv) and (v) below are satisfied.

(iii) The FCM Nodal Clearing Member shall (without prejudice to his taking any other steps which may be required of or open to him under Nodal's Rules or the FCM Procedures) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (such time to be of the essence) on the seventh business day following the day on which, in accordance with Nodal's 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 (such time to be of the essence) on the seventh business day following the last day on which the buyer, in accordance with Nodal's Rules or the FCM Procedures, must take delivery of the commodity (whether or not the buyer fulfils such obligation).

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

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

(f) Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery).

(i) Subject to subparagraph (vi) below, a dispute arising from or in relation to any FCM Nodal Contract or in relation to these FCM Regulations relating to the clearing of FCM Nodal Contracts shall, unless resolved between the Clearing House and the FCM Nodal Clearing Member, be referred to arbitration under Nodal's Rules and arbitration shall be conducted in accordance with Nodal's Rules. The Clearing House shall be entitled to call upon an FCM Nodal Clearing Member who is a buyer and an FCM Nodal Clearing Member who is a seller, under the terms of FCM Nodal Contracts, which have been matched by the Clearing House and in respect of which reference to arbitration has been made under Nodal's Rules, to conduct the arbitration between them under Nodal's Rules as applicable.

(ii) In the event that the Clearing House elects to call upon a seller and a buyer to arbitrate between them pursuant to FCM Regulation 64(f)(i) above and Nodal's Rules, the following procedures shall apply:

- (1) the Clearing House shall give notice of such election to the buyer, the seller and Nodal, in accordance with Nodal's Rules;
 - (2) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this FCM Regulation 64(f);
 - (3) 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;
 - (4) 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
 - (5) 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.
- (iii) 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 Nodal 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 Nodal Contract, which has been matched by the Clearing House as referred to in paragraph (i) 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.
- (iv) 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.
- (v) No person may refer to arbitration under Nodal's 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.
- (g) 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 Nodal's Rules or FCM Regulation 64(e) in respect of an open FCM Nodal Contract, any or all cover standing to the credit of the accounts of an FCM Nodal Clearing Member who is party to one or more contracts under dispute (whether such cover is held with respect to a contract under dispute or otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time call for payment by such FCM Nodal Clearing Member of additional cover, in such amount as it may deem appropriate in respect of such contract or contracts, to be held by the Clearing House under these FCM Regulations until the claim is finally disposed of. The amount of such cover to be furnished by the FCM Nodal

Clearing Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant.

(h) Default of a Member: Substituted Obligation. Where an FCM Nodal Clearing Member defaults in performance of an open FCM Nodal Contract subject to tender, and by the operation of Default Rules the FCM Nodal 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 FCM Nodal Clearing Member and the Clearing House for a settlement amount, then the Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof pro rata, for its rights and liabilities in respect of performance of open contracts subject to tender with one or more other FCM Nodal Clearing Members or Nodal Service Clearing Members, as applicable, (such open FCM Nodal Contracts and such other FCM Nodal Clearing Members or Nodal Service 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 Nodal Clearing Member shall question the settlement amount or any determination made by the Clearing House under this FCM Regulation 64(h).

**SCHEDULE A – FCM SWAPCLEAR CONTRACT TERMS
AND PRODUCT ELIGIBILITY CRITERIA**

Part A

FCM SwapClear Contract Terms

The terms of a registered FCM SwapClear Contract shall include these FCM SwapClear Contract Terms which shall comprise:

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

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

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

1. ~~4.~~ Interpretation

1.1 ~~4.1.~~ “ISDA 2000 Definitions” means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), and the same are incorporated by reference herein and “ISDA 2006 Definitions” means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.

1.2 ~~4.2~~ Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the “ISDA 2000 Definitions” or the “ISDA 2006 Definitions” shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply.

1.3 ~~4.3~~ In the event of an inconsistency between the FCM Regulations and the FCM Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the FCM Regulations and FCM Procedures will prevail.

1.4 ~~4.4~~ References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a “Swap Transaction” shall be deemed to be references to an “FCM SwapClear Transaction” for the purposes of SwapClear.

1.5 ~~4.5~~ Except where expressly stated otherwise, all reference to “Articles” means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:

(a) ~~(a)~~—in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;

(b) ~~(b)~~—any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines; and

(c) ~~(c)~~—the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. ~~2.~~ **Economic Terms**

2.1 ~~2.1.~~—The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.

2.2 ~~2.2.~~—It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that ~~information~~ in respect of ~~(i), (viii) or (ix) (not both) for~~ vanilla interest rate swaps with constant notional principal and variable notional swaps—the information described in either 2.3(i)(viii) or 2.3(i)(ix) below (but not both) must be provided.

2.3 ~~2.3.~~—The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:

(a) ~~(a)~~—Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule¹;

(b) ~~(b)~~—Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);

(c) ~~(c)~~—Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);

¹ SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.

~~(vi)~~ ~~(vi)~~ Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):

~~(a)~~ ~~(a)~~ Floating Rate Payer Payment Dates;

~~(b)~~ ~~(b)~~ Floating Rate Payer compounding dates (if applicable);

~~(c)~~ ~~(c)~~ Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(Note: The details of each such option are as provided in the Procedures)

~~(vii)~~ ~~(vii)~~ Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);

~~(viii)~~ ~~(viii)~~ Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)⁵;

~~(ix)~~ ~~(ix)~~ Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition); and

~~(x)~~ ~~(x)~~ Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition);

2.4 The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:

(a) Notional Amount (see Article 4.7 for definition);

(b) Currency (see Article 1.7 for definition);

(c) Trade Date (see Article 3.7 for definition);

(d) Effective Date (see Article 3.2-4 for definition);

(e) Termination Date (see Article 3.3 for definition);

(f) Additional Payments/Fees:

(i) the Payer of the Additional Payments/Fees (if any);

(ii) the amount of the Additional Payments/Fees (specify zero if none);

(g) Business Days (see Article 1.4 for definition);

⁵ SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- (h) Business Day Convention (see Article 4.12 for definition);
 - (i) Fixed Rate Payer (see Article 2.1 for definition);
 - (j) Fixed Rate Payer Payment Dates;
 - (k) Fixed Rate;
 - (l) Floating Rate Payer (see Article 2.2 for definition);
 - (m) Floating Rate Payer Payment Dates;
 - (n) Floating Rate Option (see Article 6.2(i) for definition);
 - (o) Designated Maturity (see Article 7.3(b) for definition);
 - (p) Spread (see Article 6.2(f) for definition);
 - (q) Reset Dates (see Article 6.2(b) for definition);
 - (r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition);
 - (s) FRA Discounting (see Article 8.4 (b) for definition);
 - (t) Discount Rate (see Article 8.4. (c) for definition);
 - (u) Discount Rate Day Count Fraction (see Article 8.4. (d) for definition); and
 - (v) FRY Yield Discounting (see Article 8.4(e) for definition).
- In respect of forward rate agreements either (s) or (v) but not both should be selected.

2.5 Financial Centers

Detail of the relevant financial center/s must be provided using the appropriate Markitwire/FpML code as set out below:

Financial Center	Markitwire/FpML
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR

Part B

Product Eligibility Criteria for Registration of an FCM SwapClear Contract

1. ~~4.~~ FCM SwapClear Transaction

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

~~(a)~~ (a) the transaction meets the eligibility criteria, set out in paragraph 1.2(A), (B) and 1.3, below for an FCM SwapClear Transaction; and

~~(b)~~ (b) each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

1.2 ~~4.2~~ Product eligibility criteria for an FCM SwapClear Transaction

~~(a)~~ (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below⁶:

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		GBP-WMBA-SONIA-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1w (vii) for definition	Floating vs. Floating			
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-

⁶ ~~References in this column are to the 2006 ISDA Definitions~~

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1(ab) (xxii) for definition	Floating vs. Floating			99,999,999,999.99
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999,999.99
		EUR-EURIBOR-Telorate				
		See Article 7.1(f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	736 days	<u>736 days</u>	
		See Article 7.1(f)(viii) for definition				
	Australian Dollar	AUD-BBR-BBSW	Fixed vs.	Single currency	10,970 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	(AUD)	See Article 7.1(a) (iv) for definition	Floating vs. Floating			99.99
	Canadian Dollar (CAD)	AUD-LIBOR-BBA	See Article 7.1(a) (viii) for definition		10,970 days	0.01-99,999,999,999.99
		CAD-BA-CDOR	Fixed vs. Floating		Single currency	
		See Article 7.1(b) (ii) for definition	Floating vs. Floating			
		CAD-LIBOR-BBA	See Article 7.1(b) (viii) for definition		<u>736 days</u>	<u>0.01-99,999,999,999.99</u>
		<u>CAD-CORRA-OIS-COMPOUND</u>	<u>Floating vs. Floating</u>		<u>Single currency</u>	<u>0.01-99,999,999,999.99</u>
		<u>See Article 7.1(b) (xii) for definition</u>				

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		definition				
	Hungarian Forint (HUF)	HUF-BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	40970 <u>1462</u> 0 days	1-10,000,000,000,000
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	3670 <u>5495</u> days	0.01-99,999,999,999.99
		See Article 7.1(l) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	3670 <u>5495</u> days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(eg) (i) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty (PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand	ZAR	FIXED vs.	Single currency	3670 days	0.01-99,999,999,999.99

Swap			Swap		
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis	Single currency	18,275 Days
			Swap		
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days

(c) ~~2.~~ Forward rate agreements having the characteristics set out in the table below:

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</u>	<u>Types</u>	<u>Single currency</u>	<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>	<u>ERA Tenors</u>	<u>Minimum and Maximum ERA Terms (Days)</u>
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m	Min 25 Max 190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed v floating	Single currency	740 days		1m,2m,3m,6m,1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min 3 Max 375
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min 3 Max 375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	740 days		1w,2w,1m,2m,3m,6m,9m,1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-	Fixed v floating	Single currency	740 days		1w,1m,2m,3m	Min 3

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
		DKNA13					4m.5m.6m.9m.1y	Max 375
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed_v floating	Single currency	1105 days		1w.2w.1m.2m.3m.4m.5m.6m.7m.8m.9m.10m.11m.1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed_v floating	Single currency	1105 days		1w.2w.3w.1m.2m.3m.4m.5m.6m.7m.8m.9m.10.11m.1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed_v floating	Single currency	1105 days		1w.2w.1m.2m.3m.4m.5m.6m.7m.8m.9m.10.11m.1y	Min 3 Max 375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed_v floating	Single currency	740 days		1w.2w.1m.2m.3m.4m.5m.6m.7m.8m.9m.10m.11m.1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed_v floating	Single currency	1105 days		1w.2w.1m.2m.3m.4m.5m.6m.7m.8m.9m.10m.11m.1y	Min 3 Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed_v floating	Single currency	740 days		1w.1m.2m.3m.4m.5m.6m.7m.8m.9m.10m.11m.1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed_v floating	Single currency	740 days		1m.2m.3m.4m.5m.6m.	Min 25 Max 190
Forward Rate	PLN	PLN-WIBOR_W	Fixed_v	Single	740		1w.2w.1m.3m.6m.9m.1	Min 3

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</u>	<u>Types</u>	<u>Single currency</u>	<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>	<u>FRA Tenors</u>	<u>Minimum and Maximum FRA Terms (Days)</u>
<u>Agreement</u>		<u>IBO</u>	<u>floating</u>	<u>currency</u>	<u>days</u>		<u>∅</u>	<u>Max 375</u>
<u>Forward Rate Agreement</u>	<u>SEK</u>	<u>SEK-STIBOR-SIDE</u>	<u>Fixed v floating</u>	<u>Single currency</u>	<u>740 days</u>		<u>1w, 1m, 2m, 3m, 6m, 9m, 1y</u>	<u>Min 3 Max 375</u>
<u>Forward Rate Agreement</u>	<u>USD</u>	<u>USD-LIBOR-BBA</u>	<u>Fixed v floating</u>	<u>Single currency</u>	<u>1105 days</u>		<u>1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 1y</u>	<u>Min 3 Max 375</u>
<u>Forward Rate Agreement</u>	<u>ZAR</u>	<u>ZAR-JIBAR-SAFEX</u>	<u>Fixed v floating</u>	<u>Single currency</u>	<u>740 days</u>		<u>1m, 3m, 6m, 9m, 1y</u>	<u>Min 3 Max 375</u>

2. [Intentionally Omitted]

3. ~~3.~~ Additional Criteria for an FCM SwapClear Transaction

3.1 ~~3.1.~~ A contract must also meet the following additional criteria to be eligible as an FCM SwapClear Transaction:

(a) ~~(a)~~ Day Count Fractions

(See Article 4.16 of the “Annex to 2000 ISDA Definitions (June 2000 Version)”, and Article 4.16 of the ISDA 2006 Definitions for definition)

(i) ~~(i)~~ The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2000 Definitions

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/365 (or Actual/Actual)	ACT/365.ISDA
Actual/Actual (ISMA)	ACT/ACT.ISMA

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction

30/360 (or Bond Basis)
 30E/360 (or Eurobond Basis)
 Actual/360
 Actual/365 (Fixed)
 Actual/Actual
 30E/360 (ISDA)
 Actual/Actual (ICMA)

MarkitWire/FpML Code

30/360
 30E/360
 ACT/360
 ACT/365.FIXED
 ACT/ACT.ISDA
 30E/360.ISDA
 ACT/ACT.ICMA

The Clearing House will only accept the following Day Count Fractions for Forward Rate Agreements. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2006 Definitions:

<u>Day Count Fraction</u>	<u>SWIFT Code</u>	<u>MarkitWire/FpML Code</u>	<u>Currency</u>
Actual/365, Actual/Actual (Fixed)		<u>ACT/365.FIXED</u>	<u>CAD, AUD, NZD, PLN, ZAR, GBP</u>
<i>(See Article 4.16(b) for definition)</i> Actual/365 (Fixed)	<i>ACT/365</i>		
<i>(See Article 4.16(c) for definition)</i> Actual/360	<i>AFI/365</i>		
<i>(See Article 4.16(d) for definition)</i> 30 Actual/360, 360/360, Bond Basis	<i>ACT/360</i>	<u>360ACT/360</u>	<u>USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF</u>
<i>(See Article 4.16(e) for definition)</i> 30E/360	<i>30E/360</i>		
<i>(See Article 4.16(f) for definition)</i>			

(b) —

<u>Fraction</u>	<u>SWIFT Code</u>
<u>Actual/365, Actual/Actual</u>	<u>ACT/365</u>
<u><i>(See Article 4.16(b) for definition)</i></u>	
<u>Actual/365 (Fixed)</u>	<u>AFI/365</u>
<u><i>(See Article 4.16(c) for definition)</i></u>	

<u>Fraction</u>	<u>SWIFT Code</u>
<u>Actual/360</u> <i>(See Article 4.16(d) for definition)</i>	<u>ACT/360</u>
<u>30/360,360/360, Bond Basis</u> <i>(See Article 4.16(e) for definition)</i>	<u>360/360</u>
<u>30E/360</u> <i>(See Article 4.16(f) for definition)</i>	<u>30E/360</u>

(b) Business Day Conventions

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

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

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

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

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

(i) ~~(i)~~ fixed period end dates and the termination date

(ii) ~~(ii)~~ float period end dates and the termination date

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

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

Minimum Residual Term of trade:

Termination date - Today \geq 1 + currency settlement lag

where currency settlement lag is:

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

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

~~(e)~~ Maximum Residual Term of trade:

Termination date - Today <= 3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)

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

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

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

Maximum Residual Term to Maturity for Forward Rate Agreements

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

<u>Currency</u>	<u>Maximum Residual Term to Maturity</u>
<u>EUR, JPY, USD, GBP</u>	<u>1105 days (3 years)</u>
<u>AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF</u>	<u>740 days (2 years)</u>

(d) Designated Maturity

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

(e) ~~(e)~~ Calculation Periods

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

For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-standard Calculation Periods (“*stub periods*”) at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as FCM SwapClear Transactions.

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

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

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

**SCHEDULE B – FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY
CRITERIA**

Part A

FCM ForexClear Contract Terms

The terms of a registered FCM ForexClear Contract shall include these FCM ForexClear Contract Terms which shall comprise:

- (1) Interpretation;
- (2) Economic Terms; and
- (3) Standard Terms, being both the:
 - A. Specific Standard Terms; and
 - B. General Standard Terms

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

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

1. Interpretation (“Interpretation”)

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

with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to FCM ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).

1.7 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear Contracts going forward, these FCM ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear Contracts registered in an FCM ForexClear Clearing Member's name prior to the time such amendment comes into effect.

1.8 The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

2.1 The Economic Terms of an FCM ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear Transaction.

2.2 The particulars of an FCM ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:

(1) Trade Date (Section 1.25)

(2) Forward Rate (Section 2.1(a))

(3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD

(4) Reference Currency Buyer (Section 1.20)

(5) Reference Currency Seller (Section 1.22)

(6) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)

(7) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).

2.3 However, as set out more particularly in FCM Regulation 40, where the FCM ForexClear Transaction specifies an FCM ForexClear Clearing Member as the Reference Currency Seller, with the other FCM ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each FCM ForexClear Contract to which it is party pursuant to the corresponding FCM ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such FCM ForexClear Contract, respectively.

3. Specific Standard Terms ("Specific Standard Terms")

The following terms are designated as Specific Standard Terms of a registered FCM ForexClear Contract:

3.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA (www.emta.org or any successor website on the relevant Trade Date) (each an "EMTA Template")), governs the terms of an FCM ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

3.2 In the format "Reference Currency – Settlement Currency", the Currency Pairs are

(1) BRL-USD

(2) CLP-USD

(3) CNY-USD

(4) INR-USD

(5) KRW-USD

(6) RUB-USD

(7) COP-USD

(8) IDR-USD

(9) MYR-USD

(10) PHP-USD

(11) TWD-USD

3.3 Certain Specific Standard Terms of each FCM ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:

(1) Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

(2) Reference Currency (Section 1.19):

To be determined by using the EMTA Template appropriate to the particular Currency Pair.

Calculation Agent (Section 1.3):

(3) The Clearing House is the Calculation Agent.

3.4 If the terms of an EMTA Template conflict with these FCM ForexClear Contract Terms, these FCM ForexClear Contract Terms shall prevail. If the terms of an EMTA

Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

4. General Standard Terms (“General Standard Terms”)

The following terms are designated as General Standard Terms of a registered FCM ForexClear Contract:

4.1 Business Days

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract.

4.2 Withholding Tax Provisions

4.2.1 All payments due under an FCM ForexClear Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

4.2.2 All payments due under an FCM ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

4.3 Payment of Stamp Tax

Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any FCM ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction, and will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM ForexClear Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.

4.4 Payments under an FCM ForexClear Contract

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

4.5 FCM Regulations

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

4.6 Governing Law

Each FCM ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusivie jurisdiction of the courts of the State of New York, Borough of Manhattan in the Untied States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

4.7 Third Party Rights

A person who is not a party to this FCM ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM ForexClear Contract are expressly excluded.

Part B

Registration of an FCM ForexClear Contract - Product Eligibility Criteria

1. Registration of an FCM ForexClear Contract

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

2. Product Eligibility Criteria for an FCM ForexClear Contract

<u>Instrument</u>	<u>Non-Deliverable FX Transaction</u>
<u>Economic Terms</u>	<u>The transaction particulars submitted to the Clearing House specify all the Economic Terms.</u>
<u>Reference Currency</u>	<u>One of</u>
	<u>1. BRL – Brazilian Real,</u>
	<u>2. RUB – Russian Rouble,</u>
	<u>3. INR – Indian Rupee,</u>
	<u>4. CLP – Chilean Peso,</u>
	<u>5. CNY – Chinese Yuan,</u>
	<u>6. KRW – South Korean Won,</u>
	<u>7. COP – Colombian Peso,</u>
	<u>8. IDR – Indonesian Rupiah,</u>
	<u>9. MYR – Malaysian Ringgit,</u>
	<u>10. PHP – Philippine Peso, or</u>
	<u>11. TWD – Taiwan Dollar.</u>
<u>Valuation Date</u>	<u>A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.</u>
<u>Settlement Date</u>	<u>A date falling:</u>
	<u>A. not earlier than the date falling three business days</u>

	<u>immediately following the Submission Date; and</u>
	<u>B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template</u>
<u>Settlement Type</u>	<u>Non-Deliverable</u>
<u>Settlement Currency</u>	<u>USD</u>
<u>Calculation Agent</u>	<u>The Clearing House</u>

SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA

Part A

FCM EnClear Contract Terms

Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these “Contract Terms”) which shall comprise:

(1) Interpretation and Definitions;

(2) Economic Terms;

(3) Specific Standard Terms*; and

(4) General Standard Terms

Section 1 Interpretation and Definitions: General

1.1 [This section has been removed.]

1.2 Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the “FCM Rulebook” of the Clearing House (as defined in the Clearing House’s “FCM Regulations”).

1.3 The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non-receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.

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

1.5 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

1.6 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

1.7 “US Business Day” means a day upon which banks in the United States of America are generally open to settle payments and for general business. “UK Business Day” means a day upon which banks in England and Wales are generally open to settle payments and for general business.

Section 2 Economic Terms

2.1 The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.

2.2 It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.

2.3 The Economic Terms comprise:

- (a) Fixed Rate Payer or seller;
- (b) Floating Rate Payer or buyer;
- (c) Contract;
- (d) Contract Series;
- (e) Quantity;
- (f) Delivery Period (where applicable);
- (g) Fixed Price or Traded Price (as the case may be);
- (h) Floating Price (where applicable).

PROVIDED, however, that, as set out in FCM Regulation 50 where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller ("the First EnClear Clearing Member") with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer ("the Second EnClear Clearing Member") the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.

Section 3 Specific Standard Terms For FCM EnClear Contracts

[Sections 3.1 and 3.2 no longer in force]

3.3 LCH EnClear OTC Services: Energy Division

[Section 3.3 not applicable to the FCM EnClear Service]

3.4 LCH EnClear OTC Services: Freight Division

Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.

3.5 LCH EnClear OTC Services: Precious Metals Division

[Section 3.5 not applicable to the FCM EnClear Service]

Section 4 General Standard Terms

4A. The following General Standard Terms apply to all FCM EnClear Contracts:

4.A.1 Payment of Stamp Tax and Other Taxes

- (a) All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.
- (b) The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- (c) The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.

4.A.2 Payment of Stamp Tax

The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction.

The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.

4.A.3 Payments under an FCM EnClear Contract

The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.

Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.

4.A.4 FCM Regulations

This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

4.A.5 Governing Law

This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusivie jurisdiction of the courts of the State of New York, Borough of Manhattan in the Untied States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

4.A.6 Third Party Rights

A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.

4B. [Section 4B not applicable to the FCM EnClear Service]

4C. The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):

4C.1 Unavailability of any Reference Price

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.

4.C.2 Calculation Agent

The Calculation Agent is the Clearing House.

4.C.3 Change in Route

In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.

Part B

Product Eligibility Criteria for Registration of an FCM EnClear Contract

1. FCM EnClear Transactions

(a)

1.2 Product Eligibility Criteria for FCM EnClear Transactions

1.2.1 [This section has been removed]

1.2.2 [This section has been removed]

1.2.3 Product Eligibility Criteria for FCM EnClear Transactions in the Freight Division

The parts of Section 1.2.3 of Part B of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations relating to the Freight Division are incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.

Exhibit A – 1.b
FCM Regulations Part III

See Attached

PART III – REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS**Regulation 40 Registration of FCM ForexClear Contracts; ForexClear Accounts**

- (a) In order for an FCM to submit an FCM ForexClear Transaction for registration as an FCM ForexClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).
- ~~(b) Where an Executing Party enters into an FCM ForexClear Transaction on an FCM Approved Trade Source and such FCM ForexClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM ForexClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, (i) the FCM Clearing Member shall be deemed to have presented the FCM ForexClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM ForexClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures and (ii) such FCM Clearing Member shall be obligated to pay, upon request of the Clearing House, all cover required by the Clearing House in connection with the registration of the FCM ForexClear Transaction.~~
- [\(b\) \[Intentionally Omitted\].](#)
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 40, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM ForexClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 40, an FCM ForexClear Transaction, particulars of which are submitted for registration as an FCM ForexClear Contract, must meet the eligibility criteria prescribed in these FCM Regulations and the FCM Procedures at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM ForexClear Contract, at which time the FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be) shall replace and supersede such corresponding FCM ForexClear Transaction.
- (e) The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation 40 in the name of an FCM Clearing Member

on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM ForexClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule B hereto.

(f) Ineligible Registered FCM ForexClear Transactions.

- (i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM ForexClear Contract pursuant to the FCM Rulebook in existence at the Registration Time (such an FCM ForexClear Transaction, an "*Ineligible FCM ForexClear Transaction*"), the Clearing House shall, as soon as practicable thereafter set aside such FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be).
- (ii) Ineligible FCM ForexClear Transactions. Upon an FCM ForexClear Contract being set aside under subsection (i) above (such set aside contract, an "*Ineligible FCM ForexClear Contract*"), the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM ForexClear Contract via the ForexClear Matcher that such Ineligible FCM ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (A) such Ineligible FCM ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (B) all Variation Margin (if any) paid by the Clearing House or by an FCM Clearing Member in respect of such Ineligible FCM ForexClear Contract shall be retained by the receiving party upon termination; (C) where there is a difference between the value of the Ineligible FCM ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible FCM ForexClear Contract at the time of the next official settlement rate for the relevant currency pair, then a payment shall be made between the FCM Clearing Members (or one FCM Clearing Member and one Non-FCM Clearing Member, as the case may be) to the original Ineligible FCM ForexClear Transaction equal to such difference; and (D) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible FCM ForexClear Contract and shall be retained by the receiving party upon termination in accordance with clause (A) of this paragraph as a termination payment.

The Clearing House may not determine an FCM ForexClear Transaction to be an Ineligible FCM ForexClear Transaction after the Valuation Date (as defined in Part A of Schedule B to these FCM Regulations) in respect of the FCM ForexClear Contracts arising from the registration of such FCM ForexClear Transaction has occurred.

The Clearing House shall provide no less than 10 business days' prior notice (including by email) to FCM Clearing Members providing FCM

ForexClear Clearing Services of an amendment to the eligibility criteria for the registration of FCM ForexClear Contracts.

- (iii) Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 40, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear 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 ForexClear Contract.
- (g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM ForexClear Transactions are to be registered to furnish it with cover as a condition of registration of such FCM Transaction(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 9 and such other applicable provisions in the FCM Rulebook.
- (h) The Clearing House may decline to register an FCM ForexClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market; provided, that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM ForexClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM ForexClear Transaction is to be registered.
- (i) Registration of FCM ForexClear Transactions. An FCM ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
 - (i) in the case where one Executing Party clears its side of such FCM ForexClear Transaction either through a Non-FCM Clearing Member or directly with the Clearing House in its capacity as a Non-FCM Clearing Member, and the other Executing Party clears its side of such FCM ForexClear Transaction as or through an FCM Clearing Member, as one Non-FCM ForexClear Contract pursuant to the UK General Regulations applicable to Non-FCM Clearing Members and one FCM ForexClear Contract pursuant to these FCM Regulations, where (i) the FCM ForexClear Contract shall be registered between the FCM Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller (or vice versa as applicable), and (ii) the Non-FCM ForexClear Contract shall be registered between the Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable); or
 - (ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each

relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.

- (iii) In each of the foregoing cases in clauses (i) and (ii) above, to the extent the FCM ForexClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM ForexClear Contract cleared on behalf of its FCM Client or Affiliate.
- (j) Effect of Registration of FCM ForexClear Transactions. With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation 40(i):
- (i) Such FCM ForexClear Transaction shall be extinguished and replaced by the corresponding FCM ForexClear Contracts (or if applicable, the corresponding FCM ForexClear Contract and Non-FCM ForexClear Contract), and the parties to such FCM ForexClear Transaction shall be released and discharged from all rights and obligations under such FCM ForexClear Transaction which fall due for performance on or after the Registration Time.
 - (ii) Each FCM ForexClear Contract registered under FCM Regulation 40(i) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.
 - (iii) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Buyer under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction; and
 - (iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.

In subsections (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM ForexClear Transaction (it being assumed, for this purpose, that such FCM ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (k) If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation 40 or any other applicable provision of the FCM Rulebook.
- (l) In the case of an FCM ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 40 shall take effect.
- (m) An FCM Clearing Member may provide any of its approved FCM Clearing Services in connection with FCM ForexClear Contracts or FCM ForexClear Transactions to any of its Affiliates. Such FCM Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.
- (n) ~~ForexClear Accounts.~~ All FCM Omnibus ~~OTC-FXForexClear~~ Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM ForexClear Contracts or associated cover and other payments and deliveries other than in connection with FCM ForexClear Contracts. Furthermore, the LCH ~~OTC-FXForexClear~~ Client Segregated Depository Account shall not contain any FCM Contracts other than FCM ForexClear Contracts or associated cover and other payments and deliveries other than in connection with FCM ForexClear Contracts.

(n)

Regulation 41 Cancellation of FCM ForexClear Contracts

- (a) An FCM Clearing Member may, in accordance with this FCM Regulation 41 and the FCM Procedures, cancel an FCM ForexClear Contract to which it is a party.
- (b) The Clearing House shall have no obligation to inform, notify or seek the consent of any FCM Clearing Member (or Non-FCM Clearing Member) prior to cancelling an FCM ForexClear Contract in accordance with this FCM Regulation 41.
- (c) The cancellation of an FCM ForexClear Contract to which an FCM Clearing Member is a party (referred to in this FCM Regulation 41 as the "*First ForexClear Contract*") is contingent upon, *inter alia*, the cancellation of the corresponding FCM ForexClear Contract (or Non-FCM ForexClear Contract, if applicable) that arose from the same underlying FCM ForexClear Transaction (referred to in this FCM Regulation 41 as the "*Second ForexClear Contract*"), and vice versa.
- (d) The date and time of the cancellation of an FCM ForexClear Contract shall be as reported by the Clearing House in accordance with the FCM Procedures and shall be binding on FCM Clearing Members (and Non-FCM Clearing Members, as applicable).
- (e) The Clearing House may decline to cancel an FCM ForexClear Contract if:
 - (i) in the opinion of the Clearing House acting in its sole discretion, the cancellation of that FCM ForexClear Contract is not consistent with the FCM Rulebook (and if applicable the UK General Regulations) and any policies of the clearing house concerning risk management; or
 - (ii) there is insufficient margin standing to the credit of an FCM Clearing Member's account to accommodate the cancellation of the First ForexClear Contract and/or the Second ForexClear Contract.
- (f) With effect from the time of the cancellation of an FCM ForexClear Contract in accordance with this FCM Regulation 41, neither the FCM Clearing Member nor the Clearing House shall have any obligations under the terms of that FCM ForexClear Contract and liability in respect thereof.

Regulation 42 Variation Margin

- (a) The Clearing House shall, at least daily and in accordance with and at the times stated in the Procedures, pay to, or require payment from, an FCM Clearing Member cash cover for variation margin in respect of any FCM ForexClear Contracts registered on behalf of such FCM Clearing Member. The amount paid represents the change from the preceding business day in the net present value of all FCM ForexClear Contracts registered in such FCM Clearing Member's name.
- (b) The net present value of each FCM ForexClear Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.
- (c) The Clearing House pays to (or receives from) each applicable FCM Clearing Member interest on cash cover received (or paid) by the Clearing House, calculated in accordance with the Procedures, in respect of open FCM ForexClear Contracts.
- (d) All payments by an FCM ForexClear Clearing Member made pursuant to this FCM Regulation 42 to the Clearing House shall be reflected in the relevant FCM Omnibus ~~OTC FX~~ForexClear Client Account with LCH.
- (e) This FCM Regulation 42 is without prejudice to the Clearing House's right to require cover to be provided to it under FCM Regulation 9.

Regulation 43 Withdrawal of the FCM ForexClear Service by the Clearing House

- (a) If at any time the Clearing House decides to withdraw the FCM ForexClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM ForexClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 43 to, or the non-receipt of notice under this FCM Regulation 43 by, one or more FCM Clearing Members shall not invalidate the Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM ForexClear Contract (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 43(a).
- (c) If, five Business days prior to the Withdrawal Date, an FCM Clearing Member or Non-FCM Clearing Member has not closed out all of the applicable open FCM ForexClear Contracts registered in its name, the Clearing House may, in its sole discretion and upon five Business Days' notice to the FCM Clearing Members providing FCM ForexClear Clearing Services:
 - (i) liquidate any or all of such FCM ForexClear Contracts and require such FCM ForexClear Contracts to be cash settled at a price determined by the Clearing House; or
 - (ii) postpone the Withdrawal Date until such time as the Clearing House determines.

Regulations 44-49: [Reserved]

**Exhibit A – 2.a
FCM Procedures**

See Attached

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FCM ~~procedures~~ PROCEDURES

Except where the context otherwise requires, defined terms used herein have the meaning ascribed to them in the FCM Regulations or in other portions of the FCM Rulebook.

1. FCM CLEARING MEMBER STATUS

1.1 FCM Clearing Member Application Procedure

(a) Application Procedure: An application for FCM Clearing Member status of the Clearing House must be made on the appropriate form which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where required and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for FCM Clearing Member status ("**Approved Applicants**") must, within three months of notification of their approval as an applicant, fulfil all conditions attached to their approval. If an Approved Applicant does not fulfil all such conditions within ~~the~~ 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 ~~FCM Swap Clear Contracts 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 exchange, governmental department, regulatory organization, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the CEA, any rules ~~made~~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 exchange or clearing memberships held or applied for; and
- (v) will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

1.1.21.1.1 **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.

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.

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 ~~SwapClear~~ Contracts in its name have been closed-out or transferred so as to ensure that there are no Open Contracts to which it is party to at the termination date. A resigning FCM Clearing Member should note that any and all Executing Parties for which it clears FCM ~~SwapClear~~ Transactions will be required to find alternative clearing arrangements by this date or will be

unable to enter into FCM ~~SwapClear~~ Transactions unless such Executing Party already has other clearing arrangements in place. For further information on the resignation process, FCM Clearing Members should contact the Clearing House's Membership Department.

If an FCM Clearing Member has not been active in a market for a continuous period of three months, it will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they may be required to resign their FCM Clearing Member status.

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

1.2 **Net Capital**

1.2.1 **Net Capital Requirements**

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

1.2.2 **Additional Net Capital Requirements**

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

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

- ~~1.~~ 1. the ratio of FCM ~~SwapClear~~ Contracts entered into on behalf of an FCM Client compared to those entered for its own account or that of an Affiliate;
- ~~2.~~ 2. the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
- ~~3.~~ 3. the total amount of cover deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

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

1. require that the relevant FCM Clearing Member furnish the Clearing House with additional cover; or

2. prevent or limit the extent to which an FCM Clearing Member may register additional FCM ~~SwapClear~~ Contracts; or

3. require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

1.3 **Calculation Of Net Capital**

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

1.4 **Reporting**

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

1.4.1 **Provision of Information**

(a) All~~Each~~ FCM Clearing Members ~~must~~, within six months from the date on which ~~their~~its annual accounts are made up, provide the Clearing House with an English-language copy of ~~their~~its income statement (or profit and loss ~~account~~statement) and balance sheet, together with a statement that ~~their~~its auditors have reviewed and approved them, ~~drawn up~~ in accordance with applicable law in the relevant jurisdiction and in accordance with the requirements of CFTC Regulation 1.16 ~~requirements~~ or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.

(b) All~~Each~~ FCM Clearing Members ~~must~~ provide the Clearing House in a prompt and timely manner with:

- (i) copies of all financial returns/reports made to ~~their~~its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC's Regulations (including CFTC Regulation 1.12);
- (ii) those financial reports detailed in CFTC Regulation 1.10;
- (iii) any information concerning any financial or business development that that the FCM Clearing Member reasonably considers may materially affect the clearing member's ability to comply with the FCM 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 ~~ongoing~~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~~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 ~~10(e 9(p))~~, where an FCM Client enters into an FCM ~~SwapClear~~ Transaction ~~which results in an FCM SwapClear Contract~~ that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional collateral at a ~~rate of 10% above the Clearing House's~~ level of ~~Required Margin~~.

- (i) ~~in respect of the relevant FCM SwapClear Contract (such total increased margin requirement being the “Core Additional Requirement”). In the event~~ FCM SwapClear Contracts, 10% above the amount that the level of Required Margin Clearing House would normally require for such contracts;
- (ii) ~~in respect of an FCM SwapClear Contract exceeds the Core Additional Requirement (such total increased margin requirement being the “Revised Margin Requirement”), the FCM Clearing Member shall collect initial margin from its FCM Client at a rate of~~ FCM ForexClear Contracts, 10% above the Revised Margin Requirement 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 the Revised Margin Requirement shall henceforth constitute the Core Additional Requirement for the purposes of this section.~~ in respect of FCM EnClear Contracts, 10% above the amount that the Clearing House would normally require for such contracts; and ~~the Revised Margin Requirement shall henceforth constitute the Core Additional Requirement for the purposes of this section.~~
- (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 ~~10(e 9(p))~~ and this ~~section~~ Section 1.5.3, FCM Clearing Members are not required to lodge ~~initial margin~~ 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.

~~FCM-SWAPCLEAR~~

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 the clearing of FCM Nodal Contracts is discussed in Section 2D.

~~2.~~ FCM SWAPCLEAR

2A SWAPCLEAR

2A.1 The Clearing Process

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

Only FCM Clearing Members are authorized by the Clearing House to submit trades for clearing in the FCM SwapClear Service.

~~2.1.1~~ 2A.1.1 FCM SwapClear Service Functions

The following functions are performed within the FCM SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of Price Alignment Interest;
- (e) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- (f) allocation and designation of trades to a position-keeping account; and
- (g) reporting of registered trades.

FCM SwapClear Transactions submitted via an FCM Approved Trade Source System (i.e., new trades submitted for intra-day registration or existing trades submitted for overnight registration – see ~~sections 2~~Sections 2A.3.24 and 2A.3.35) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see ~~section 2~~Section 2A.1.3).

~~2.1.2~~ 2A.1.2 Clearing House System Requirements

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

~~2.1.3~~ 2A.1.3 SwapClear FCM Clearing Member Reporting

There are three methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations and other information:

- Report 001;
- Via the FCM Approved Trade Source System; and
- Via SwapClear API.

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

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

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

2.2 2A.2 Operating Times And Calendars

2.2.1 2A.2.1 Opening Days

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

2.2.2 2A.2.2 Opening Hours

The FCM SwapClear clearing system will be operational during the following hours:

07:30 to 24:00 hours, London time (a "Business Day").

2.2.3 2A.2.3 FCM SwapClear Clearing System Calendars

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see ~~section 2~~ [Section 2A.1.3](#)).

2.3 2A.3 Registration

2.3.1 2A.3.1 Submission for Registration

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bi-laterally agreed by two Executing Parties and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

2.3.2 2A.3.2 Clearing House Notification

Following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member(s), via member reports, the SwapClear API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the "**FCM Notification**").

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, the FCM Clearing Member shall, pursuant to FCM Regulation 530(b), (i) be deemed to have presented the FCM SwapClear Transaction for clearing and (ii) become obligated to pay all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction upon request of the Clearing House.

It is a condition for registration of an FCM SwapClear Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member, and such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2A.3.4 of these FCM Procedures, it is a condition for registration of an FCM SwapClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM SwapClear Contract prior to registration.

~~2.3.3~~ 2A.3.3 **SwapClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source Systems designated by the Clearing House for SwapClear are [MarkitWire, Bloomberg and Tradeweb]. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

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

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by

an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

~~2.3.4~~ 2A.3.4 Registration of New Trades

~~New trades are registered on an intra-day basis. Following acceptance by an FCM Clearing Member, the FCM SwapClear Clearing System will respond, after processing, with a message either confirming the registration or giving a reason for rejection (see section 2.3.7). The registration notification or rejection message will be sent via the originating FCM Approved Trade Source System, the SwapClear API or otherwise. The definitive report of a registered FCM SwapClear Contract will be shown on Reporting (see section 2.1.3) on the FCM Clearing Member reporting account in the FCM SwapClear clearing system.~~

The Clearing House will perform regular, intra-day registration runs on each business day. FCM SwapClear Transactions duly submitted to the Clearing House for registration will ordinarily be included in the next following registration run unless the Clearing House determines to register such an FCM SwapClear Transaction prior to such run.

Prior to it registering an FCM SwapClear Contract, the Clearing House will require ~~an~~ the FCM Clearing Member in whose name ~~an open contract~~ such FCM SwapClear Contract is to be registered to provide it with cover for initial and variation margin prior in respect of such contract as a precondition to registration. In accordance with FCM Regulation ~~5(b 30(d)(iv))~~, an FCM Clearing Member becomes obligated to ~~pay~~ provide such cover to the Clearing House ~~upon at the time when both FCM SwapClear Contracts, or~~ the FCM Clearing Member's acceptance for registration of an FCM SwapClear SwapClear Contract and the Non-FCM SwapClear Contract (as applicable), relating to the relevant FCM SwapClear Transaction and the ~~have been submitted or deemed to be submitted (as applicable) by the relevant FCM Clearing Member(s) or the relevant SwapClear Clearing Member and~~ FCM Clearing Member shall pay (as the case may be) and such FCM Clearing Member(s) or such FCM Clearing Member and such SwapClear Clearing Member shall provide such cover prior to registration upon request of the Clearing House. Variation margin can be covered intra-day in non-cash collateral.

~~FCM SwapClear Transactions that are submitted for registration after 14:30 are registered the following morning subject to the normal requirements for margin (unless the FCM Clearing Member has provided excess cover).~~

In order for registration of an FCM SwapClear Contract (the “actual FCM SwapClear Contract”) to occur, where such actual FCM SwapClear Contract is part of a registration run containing other FCM SwapClear Contracts and/or Non-FCM SwapClear Contracts (the “other SwapClear Contracts”), cover for margin from each SwapClear Clearing Member and each FCM Clearing Member which would be a party to such other SwapClear Contracts is required to be provided to the Clearing House in advance and, if any one or more of such SwapClear Clearing Members or such FCM Clearing Members does not provide such cover, the Clearing House will take such steps as it deems appropriate to seek to register the actual FCM SwapClear Contract as soon as practically possible.

Upon an FCM SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in FCM Regulation 30 having been satisfied in respect of the related FCM SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 2A.1.3) on the SwapClear Clearing Member reporting account.

2.3.5 2A.3.5 Backloading of Existing Trades

The Clearing House provides the facility for FCM Clearing Members to load eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System ~~{(currently only MarkitWire)}~~. Where the Clearing House approves additional FCM Approved Trade Source Systems for this purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as an **SCMNon-FCM** SwapClear Contract, the UK General Regulations will apply with respect to such registration of **an SCMa Non-FCM** SwapClear Contract.

The Clearing House will, in the case of FCM SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the FCM SwapClear Transaction overnight for registration the following day. For backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see **section 2Section 2A.1.3**). It is a pre-condition of registration that sufficient cover for initial and variation margin is provided.

2.3.6 2A.3.6 Notification

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see **section 2Section 2A.1.3**) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

2.3.7 2A.3.7 Rejected Trades

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

2.4 2A.4 Position Accounts

2.4.1 2A.4.1 FCM Accounts

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM SwapClear Contracts. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

2.4.2 2A.4.2 Position-Keeping Accounts

FCM Clearing Member Accounts

The account types are: H for house business (Proprietary Account); and C for segregated client business (an FCM Omnibus OTG SwapClear Client Account with LCH). An FCM Clearing Member's FCM SwapClear Contract positions are also recorded within the FCM SwapClear clearing system in SwapClear Aaccounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via FCM SwapClear FCM Clearing Member Reporting (see ~~section 2~~ Section 2A.1.3). All registered FCM SwapClear Contracts will be maintained only in SwapClear accounts (identified as such by a unique three letter mnemonic). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The SwapClear FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM SwapClear Contracts registered in their name.

2.5 2A.5 Financial Accounts

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

2.5.1 2A.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH <u>OTG SwapClear</u> Client Segregated Depository Account <u>used for Initial Margin Flows</u>

2.5.2 2A.5.2 Other Financial Accounts

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

Code

~~Buffer~~Additional Margin accounts (House), used for holding B additional cash in relation to Proprietary business

~~Buffer~~Additional Margin account (Client), used for holding E additional cash in relation to FCM Client Business

~~2.5.3~~ 2A.5.3 **Default Fund (DF) Account**

Each ~~FCM's Default Fund~~FCM Clearing Member's Contribution is held in a separate financial account. The DF account code is "F".

~~2.6~~ 2A.6 **FCM SwapClear Contract Valuation**

~~2.6.1~~ 2A.6.1 **Net Present Value**

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

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

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 12(d). The Net Present Value so determined must, subject to Intra-day Registration (see ~~section 2~~Section 2A.3.4), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

~~2.6.2~~ 2A.6.2 **Zero Coupon Yield Curve Construction**

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

~~2.6.3~~ 2A.6.3 **Official Quotations**

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

All times quoted, are London time.

AUD	12:00
CAD	20:00
CHF LIBOR & OIS	16:15
CZK	16:15

2.7 2A.7 Coupon Payments**2.7.1 2A.7.1 Calendars and Coupons**

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

2.7.2 2A.7.2 Calculation of Fixed Amount

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

(a) if an amount is specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or

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

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

2.7.3 2A.7.3 Calculation of Floating Amount

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

$$\text{Floating Amount} = \frac{\text{Calculation Amount}}{\text{Amount}} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction} (+/- \text{ Spread})$$

2.7.4 2A.7.4 OIS Coupon Calculation

Compounding Rate Calculations

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

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

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

Where:

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

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

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

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

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

EUR-EONIA-OIS-COMPOUND

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

Where:

“d0” for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

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

“EONIA_i”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

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

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

CAD-CORRA-OIS-COMPOUND

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

Where:

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

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

“CORRAi”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the daily fixing for Canadian Dollar overnight repurchase rate as published at approximately 9:00 am, Toronto time, on the day that is one Toronto Banking Day following that day “i” on the Bank of Canada website page address <http://www.bankofcanada.ca/fmd/monmrt.htm>. If such rate does not appear on such Bank of Canada website page in respect of any day “i”, the rate for that day will be as agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Bank of Canada website page <http://www.bankofcanada.ca/fmd/monmrt.htm> in respect of the first preceding Toronto Banking Day;

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

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

2.7.5 2A.7.5 Calculation of Compounded Amount

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

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

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

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

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

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

Where:

R1 is the sum of the Floating Rate and the Spread on the payment date, expressed as a decimal

R2 is the Fixed Rate, expressed as a decimal

ND is the actual number of days in the calculation period

2.7.6 2A.7.7 **Business Day and Business Day Convention**

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centers specified in the matched FCM SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched FCM SwapClear Transaction message.

2.7.7 2A.7.8 **Payment of Coupons**

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit FCM Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next Business Day following the Coupon Payment Date.

2.7.8 2A.7.9 **Calculation Periods**

In respect of any Calculation Period that is a not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

2.7.9 2A.7.10 **Day Count Fractions: ISDA 2000**

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

Where the FCM SwapClear Transaction is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(s) “NZD-BBR-Telerate” (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.

(t) “NZD-BBR-FRA” means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of “FRA” as of 11:00 hours, Wellington time, on that Reset Date.

(u) “SEK-STIBOR-SIDE” means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption “FIXINGS” as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.

(v) “SGD-SOR-Reuters” means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.

(w) “PLN-WIBOR-WIBO” means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption “FIXINGS” as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.

(x) “ZAR-JIBAR-SAFEX” means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption “YIELD” as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified “ZAR-JIBAR-Reference Banks” as the applicable Floating Rate Option.

(y) “CHF-TOIS-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2~~ Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).

(z) “GBP-WMBA-SONIA-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2~~ Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).

(aa) “USD-Federal Funds-H.15-OIS-Compound” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2~~ Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of

interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

(bb) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2~~ Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

~~2.7.12~~ 2A.7.13 **Applying Reset Rate**

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

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

~~2.7.13~~ 2A.7.14 **Negative Interest Rate Method**

FCM Clearing Member should note the provisions of ~~s~~Section 3.3 of Part A of ~~the~~ Schedule A to the FCM Regulations regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

~~2.8~~ 2A.8 **Initial Margin**

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

Separate ~~initial margin~~Initial Margin calculations are performed for an FCM Clearing Member’s house “H” and client “C” accounts.

The Clearing House reserves the right to require additional amounts of cover from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation ~~10.9~~9.

~~2.8.1~~ 2A.8.1 **Liquidity Multiplier**

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member’s whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ~~ongoing-going~~ basis.

~~2.8.2~~ 2A.8.2 **Intra-day Margin Calls**

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours, London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section ~~2~~2A.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see ~~s~~Section 3.2.~~21~~). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

~~2.8.3~~ 2A.8.3 **Calculation of Initial Margin**

(a) Portfolio Approach to Interest Rate Scenarios (PAIRS)

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the ~~initial margin~~Initial Margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 7428.

~~2.9~~ 2A.9 **Intra-Day Margin Call: Collateral Management**

~~2.9.1~~ 2A.9.1 **General – Intra-day Margining**

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FCM Clearing Member's PPS account to cover that intra-day margin call.

Cash payments in respect of intra-day cover are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

~~2.10~~ 2A.10 **Declearing and Compression**

Pursuant to FCM Regulation ~~5~~(30), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

(a) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM Clearing Member's own behalf be considered for compression by the Clearing House. Such a

request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member by 19:00 [hours, New York City time](#), on each applicable day) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts.

(b) An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 [hours, New York City time](#), on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to declare an FCM SwapClear Contract, an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

The Clearing House shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 [hours, New York City time](#), shortly after 18:00 [hours, New York City time](#), and shall notify the applicable FCM Clearing Member by 19:00 [hours, New York City time](#), of the result of such compression procedure. A notification received after 18:00 [hours, New York City time](#), shall be treated as if such notification was submitted on the following day prior to 18:00 [hours, New York City time](#), and as such shall be considered shortly after 18:00 [hours, New York City time](#), on such following day and the results notified to the applicable FCM Clearing Member by 19:00 [hours, New York City time](#), on such following day.

Following the compression process described above and as further set out in FCM Regulation ~~5(a)(30)(o)~~, the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2.11 [2A.11](#) **Affiliate Clearing**

Under FCM Regulation 4(c), FCM Clearing Members are permitted to clear for Affiliates through their Proprietary accounts.

2.12 [2A.12](#) **Transfer of FCM Clients**

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation ~~98~~(b) or ~~98~~(c).

2.12.1 [2A.12.1](#) **Partial Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing

House with an FCM Client Partial Transfer Form (see Appendix [2B2A.B](#)), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in [Procedure 2Section 2A.12.4](#).

In the event that any of the conditions set forth in FCM Regulation [98\(c\)](#) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts.

~~2.12.2~~ [2A.12.2](#) **Full Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix [2C2A.C](#)), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM SwapClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM SwapClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in [Procedure 2Section 2A.12.4](#).

In the event that any of the conditions set forth in FCM Regulation [98\(b\)](#) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM SwapClear Contracts on behalf of the FCM Client whose FCM SwapClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.

~~2.12.3~~ [2A.12.3](#) **Collateral Transfers**

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix [2D2A.D](#)) which cover is attributable to the transferring FCM Client and the associated FCM SwapClear Contracts. In

the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus ~~OTC~~ SwapClear Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 98(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM SwapClear Contracts.

2.12.4 2A.12.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 0: <u>15:00</u>	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: <u>05:00</u>	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: <u>09:00</u>	Deadline for notification (if any) from Carrying FCM	Deadline for notification (if any) from Carrying FCM	Deadline for notification (if any) from Carrying FCM Clearing Member

Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 98(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.

Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 98(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.

that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 98(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.

[Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.](#)

~~Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.~~

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Day 2: 09:00 to 10:00

LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred.

Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).

Day 2: 14:30 Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.

Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.

Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.

Day 3: 03:00 Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or

Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of

Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any

	the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	whether any additional cover is required to enable the transfer.	additional cover is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM SwapClear Contracts.	Clearing House transfers FCM SwapClear Contracts and associated collateral.	Clearing House transfers FCM SwapClear Contracts.

2.13 **2A.13** **Proprietary Account Position Transfers**

The FCM SwapClear clearing system provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM SwapClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM SwapClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

2.13.1 **2A.13.1** **Legal Documentation**

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorized by both parties and by individuals with appropriate signing authority.

2.13.2 **2A.13.2** **Position Transfer Notice Period**

The Clearing House will usually require five Business Days notice ahead of an intended transfer.

2.14 **2A.14** **Amendment of Trade References**

Sometimes FCM Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing

- any trade referred to in the Trade Reference Amendment Request Form is not already registered in the FCM SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment; or
- it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the FCM Clearing Member and process the amendment as soon as reasonably practicable thereafter.

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

2.14.4 2A.14.4 **Legal Documentation**

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

2.14.5 2A.14.5 **Notification**

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

2.15 2A.15 **Default Management**

2A.15.1 **Portfolio Splitting:**

As part of the SwapClear DMP, the Clearing House may divide an Auction portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing house will, in consultation with the SwapClear DMG, (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the SwapClear DMP Annex to the Default Rules), seek to create:

(a) one or more individual Sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Sub portfolios from those which are more risk neutral; and

(b) one or more individual Sub portfolios which are more risk neutral.

2A.15.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

(a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;

(b) cause the Clearing House or its membership any reputational harm;

(c) cause legal action or proceedings to be taken against the Clearing House;

(d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same SwapClear FCM Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a non FCM Clearing Member or SwapClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

~~2-15.1~~ 2A.15.3 Affiliate Bidding

SwapClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where a SwapClear Clearing Member makes a bid and that SwapClear Clearing Member has an affiliated SwapClear Clearing Member or FCM Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding SwapClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated SwapClear Clearing Member or affiliated FCM Clearing Member.

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

Upon the request of an FCM Clearing Member that has successfully bid in an Auction (or in respect of which an LCH Approved Outsourcing Party, an affiliated SwapClear Clearing Member or a non-SwapClear Clearing Member Affiliate has

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

2.15.2 2A.15.4 Outsourcing

Pursuant to FCM Regulation 3(c)(vi) and 3(c)(vii), an FCM Clearing Member may appoint a third party to fulfil one or both of ~~the~~ the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the SwapClear DMP operated by the Clearing House. Where an FCM Clearing Member chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

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

- A SwapClear Clearing Member
- An FCM Clearing Member
- An FCM Client
- ~~a~~Any other entity that the Clearing House deems appropriate in its sole discretion.

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

- ~~1.~~ 1. details of the third party entity that the FCM Clearing Member wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- ~~2.~~ 2. evidence of the existence of a legally binding agreement between the FCM Clearing Member and the third party; and
- ~~3.~~ 3. such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House

shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

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

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

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

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

The appointment of an LCH Approved Outsourcing Agent does not absolve an FCM Clearing Member of its obligations under the SwapClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the SwapClear DMP on behalf of an FCM Clearing Member, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FCM Clearing Member.

~~2.15.3~~ 2A.15.5 **SwapClear DMG**

The necessary involvement of FCM Clearing Members and the SwapClear DMG in the SwapClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Appendix ~~2E~~2A.E establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FCM Clearing Members (and their executives or directors who participate from time to time in the SwapClear DMG) and on the Clearing House.

Each FCM Clearing Member who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with ~~Schedule F~~ Appendix 2A.E covering confidentiality, non-disclosure and other terms.

~~2.15.4~~ 2A.15.6 **Procedures for Liquidation of FCM SwapClear Contracts of FCM Clients**

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

When the Clearing House determines that part or all of an FCM Client's FCM Client ~~account~~ Segregated Sub-Account holding FCM SwapClear Contracts is non-transferable and ~~its account~~ such FCM Client Segregated Sub-Account and any or all of the FCM SwapClear Contracts held in such ~~account~~ FCM Client Segregated Sub-Account will be liquidated, the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM SwapClear Contracts to be liquidated into an account of the Clearing House established for purposes of liquidating the FCM SwapClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**").~~_-~~ The Clearing House shall establish a separate Hedged Account for each currency of FCM SwapClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM SwapClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM SwapClear Contracts are held.~~-~~ The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM SwapClear Contracts will be transferred into a Hedged Account established for liquidating FCM SwapClear Contracts.

An FCM Client whose FCM SwapClear Contracts are transferred into a Hedged Account is referred to as a "**Non-Porting Client**".~~_-~~ The Clearing House shall hold the Account Assets of each Non-Porting Client (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part ~~22~~ thereof) in its applicable FCM-~~OTC~~ Client Segregated Sub-Account until the liquidation of the entire Hedged Account and all FCM SwapClear Contracts and other positions therein, as described below.~~_-~~ At the time that the FCM SwapClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM SwapClear Contracts shall be discharged as of the time such FCM SwapClear Contracts are transferred into the Hedged Account, by (i)~~_-~~ in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the FCM ~~OTC~~-Client Segregated Sub-Account of such FCM Client, or (ii)~~_-~~ in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the FCM ~~OTC~~-Client Segregated Sub-Account of such FCM Client.

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

Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.~~_-~~ The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

8. (v) Upon the liquidation of the Hedged Account and all FCM SwapClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a pro rata basis based on the Risk Factor of each Non-Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account.- Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant FCM-OTC Client Segregated Sub-Account.

2.16 2A.16 **Payment of Stamp Tax**

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

2.17 2A.17 **Section 168, Finance Act 1994**

Under section 696 Corporation Tax Act 2009 ("CTA 2009"), net payments in relation to certain derivative contracts (as defined in section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a “recognised clearing house” as defined in section 285 of FSMA 2000.

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any FCM Clearing Member knowingly permit any such contract to be submitted by a SwapClear Participant. Should this occur the SwapClear FCM Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any Executing ~~{Dealer}{Party}~~ (or any other party permitted by the Clearing House to submit FCM Transactions) submitting such a contract for registration from ~~the Register of Executing ~~{Dealers}{Parties}~~ submitting FCM Transactions for registration.~~ The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear FCM Clearing Member as it deems fit in accordance with the Regulations. The SwapClear FCM Clearing Member shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

If in doubt, FCM Clearing Members should consult their professional advisers as to the potential application of sections 696 and 697 CTA 2009 to their transaction.†

APPENDIX 2A.A

SWAPCLEAR PROCESSING SCHEDULE

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a "Business Day" for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

SWAPCLEAR PROCESSING SCHEDULE

Time	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2 Section 2A.3.5)
16:00	Deadline for PPS calls in London
24:00	SwapClear Closes

APPENDIX 2B2A.B

FCM CLIENT – PARTIAL TRANSFER FORM



FCM CLIENT - PARTIAL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Receiving FCM Clearing Member

Date:

We,[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from..... [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 98(c) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM SwapClear Contracts, using the Schedule below:

***Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM SwapClear Contracts.*

***Please append a list of additional FCM SwapClear Contracts to this form, if required*

LCH Trade ID

ATS Trade ID

LCH Trade ID	ATS Trade ID

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1.

(Authorized Signatory) Name Position Date

2.

(Authorized Signatory) Name Position Date

Signatories for and on behalf of the transferring FCM Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- ~~i.~~ the request to transfer as detailed above;
- ~~ii.~~ that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- ~~iii.~~ that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- ~~iv.~~ that the transfer detailed above may require that additional cover be paid to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- ~~v.~~ that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates; and
- ~~vi.~~ that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authorized signatory

Authorized signatory

Date

Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

SwapClear Client Services
Aldgate House
33 Aldgate High Street
London -EC3N 1EA

SwapClear Client Services
Suite 4G
14 Wall Street
New York NY 10005

APPENDIX ~~2C~~2A.C

FCM CLIENT – FULL TRANSFER FORM



FCM CLIENT - FULL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Receiving FCM Clearing Member

Date:

We,[insert name of Receiving FCM Clearing Member] –(the “Receiving FCM Clearing Member”) have received a request from.....
[insert name of transferring FCM Client] (the “FCM Client”) to transfer its entire portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation ~~98~~(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:

.....

OR

ii. the LCH trade IDs of the transferring FCM SwapClear Contracts (using the Schedule on the next page).

In order to enable LCH.Clearnet to identify the relevant FCM SwapClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets in accordance with FCM ~~Regulations 9~~Regulation 8(d).

The FCM Client wishes to transfer Account Assets

The FCM Client does NOT wish to transfer Account Assets

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1.

(Authorized Signatory)

Name

Position

date

2.

(Authoris <u>z</u> ed Signatory)	Name	Position	date
----------------------------------	------	----------	------

Signatories for and on behalf of the transferring FCM Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed herein;
- ii. that we will be unable to submit further FCM SwapClear Contracts through our Carrying FCM Clearing Member from the date that this form is received by LCH.Clearnet until the transfer has been effected;
- iii. that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iv. that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- v. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above) even where Account Assets are transferred, and that LCH.Clearnet is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of Account Assets, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet to identify the correct Account Assets to be transferred, and (y) while LCH.Clearnet will attempt to transfer the specified Account Assets to the Receiving FCM Clearing Member, LCH.Clearnet is permitted to transfer alternative collateral as it deems appropriate in accordance with the FCM Rulebook;
- vii. that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member -and/or its Affiliates
- viii. that we are authoriszed to make these acknowledgements and confirmations and -do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authoriszed signatory

Authoriszed signatory

Date

Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Insert email: _swapclearclientservices@lchclearnet.com

Insert telephone number: _ +44 (0) 207 426 7651

SwapClear Client Services
Aldgate House
33 Aldgate High Street

SwapClear Client Services
Suite 4G
14 Wall 17 State Street

APPENDIX ~~2D~~2A.D

FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM



**FCM CLIENT TRANSFER – CARRYING
FCM CLEARING MEMBER RESPONSE FORM**

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited
From: Carrying FCM Clearing Member
Date:

We,[insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet Limited in relation to’s [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its*] portfolio of FCM SwapClear Contracts held by us. We are writing to inform you that:

* Delete as appropriate

(Please tick if applicable) The transferring FCM Client has become insolvent and its FCM SwapClear Contracts should therefore not be transferred in accordance with FCM Regulation 98(b)(i) or FCM Regulation 98(c)(i), as applicable.

(Please tick if applicable) The transferring FCM Client has outstanding obligations that are due and payable to us and/or our Affiliates and therefore its FCM SwapClear Contracts should not be transferred in accordance with FCM Regulation 98(b)(v) or FCM Regulation 98(c)(v), as applicable.

(Please tick if applicable) The transferring FCM Client has asked that Account Assets be transferred and the relevant Account Assets are described in the schedule below.

Schedule of Account Assets:

The Account Assets of the FCM Client consist solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

The Account Assets of the FCM Client consist of the following cash and non-cash collateral:

CASH AMOUNT & CURRENCY

ISIN

Notional Value

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone: [+44 \(0\) 207 426 7651](tel:+442074267651) or [+1 212 513 8265](tel:+12125138265)

Fax: [+1 212 513 8290](tel:+12125138290)

SwapClear Client Services
Aldgate House
33 Aldgate High Street
London
EC3N 1EA
UNITED KINGDOM

SwapClear Client Services
~~Suite 4G~~
~~14 Wall~~ [17 State](#) Street
New York
NY 10005
USA

Signatories for and on behalf of the Carrying FCM Clearing Member:

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:

1.

(Authorized Signatory)

Name

Position

Date

2.

(Authorized Signatory)

Name

Position

Date

APPENDIX ~~2E~~2A.E

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

~~1.~~ 1. Definitions

~~1.1~~ 1.1 "Confidential Material" means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the SwapClear DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FCM Clearing Member).

~~1.2~~ 1.2 "DMG Member" means an individual appointed by a Nominating FCM Clearing Member.

~~1.3~~ 1.3 "Nominating FCM Clearing Member" means a SwapClear Member who, through their obligations under the SwapClear DMP, makes available a representative to serve on the SwapClear DMG.

~~1.4~~ 1.4 "Permitted Purpose" means proper fulfillment by the FCM Clearing Member of its duties under the SwapClear DMP Annex and includes, after the completion of the Auction, the use by the FCM Clearing Member, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own [ongoing on-going](#) portfolio management and to enable it to comply with [ongoing on-going](#) legal or regulatory requirements.

~~1.5~~ 1.5 References denoting the masculine (including "his" and "he") shall be construed as the feminine if the DMG Member is female.

~~1.6~~ 1.6 All other terms have the meaning ascribed to them in the [FCM Rulebook, which includes the](#) Default Rules (including the SwapClear DMP Annex).

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

~~2.~~ 2. Confidentiality

~~2.1~~ 2.1 The FCM Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Appendix in respect thereof and, subject to [Clause paragraph 2.3](#), will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FCM Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :

~~2.1.1~~ 2.1.1 it comes into the public domain other than through a breach by the FCM Clearing Member of this Appendix; or

~~2.1.2~~ 2.1.2 the FCM Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other

~~5.~~ **5. Return of Confidential Material**

~~5.1~~ **5.1** Upon request by the Clearing House, and in any event upon fulfillment of the Permitted Purpose, the FCM Clearing Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FCM Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

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

~~6.1~~ **6.1** Subject to paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

~~6.2~~ **6.2** The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Appendix by the FCM Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Appendix, the FCM Clearing Member's participation in the SwapClear DMP shall not prevent the FCM Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FCM Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FCM Clearing Member has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FCM Clearing Member or any of its directors, employees or other representatives.

~~7.~~ **7. Liability**

~~7.1~~ **7.1** Subject to FCM Regulation ~~26 of the Agreement~~24, the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FCM Clearing Member or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

~~7.2~~ **7.2** The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or willful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the SwapClear DMG, and for the accuracy of the information (confidential material as defined in the Annex to this Agreement) that it distributes to the FCM Clearing Member in connection with the SwapClear DMP.

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

~~8.~~ **8. Remedies**

~~8.1~~ **8.1** Without affecting any other rights or remedies that the Clearing House may have, the FCM Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Appendix and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of

these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Appendix.

Confidentiality and ~~non-disclosure~~Non-Disclosure and ~~general terms~~General Terms of ~~Participation in Default Management Group~~SwapClear DMG

~~9.~~ **9. Conflict of interest**

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

~~10.~~ **10. Confidentiality**

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

~~10.2~~ **10.2** Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the SwapClear DMG Member shall not use any Confidential Material for any purpose other than the proper fulfillment of his duties as a SwapClear DMG Member.

~~10.3~~ **10.3** The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any SwapClear Clearing Member, the SwapClear DMG Member may be required by the Nominating FCM Clearing Member and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the SwapClear DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the SwapClear DMG with regard to the management of that default.

~~10.4~~ **10.4** Upon request by the Clearing House, and in any event upon termination of the membership of the SwapClear DMG Member of the SwapClear DMG, the FCM Clearing Member shall procure that the SwapClear DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, provided that the SwapClear DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

~~11.~~ **11. Warranty and Representation**

~~11.1~~ **11.1** The FCM Clearing Member represents and warrants that it will procure that:

~~11.1.1~~ 11.1.1 the Nominating FCM Clearing Member and the SwapClear DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

~~11.1.2~~ 11.1.2 nothing in this Appendix will cause the SwapClear DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FCM Clearing Member or to his employer, if different, or any other contract counterparty of the SwapClear DMG Member.

~~12.~~ **12. Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

~~12.1~~ 12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Annex to the Agreement, confining use to the SwapClear DMP, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

~~13.~~ **13. Third Party Rights**

~~13.1~~ 13.1 A person who is not a party to this Annex shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

FINANCIAL

2B FOREXCLEAR

2B.1 Introduction and Interpretation

This Section 2B of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an “FXCCM” is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

Unless otherwise specified, all times are in local London time.

2B.2 Users of FCM ForexClear

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. Those authorized by the Clearing House to submit trades (as defined below) for clearing in the FCM ForexClear Service fall into three categories – FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“FX FCMs”), FCM Clients of FX FCMs and Affiliates of FX FCMs. FX FCMs, FCM Clients of FX FCMs and Affiliates of FX FCMs are collectively known as ForexClear Participants (“FXPs”). For membership procedures, please see Section 1 of the FCM Procedures. At least one party to each FCM ForexClear Transaction submitted to the Clearing House will be an FX FCM, acting through a client or house account; the other party may be another FX FCM or may be a ForexClear Clearing Member.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

2B.3 Termination of FX FCM Status

Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; membership@lchclearnet.com) for details of how to resign from the FCM ForexClear Service.

2B.4 Service Scope

2B.4.1 Eligibility

Non-Deliverable FX Transactions as defined in Part A of Schedule B to the FCM Regulations (“NDFs”) may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the ForexClear Eligibility Criteria (as set out in Part B of Schedule B to the FCM Regulations).

2B.4.2 Service Operating Hours

Opening Days:

The FCM ForexClear Service will be open each day, except weekends, Christmas Day and New Year’s Day.

Opening Hours:

The FCM ForexClear Service will be open between 20:00 hours, London time, Sunday night and 01:00 hours, London time, Saturday morning (“Opening Hours”). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

2B.5 Position Accounts

2B.5.1 FCM Accounts

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM ForexClear Transactions and FCM ForexClear Contracts. An FCM Clearing Member’s position and financial information are further identified by a single character code: C for client business; and H for house business.

2B.5.2 Position-Keeping Accounts

FCM Clearing Member Accounts:

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus ForexClear Client Account with LCH). An FCM Clearing Member’s FCM ForexClear Contract positions are also recorded within the FCM ForexClear Clearing System in ForexClear accounts.

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via ForexClear Reporting (see Section 2B.21). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contracts (provided that FCM Contracts attributable to any Business Categories of FCM Contracts and related cover may be physically commingled in the same depository accounts, subject to the requirements of the Rulebook to properly segregate all FCM Client assets). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM ForexClear Contracts registered in its name.

Sub-accounts within the FX FCM’s Proprietary Account may be set up (e.g., for branches or Affiliates). Each such sub-account will carry the unique Bank Identifier Code (“BIC”) (or equivalent unique identifier) of the relevant branch/ Affiliate (see Section 2B.5.4 below).

Sub-accounts within the FX FCM’s Proprietary Account will be associated with the House financial account of the FX FCM and information contained across the Proprietary Account sub-accounts is consolidated into the House financial account of each FX FCM.

2B.5.3 Clients

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 4(a), the FX FCM must submit an “FCM Client Static Data” form to the Clearing House’s membership department. Positions of an FCM Client

will be identifiable in ForexClear Reporting through that FCM Client's BIC/unique identifier.

2B.5.4 Affiliates and Branches

Under FCM Regulation 4(c), FX FCMs are permitted to clear for Affiliates through their Proprietary accounts.

Where an FX FCM enters into an agreement with an Affiliate in accordance with FCM Regulation 4(c), submission of an "FCM Affiliated Client Static Data" form to the Clearing House will allow the FX FCM to be provided with one or more sub-accounts for that Affiliate (for position-keeping purposes) within that FX FCM's house account.

Because the House financial account reflects the consolidated balances and liabilities of the FX FCM's proprietary business, the balances and liabilities associated with FCM ForexClear Transactions submitted by Affiliates and/or per branch will be provided as an estimate (if applicable).

2B.6 Financial Accounts

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

2B.6.1 Relationship with Position-Keeping Accounts

<u>Trading Account</u>	<u>Financial Account</u>	
<u>C</u>	<u>Client C</u>	<u>LCH ForexClear Client Segregated Depository Account used for Initial Margin Flows</u>
	<u>Client L</u>	<u>LCH ForexClear Client Segregated Depository Account used for Variation Margin Flows</u>
<u>H</u>	<u>House H</u>	<u>Proprietary Account</u>

2B.6.2 Other Financial Accounts

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

Code

Additional Margin accounts (House), used for holding additional cash in relation to Proprietary business B

Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business E

Unallocated Excess account (Client), used for holding excess cash and non-cash collateral in relation to FCM Client Business U

2B.6.3 Default Fund (DF) Account

Each FCM Clearing Member's Contribution is held in a separate financial account. The Default Fund account code is "F". Each FCM Clearing Member's ForexClear Contribution is held in an account that is separate from any financial account containing such FCM Clearing Member's Contribution relating to any other Business Categories of FCM Contracts.

2B.7 Novation and Registration

An NDF is an FCM ForexClear Transaction (i.e., eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Eligibility Criteria (set out in Part B of the Schedule B to the FCM Regulations) at the Registration Time.

Where an FX FCM accepts registration of the FCM ForexClear Transaction and notifies the Clearing House of such acceptance, the FX FCM shall, pursuant to FCM Regulation 40(b), (i) be deemed to have presented the FCM ForexClear Transaction for clearing and (ii) become obliged to pay all cover required by the Clearing House in connection with the registration of the FCM ForexClear Transaction upon request of the Clearing House. It is a condition for registration of an FCM ForexClear Transaction that, where both Executing Parties intend to register the FCM ForexClear Transaction through an FX FCM, both FX FCMs accept the FCM Notification (or where such Executing Parties nominate the same FX FCM, such FX FCM accepts both acceptances) and therefore submit the FCM ForexClear Transaction to the Clearing House.

It is a condition for registration of an FCM ForexClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM ForexClear Contract prior to registration.

The FCM ForexClear Service will register FCM ForexClear Transactions submitted during the Opening Hours, provided that all FX FCMs have sufficient cover for their Liabilities (as defined in Section 2B.17) at the time of the relevant Margin Run.

If any FX FCM does not have sufficient cover for its Liabilities at the time of the relevant Margin Run, then the registration of FCM ForexClear Transactions to which it is party will be suspended until (1) sufficient cover is provided by the FCM Clearing Member; (2) until the FX FCM's portfolio risk is reduced by the FX FCM submitting for registration risk reducing FCM ForexClear Transactions; or (3) until the FCM Clearing Member's portfolio risk is sufficiently reduced as a result of the application of updated market data, at the Clearing House's discretion.

Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2B.8.1) and the required cover has been provided by the relevant FX FCMs, the Clearing House will send, via the FCM Approved Trade Source System, a message confirming the registration of the FCM ForexClear Transaction as an FCM ForexClear Contract and including a datestamp of the relevant registration time. For the purpose of the Part III of the FCM Regulations, the time of dispatch of such message shall be the "**Registration Time**" of that FCM ForexClear Contract.

The definitive report of the registered FCM ForexClear Contract will be shown on the "All Open Contracts" report issued by ForexClear Reporting (as defined in Section 2B.21).

If an FX FCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FX FCMs will continue to be registered (assuming sufficient cover for their Liabilities has been provided).

2B.7.1 Trade Capture

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a "**trade**"). The FCM Approved Trade Source System validates the trade using the FCM ForexClear Product Eligibility Criteria as set forth in Part B to Schedule B to the FCM Regulations (the "**FCM ForexClear Eligibility Criteria**") and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as an "**FCM ForexClear Transaction**". Once the Clearing House receives the FCM ForexClear Transaction message, it will send a message of acknowledgement back via the FCM Approved Trade Source System that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the Validation Checks are rejected. Rejections are reported back to the FCM Approved Trade Source System.

The Clearing House will provide FCM ForexClear Transaction/FCM ForexClear Contract (as applicable) updates as and when these change (e.g., for acceptance, rejection and novation).

2B.7.2 ForexClear FCM Approved Trade Source Systems

Currently the FCM Approved Trade Source System designated by the Clearing House for ForexClear is MarkitSERV. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

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

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract(s), unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 41.

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

2B.8 Trade Validation and Registration

2B.8.1 Process flow description

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Validation Check (as defined below) required for FCM ForexClear Transactions (together the “**Validation Checks**”).

The fields checked are as follows:

- **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the “**Counterparty Validation Check**”);
- **Trade type:** is the instrument type an NDF?
- **Economic Terms:** does the trade include all the Economic Terms (as defined in Part A of Schedule B to the FCM Regulations)?
- **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule B to the FCM Regulations)?
- **Settlement Currency:** is the Settlement Currency USD?
- **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the “**Submission Date**”) and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 hours, London time), the Submission Date is defined as the next good business day.

- Valuation Date and Settlement Date: do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows the relevant Business days for determining the Valuation Date and Settlement Date:¹

<u>Currency Pair</u>	<u>Business Days for Valuation Date</u>	<u>Relevant City/Cities for Business Day for Valuation Date</u>	<u>Business Days for Settlement Date</u>	<u>Relevant City for Business Day for Settlement Date</u>
<u>USD-BRL</u>	<u>BRS & USD</u>	<u>Any of Rio de Janeiro, Brasilia or São Paulo and New York City</u>	<u>USD</u>	<u>New York City</u>
<u>USD-RUB</u>	<u>USD & RUB</u>	<u>New York and Moscow</u>	<u>USD</u>	<u>New York City</u>
<u>USD-INR</u>	<u>INR</u>	<u>Mumbai</u>	<u>USD</u>	<u>New York City</u>
<u>USD-CLP</u>	<u>USD & CLP</u>	<u>New York and Santiago</u>	<u>USD</u>	<u>New York City</u>
<u>USD-CNY</u>	<u>CNY</u>	<u>Beijing</u>	<u>USD</u>	<u>New York City</u>
<u>USD-KRW</u>	<u>KRW</u>	<u>Seoul</u>	<u>USD</u>	<u>New York City</u>
<u>USD-COP</u>	<u>USD & COP</u>	<u>New York and Bogata</u>	<u>USD</u>	<u>New York City</u>
<u>USD-IDR</u>	<u>IDR & SGD</u>	<u>Jakarta and Singapore</u>	<u>USD</u>	<u>New York City</u>
<u>USD-MYR</u>	<u>MYR & SGD</u>	<u>Kuala Lumpur and Singapore</u>	<u>USD</u>	<u>New York City</u>
<u>USD-PHP</u>	<u>PHP</u>	<u>Manila</u>	<u>USD</u>	<u>New York City</u>
<u>USD-TWD</u>	<u>TWD</u>	<u>Taipei</u>	<u>USD</u>	<u>New York City</u>

Trades that pass the Validation Checks are accepted and two trade records are created for the FCM ForexClear Transaction: one for the FCM ForexClear Contract between the Clearing House and the first FX FCM to the FCM ForexClear Transaction and the other for the FCM ForexClear Contract between the Clearing House and the second FX FCM to the FCM ForexClear Transaction (or the ForexClear Contract between the Clearing House and the ForexClear Clearing

¹ As amended from time to time as per the relevant EMTA Template.

Member to the corresponding ForexClear Transaction pursuant to the UK General Regulations).

Provided each FXCCM has sufficient cover, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection.

As provided in Section 2B.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the "ForexClear ID"). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

2B.8.2 Manual Trade Rejection, Novation and Cancellation (Exceptional Event)

From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register an FCM ForexClear Transaction; or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case manually prior to a Margin Run, (e.g., in the case of a default event, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from a defaulted FX FCM).

The Clearing House acknowledges the action and sends a status message to the FCM Approved Trade Source System of either "REJECTED" in respect of trades being manually rejected; "NOVATED" in respect of trades being manually registered; and "CANCELLED" in respect of an FCM ForexClear Contract or an FCM ForexClear Transaction being manually cancelled, as appropriate.

2B.8.3 Trade Cancellation

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until such FCM ForexClear Contract is "fixed" (i.e., when its Settlement Rate has been determined on the relevant Valuation Date).

A successful cancellation message results in a "CANCELLED" status message if the FCM ForexClear Transaction or the FCM ForexClear Contract (as the case may be) is cancelled before or after a Margin Run (as defined in Section 2B.15). The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

2B.8.4 Process flow description

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions or FCM ForexClear Contracts (as the case may be) that have previously been submitted to the FCM ForexClear Service. Cancellation instructions must include the ForexClear ID.

The Clearing House acknowledges receipt of the instruction from the FCM Approved Trade Source System to cancel an FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) and sends a "PENDING CANCELLATION" message to the FCM Approved Trade Source System for the relevant FXPs.

The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) an FCM ForexClear Transaction or FCM ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of an FCM ForexClear Contract only, an FCM ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

Where a trade has already been rejected (as a result of having failed a Validation Check), the FCM ForexClear Service sends a "CANCEL REJECTED" message to the FCM Approved Trade Source System for the relevant FXPs.

If a Margin Run is currently in progress, the request to cancel is routed to a temporary queue for later manual action. Once the Margin Run has finished, the Clearing House will re-submit or reject the request to cancel.

If the FCM ForexClear Contract is "NOVATED", the Clearing House amends the status of the relevant FCM ForexClear Contract to "PARKED PENDING CANCELLATION" and sends this information in a message to the FCM Approved Trade Source System for the relevant FXPs. The effect of the "PARKED PENDING CANCELLATION" FCM ForexClear Contract is included in the next Margin Run.

The "PARKED PENDING CANCELLATION" FCM ForexClear Contract is cancelled if all FXCCMs have pledged sufficient collateral with the Clearing House to cover the ForexClear margin requirement without that particular FCM ForexClear Contract. If an FX FCM has insufficient collateral pledged, the Clearing House makes a cash margin call via PPS. When confirmation of receipt of the margin call is received, the FCM ForexClear Contract is cancelled. The FCM ForexClear Contract is excluded from future Margin Runs and a "CANCELLED" message is sent to the FCM Approved Trade Source System for the benefit of the relevant FXPs to the now excluded FCM ForexClear Contract. In accordance with FCM Regulation 41, the time of dispatch of such message shall be the cancellation date and time in respect of that FCM ForexClear Contract. If an FX FCM is declared a defaulter, the Clearing House will not process any cancellation of an FCM ForexClear Contract to which the defaulter is a party, nor the corresponding FCM ForexClear Contract that arose from the same underlying FCM ForexClear Transaction. All FCM ForexClear Contracts between non-defaulting FX FCMs for cancellation (assuming sufficient cover for their Liabilities has been provided) will be cancelled.

2B.8.5 Trade Amendment

No amendment of the financial terms of an FCM ForexClear Transaction or FCM ForexClear Contract is permitted. FX FCMs who wish to change the FCM Client information on a ForexClear Transaction should contact ForexClear Business Operations at 0207 426 3729 for further information.

2B.8.6 Backloading of Existing Trades

The Clearing House provides the facility for FCM Clearing Members to load eligible existing FCM ForexClear Transactions, through an FCM Approved Trade Source System. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the ForexClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM ForexClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the ForexClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as a ForexClear Contract, the UK General Regulations will apply with respect to such registration of a Non-FCM ForexClear Contract.

For backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see Section 2B.21). It is a pre-condition of registration that sufficient cover for IM and variation margin (“VM”) is provided.

2B.8.7 Valuation Date Event Management

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each FCM ForexClear Contract.

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in Schedule B to the FCM Regulations). The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the following criteria:

- Settlement Rate Option source code (as below)
- Valuation Date

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

<u>Currency Pair</u>	<u>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</u>
<u>USD-BRL</u>	<u>BRL PTAX (BRL09)</u>
<u>USD-CLP</u>	<u>CLP DÓLAR OBS (CLP10)</u>
<u>USD-CNY</u>	<u>CNY SAEC (CNY01)</u>
<u>USD-COP</u>	<u>COP TRM (COP2)</u>
<u>USD-IDR</u>	<u>IDR ABS (IDR01)</u>
<u>USD-INR</u>	<u>INR RBIB (INR01)</u>
<u>USD-KRW</u>	<u>KRW KFTC18 (KRW02)</u>
<u>USD-MYR</u>	<u>MYR ABS (MYR01)</u>
<u>USD-PHP</u>	<u>PHP PDSPEO (PHP06)</u>
<u>USD-RUB</u>	<u>RUB CME-EMTA (RUB03)</u>
<u>USD-TWD</u>	<u>TWD TAIFX1 (TWD03)</u>

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time (see Section 2B.8.8 below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

2B.8.8 Valuation Date Event Management: Process flow description

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.

If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

2B.8.9 Settlement

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear Contract Terms (see Part A of Schedule B to the FCM Regulations).

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open FCM ForexClear Contracts will have resulted in VM credits and debits between the parties (as set out at Section 2B.10.3). With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the FCM ForexClear Contract, the result of which is a Net Settlement Amount (“NSA”), which will be reflected in the FX FCMs’ cash accounts with the Clearing House on the Settlement Date. As such, with respect to each FCM ForexClear Contract, the payment in full of all the VM required during the term of such FCM ForexClear Contract shall satisfy the relevant party’s obligation to pay the Settlement Currency Amount on the Settlement Date of such FCM ForexClear Contract. For the purpose of providing Nostro reconciliation, to the relevant parties, the Clearing House will provide Reporting (as defined in Section 2B.21 of these FCM Procedures) which will reflect an entry for the “Settlement Currency Amount” and a separate entry for the reversal of the aggregate net Variation Margin which has been paid/received through the term of the FCM ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the FCM ForexClear Contract Terms.

2B.8.10 Reference Data

Holiday Event Calendar:

For the FCM ForexClear Service the Clearing House uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, Inc.) the (“SwapsMonitor Financial Calendar”) in order to determine holidays. This requires all FX FCMs to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM ForexClear Service, will be available online for inspection and for file download from Clearing Member Reporting. SwapsMonitor is used on a daily basis across all calendars.

Date Adjustment:

When a new holiday is declared in a particular jurisdiction, an update to the holiday calendar affecting FCM ForexClear Contracts for which the Valuation Date is due on the new holiday is required. The Valuation Date and the Settlement Date will be adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House may accede to a request from FX FCMs to suspend processing of adjustments to the relevant affected Valuation Dates and Settlement Dates so as to allow FX FCMs to cancel and rebook any FCM ForexClear Contracts following any such adjustment. In such case, the Clearing House will inform FX FCMs as to the timing and duration of any such suspension.

2B.9 Market Data

2B.9.1 Sources used by FCM ForexClear Service

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2B.9.2) in relation to each Currency Pair:

- FX spot rates (“FX Spot Rates”);
- FX swap points (“FX Swap Points”);
- Settlement Rate Option;
- Interest rate curves (see Section 2B.9.5 below) (“Interest Rate Curves”);
- USD LIBOR Curve;
- PAI rates (“PAI Rates”); and
- Country credit spreads (see Section 2B9.6 below) (“Country Credit Spreads”).

together, “Market Data”.

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours (as defined in Section 2B.4.2).

2B.9.2 Market Data Sources and Frequencies

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- Source – FXCCMs (including FX FCMs).
- Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.

FX Swap Points:

- Source - all FXCCMs (including FX FCMs).
- Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.
- Tenors – as shown in the table below.

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

Settlement Rate Options:

- Source - Reuters.
- Frequency - when published (at the times shown in the table at Section 2B.9.3 below).

Interest Rate Curves:

- Source - internal Clearing House
- Frequency - at each SwapClear margin run.

Country Credit Spreads:

- Source - Bloomberg.
- Frequency - when published.

USD LIBOR Curve:

- Source - SwapClear.
- Frequency - at each SwapClear margin run.

PAI rates:

- Source - LCH Treasury.
- Frequency - Daily.

2B.9.3 Market Data

<u>Reference Currency</u>	<u>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</u>	<u>Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)</u>
<u>BRL</u>	<u>BRL PTAX (BRL09)</u>	<u>13:15 (São Paolo)</u>
<u>CLP</u>	<u>CLP DÓLAR OBS (CLP10)</u>	<u>10:30 (Santiago)</u>
<u>CNY</u>	<u>CNY SAEC (CNY01)</u>	<u>09:15 (Beijing)</u>
<u>COP</u>	<u>COP TRM (COP02)</u>	<u>10:30 (Bogota)</u>
<u>IDR</u>	<u>IDR ABS (IDR01)</u>	<u>11:30 (Singapore)</u>
<u>INR</u>	<u>INR RBIB (INR01)</u>	<u>12:30 (Mumbai)</u>
<u>KRW</u>	<u>KRW KFTC18 (KRW02)</u>	<u>15:30 (Seoul)</u>
<u>MYR</u>	<u>MYR ABS (MYR01)</u>	<u>11:30 (Singapore)</u>
<u>PHP</u>	<u>PHP PDSPEO (PHP06)</u>	<u>11:30 (Manila)</u>
<u>RUB</u>	<u>RUB CME-EMTA (RUB03)</u>	<u>13:30 (Moscow)</u>
<u>TWD</u>	<u>TWD TAIFX1 (TWD03)</u>	<u>11:00 – 12:00 (Taipei)</u>

2B.9.4 Market Data Provision to FX FCMs

Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section 2B.21).

2B.9.5 Curve Building in ForexClear

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) ("RTWG"). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalization of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 hours, London time ("EOD"). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 2B.16.2):

- FX Spot Rates; and
- FX Swap Points.

2B.9.6 Country Credit Spreads

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

2B.10 FCM ForexClear Contract Valuation

2B.10.1 Price Submission

In accordance with these FCM Procedures, each FX FCM shall provide pricing data to the Clearing House in accordance with the ForexClear Market Data Interface (a document issued by LCH and as amended from time to time) as amended from time to time (save in the case of there being more than one FXCCM in the same corporate group, in which case each such FXCCM shall ensure that one of those FXCCMs complies with this requirement).

This data is used to calculate the NPV (as defined in Section 2B.10.2 below) of FCM ForexClear Contracts.

2B.10.2 Net Present Value ("NPV")

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each FCM ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Sections 2B.9.2 and 2B.10.1).

On the Valuation Date, the Settlement Rate is used to value the FCM ForexClear Contract.

If Valuation Postponement applies, the FCM ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs in accordance with Sections 2B.9.2 and 2B.10.1) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

2B.10.3 Variation Margin (“VM”)

VM for each FCM ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FX FCM, the net sum of the VM for all open FCM ForexClear Contracts is credited to or debited from such FX FCM once a day, following the EOD Margin Run.

Cover for VM (adjusted by PAI, as set out below) will be paid each business day by or to each FX FCM in respect of all of its open FCM ForexClear Contracts. The VM will be calculated in, and must be paid in, USD.

With respect to each FCM ForexClear Contract, VM is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

2B.10.4 Reporting Breakdown

ForexClear margin reports show the portfolio of open FCM ForexClear Contracts of each FX FCM by Currency Pairs and in the Settlement Currency (i.e., USD).

2B.10.5 Price Alignment Interest (“PAI”)

The effect of daily cash VM movements results in the need for PAI. Without this adjustment, the pricing of FCM ForexClear Contracts would differ from identical uncleared trades, as cash earned from favorable daily price moves would be priced into the product.

2B.10.6 PAI Calculation Methodology

PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section 2B.10.6, “T” means any given business day; “T-1” means the business day immediately preceding T; “T+1” means the business day immediately following T; and “MTM” means the total value (expressed in USD) of an FXCCM’s portfolio open of FCM ForexClear Contracts after valuation in accordance with Section 2B.10.3 at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

Principles:

- MTM is calculated at EOD on T-1.
- Change in MTM (net VM in respect of an FX FCM's portfolio of open ForexClear Contracts) is paid/ received on the morning of T.
- PAI Rate for T to be applied is known at EOD T.
- PAI is calculated on the night of T, for MTM of T-1 for FCM ForexClear Contracts up to the business day before their Settlement Date.
- PAI is paid / received on morning of T+1 via PPS.

Components:

- PAI Rate (annualized interest applied to an FX FCM's MTM).
- MTM
- Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- $PAI_T = PAI_T\text{-Rate} \times MTM_{T-1} \times \text{Accrual Factor}$.

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

2B.10.7 VM/PAI Adjustment

With respect to each FX FCM, the Clearing House makes the following adjustment to the VM at EOD:

- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) paid an amount in VM greater than the amount of VM it has received, such FX FCM will receive PAI; and
- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) received an amount in VM greater than the amount of VM it has paid, such FX FCM will pay PAI.

2B.11 Initial Margin ("IM")

The Clearing House will require FX FCMs to post IM. This amount will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FX FCM, it is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified filtered historical simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the historical (5 year) data submitted by FXCCMs pursuant to Section 2B.9, which is adapted to current market prices.

Separate Initial Margin calculations are performed for an FX FCM's house "H" and client "C" accounts.

The Clearing House reserves the right to require additional amounts of cover from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation 9.

2B.11.1 Credit Risk Multiplier ("CRIM")

The CRiM applied will consider the FX FCM's credit worthiness, Initial Margin level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.

2B.11.2 Liquidity Risk Multiplier ("LRMM")

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the LRMM is applied and additional IM is charged. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the "FXDMG") according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

LRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM's house position-keeping account.

2B.11.3 Sovereign Risk multiplier ("SRM")

An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

- i. the probability of sovereign default or a regime change event occurring; and
- ii. the depreciation or appreciation risk of the Reference Currencies.

The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.

The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM's house position-keeping account.

2B.12 Additional Margin

The Clearing House may require an FX FCM to pay additional amounts (in addition to Initial Margin and Variation Margin) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation 9. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party not adequately covered by Initial Margin or Variation Margin. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Rules have increased.

2B.12.1 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours, London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2B.22.3).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2B.13 Initial Margin Management Events Service ("IMMES")

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations at 0207 426 7527. To be eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the "IMMES Agreement").

2B.13.1 Step-by-step details

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to

compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the "IMMES Trades").

The Clearing House then analyses the relevant FX FCM's FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the FCM Approved Trade Source System for registration.

2B.14 Intra-Day Margin Call: Collateral Management

2B.14.1 General – Intra-day Margining

Following an intra-day margin call (except as notified otherwise by an FX FCM at the time of an intra-day margin call), the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

Cash payments in respect of intra-day cover are accepted only in USD by the Clearing House.

Each FCM Clearing Member must ensure that it has sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

2B.15 General Margining Process

A "Margin Run" is the process by which the Clearing House calculates an FX FCM's Initial Margin requirement (if any) and, during an EOD Margin Run, its Variation Margin requirement and PAI adjustment (if required) (together its "Margin Requirements"); and (a) applies that FX FCM's cover to satisfy the Margin Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio; and/or (b) calls for additional cover (if required) to cover the relevant Margin Requirement.

2B.16. Types of Margin Runs

There are four types of Margin Run:

2B.16.1 ITD / Ad Hoc – Day Margin Run

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the "Schedule") or as necessary, and are performed in the time period during which a PPS call can be made (the "ITD/Ad-hoc Day Margin Run"). PPS times are published on the Clearing House's website at: http://www.lchclearnet.com/risk_management/ltd/pps/.

ITD/Ad-hoc Margin Runs are calls in respect of Initial Margin only. Variation Margin and PAI are not included in ITD/Ad-hoc Margin Runs.

2B.16.2 EOD Margin Run

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 22:00 hours, London time, on that business day (the “EOD Margin Run”).

EOD Margin Runs are calls in respect of Initial Margin as well as Variation Margin, NSA and PAI.

2B.16.3 ITD / Ad Hoc - Night Margin Run

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “ITD/Ad-hoc Night Margin Run”).

ITD/Ad-hoc Night Margin Runs are calls in respect of Initial Margin only. Variation Margin, NSA and PAI are included in ITD/Ad-hoc Night Margin Runs, but only as a component of IM.

2B.16.4 Mini Margin Run

Mini Margin Run's (MMRs) will run continuously during the “Service Operating Hours” when ITD/Ad Hoc or EOD Margin Runs are not running or other key daily processes (such as banking opening / closure and date roll) are not running.

Mini Margin Run's can take place in (1) MMR-Day Margin Run Mode where they follow the same principles as the “ITD – Day Margin Run” or (2) MMR-Night Margin Run Mode where they follow the same principles as the “ITD – Night Margin Run”.

2B.17 Margin Run Process

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”, FCM ForexClear Transactions with the status “PARKED” and FCM ForexClear Contracts in respect of which the Clearing House has received a request for cancellation with the status “PARKED PENDING CANCELLATION”. Margins Runs will not cover FCM ForexClear Transactions for which registration has been suspended pursuant to the application of Section 2B.7.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- EOD Margin Run on the Settlement Date; or
- EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the Initial Margin required and (where applicable) the Variation Margin and PAI required to cover each FX FCM's relevant open FCM ForexClear Contracts and FCM ForexClear Transactions (each a “Liability” and together the “Liabilities”).

Each FX FCM's Liability is offset against that FX FCM's non-cash collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VM/PAI/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Margin, NSA and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Services portal (being a secure website made available to FXCCMs) (the “ForexClear Service Portal”) which provides reports (at the times specified in Section 7.1) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for FCM ForexClear Service; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional collateral, this is also indicated by email and via the ForexClear Service Portal. Registration of FCM ForexClear Transactions and cancellations of FCM ForexClear Contracts to which that FX FCM is a party will be suspended pursuant to Section 2B.7.

Once it is confirmed that all FXCCMs have sufficient cover, the Clearing House:

- registers each FCM ForexClear Transaction as two FCM ForexClear Contracts (or registers an FCM ForexClear Contract and a ForexClear Contract under the UK General Regulations, if applicable) and changes the status for each FCM ForexClear Transaction from “PARKED” to “NOVATED” and informs the FCM Approved Trade Source System; and
- in respect of relevant FCM ForexClear Contracts being cancelled, cancels the relevant FCM ForexClear Contracts and changes the FCM ForexClear Contract status of each relevant FCM ForexClear Contract from “PARKED” to “CANCELLED”.

The Clearing House acknowledges the FCM ForexClear Contract status and sends a message to the FCM Approved Trade Source System that the FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) is either “NOVATED” or “CANCELLED” as appropriate.

2B.18 Transfer of FCM Clients

In certain circumstance the Clearing House will transfer FCM ForexClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation 8(b) or 8(c).

2B.18.1 Partial Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client’s portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2B.A), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM ForexClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that

they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts.

2B.18.2 Full Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2B.B), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM ForexClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM ForexClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that they have not been satisfied using the Carrying Member Response Form (see Appendix 2B.C) the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM ForexClear Contracts on behalf of the FCM Client whose FCM ForexClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.

2B.18.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response Form at Appendix 2B.C) which cover is attributable to the transferring FCM Client and the associated FCM ForexClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus ForexClear Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that

they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM ForexClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM ForexClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day Variation Margin and Net Settlement Amount associated with the transferring FCM ForexClear Contracts.

2B.18.4 Timetable for FCM Client Transfer

<u>Time</u> <u>(all references below are to New York time, unless stated otherwise)</u>	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
<u>Day 0: 15:00</u>	<u>Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.</u>	<u>Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.</u>	<u>Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.</u>
<u>Day 1: 05:00</u>	<u>Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.</u>	<u>Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.</u>	<u>Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.</u>
<u>Day 2: 09:00</u>	<u>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</u>	<u>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</u> <u>Deadline for confirmation from Carrying FCM</u>	<u>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</u>

<u>Time</u> <u>(all references below are to New York time, unless stated otherwise)</u>	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
		<u>Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.</u>	
<u>Day 2: 11:00</u>		<u>LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred.</u> <u>Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).</u>	
<u>Day 2: 17:00</u>	<u>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</u>	<u>Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.</u>	<u>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</u>
<u>Day 3: 08:00</u>	<u>Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:30 London time margin run.</u>	<u>Clearing House performs the transfer process of FCM ForexClear Contracts to be included within the 14:30 London time margin run.</u>	<u>Clearing House performs the transfer process of FCM ForexClear Contracts to be included within the 14:30 London time margin run.</u>
<u>Day 3: 10:00</u>	<u>Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</u>	<u>Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</u>	<u>Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</u>
<u>Day 3: 11:00</u>	<u>Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.</u>	<u>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</u>	<u>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</u>
<u>Day 3: 11:00</u>	<u>Clearing House transfers FCM ForexClear Contracts.</u>	<u>Clearing House transfers FCM ForexClear Contracts and associated collateral.</u>	<u>Clearing House transfers FCM ForexClear Contracts.</u>

<u>Time</u> <u>(all references below are to New York time, unless stated otherwise)</u>	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
<u>Day 3: 11:30</u>	<u>Clearing House publication of relevant transfer reporting in relation to the FXM ForexClear Contracts, transferred to both the Carrying FCM Clearing Member and the Receiving FCM Clearing Member</u>	<u>Clearing House publication of relevant transfer reporting in relation to the FXM ForexClear Contracts transferred to both the Carrying FCM Clearing Member and the Receiving FCM Clearing Member.</u>	<u>Clearing House publication of relevant transfer reporting in relation to the FXM ForexClear Contracts, transferred to both the Carrying FCM Clearing Member and the Receiving FXM Clearing Member.</u>

2B.19 Proprietary Account Position Transfers

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM ForexClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM ForexClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

2B.20 FCM Clearing Member's Client Fund Transfer

The FCM ForexClear Clearing System provides functionality for the transfer of an individual FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per Appendix 2B.B.
- The FCM ForexClear Contract is registered by the Clearing House, and sufficient collateral is held to cover the FCM ForexClear Contract.
- Transfers are only handled on an individual trade by trade basis, and within the accounts of a single FCM Clearing Member (i.e., not a transfer between two FCM Clearing Members).

Transfer requests received by ForexClear Operations prior to 17:00 London time will be managed and included in the 19:30 London time margin run. The transfer of the FCM ForexClear Contract will occur provided that sufficient cover is held for the FCM Clearing Member.

2B.21 ForexClear Reporting

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service (including the FCM ForexClear Service), thus an FX FCM will receive reports in respect of the FCM ForexClear Service and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](#).²

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

2B.21.1 Margin Liability Reports

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section 2B.17 and where additional collateral cover has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 hours, London time. If the EOD Margin Run has not completed by 22:00 hours, London time, on a particular business day, the report generated at EOD will reflect that not all the Liabilities of all FXCCMs as covered by collateral by 22:00 hours, London time.

2B.21.2 Market Data Reports

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

2B.21.3 Trade Reports

Reports are provided that enable FX FCMs to monitor their firms’ trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

2B.21.4 Trade Fixing and Settlement Reports

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the “**NDF Fixings**” report), FCM ForexClear Contracts that have been settled during

² http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

that current business day (the “**Settlements Today**” report) and FCM ForexClear Contracts that will settle the next business day (the “**NDF’s Fixed with Settlement Tomorrow**” report).

2B.21.5 Fees Reports

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

2B.21.6 Banking Reports

Follow this link for a full list of Banking reports.³

2B.22 Treasury Operations & Collateral Management

2B.22.1 Cover Distribution

The Clearing House nets each FX FCM’s Liabilities (i.e., margins and multipliers) and then the total of cash collateral and non-cash collateral are applied to offset those net Liabilities. This process is known as cover distribution (“**Cover Distribution**”). FX FCMs can choose whether cash or non-cash collateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section 2B.22.3 below) call for additional collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 hours, London time, be repaid to the FX FCM.

2B.22.2 Cover Distribution Notification

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 2B.20.1) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

2B.22.3 Protected Payment System

The Clearing House operates the Protected Payments System (“**PPS**”) for transferring funds to and from its FX FCMs to cover their Margin Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

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

³ http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp

[Follow the link below for a list of PPS banks operating in the UK and US:](#)

[List of PPS Banks⁴](#)

2B.22.4 Acceptable Forms of Collateral Cover

[Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:](#)

[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral⁵](#)

2B.21.5 Interest and Accommodation

[Interest is paid to FX FCMs on cash collateral held by the Clearing House. The London Deposit Rate \(“LDR”\) is applied. This rate is set daily at 10.00 hours, London time.](#)

[A utilization fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House’s Treasury Operations or follow the link below:](#)

[Overview of interest and charges⁶](#)

2B.23 Default Management

2B.23.1 Portfolio Splitting

[As part of the ForexClear DMP \(contained in the ForexClear DMP Annex to the Default Rules\), the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear DMG \(as defined in the ForexClear DMP Annex to the Default Rules\), seek to create:](#)

[\(a\) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and](#)

[\(b\) one or more individual Auction Portfolios which are more risk neutral.](#)

2B.23.2 Acceptance of Bids

[In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:](#)

[\(a\) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;](#)

⁴ http://www.lchclearnet.com/risk_management/ltd/pps/

⁵ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

⁶ http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

2B.23.3 Affiliate Bidding

ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member or an affiliated FCM Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member or FCM Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member or FCM Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Membership Department (membership@lchclearnet.com; +44 (0)207 426 7949).

2B.23.4 Outsourcing

Pursuant to Section 1 (Membership) of these FCM Procedures, an FX FCM may appoint a third party to fulfill one or both of the Clearing House's FCM clearing membership criteria to: (i) participate in a ForexClear "fire drill" run by the Clearing House; and (ii) participate in the ForexClear DMP operated by the Clearing House. Where an FX FCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

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

- a ForexClear Clearing Member
- an FX FCM;
- an FCM Client; or
- any other entity that the Clearing House deems appropriate in its sole discretion.

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

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

(b) evidence of the existence of a legally binding agreement between the FX FCM Clearing Member and the third party; and

(c) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

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

Where an FX FCM successfully appoints an LCH Approved Outsourcing Agent, that FX FCM may be subject to increased Margin Requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

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

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

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

The appointment of an LCH Approved Outsourcing Agent does not absolve an FX FCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FX FCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FX FCM.

2B.23.5 ForexClear DMG

The necessary involvement of FX FCMs and the ForexClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the ForexClear DMP Annex to the Default Rules) in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure

that such potential conflicts are demonstrably contained. Appendix 2B.D establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FX FCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FX FCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Appendix 2B.D covering confidentiality, non-disclosure and other terms.

2B.23.6 Procedures for Liquidation of FCM ForexClear Contracts of FCM Clients

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

When the Clearing House determines that part or all of an FCM Client's FCM Client Segregated Sub-Account holding FCM ForexClear Contracts is non-transferable and such FCM Client Segregated Sub-Account and any or all of the FCM ForexClear Contracts held in such FCM Client Segregated Sub-Account will be liquidated, the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM ForexClear Contracts into an account of the Clearing House established for purposes of liquidating the FCM ForexClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House will be subject to liquidation and will include in such Hedged Account the FCM ForexClear Contracts that are to be liquidated, regardless of the FCM Clients for which such FCM ForexClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM ForexClear Contracts will be transferred into a Hedged Account established for liquidating FCM ForexClear Contracts.

An FCM Client whose FCM ForexClear Contracts are transferred into a Hedged Account is referred as a "**Non-Porting Client**". The Clearing House shall hold the Account Assets of each Non-Porting Client (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Client Segregated Sub-Account until the liquidation of the entire Hedged Account and all FCM ForexClear Contracts and other positions therein, as described below. At the time that the FCM ForexClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM ForexClear Contracts shall be discharged as of the time such FCM ForexClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client Segregated Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client Segregated Sub-Account of such FCM Client.

Administration of a Hedged Account. The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM ForexClear Contracts and hedges in a Hedged Account, and may take related actions with respect to a

Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s Initial Margin requirement with respect to its FCM ForexClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (i.e., at the time of transfer into the Hedged Account).
- (ii) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.
- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Initial Margin associated with the Hedged Account with respect to all positions (including all FCM ForexClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (i.e., at a time prior to the transfer of the FCM ForexClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Initial Margin requirements applicable to the transferred FCM ForexClear Contracts of the New Non-Porting Clients.
- (iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a pro rata basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each

New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a pro rata basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

(v) Upon the liquidation of the Hedged Account and all FCM ForexClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a pro rata basis based on the Risk Factor of each Non-Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's FCM Client Segregated Sub-Account.

2B.24 Payment of Stamp Tax

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

2B.25 Section 168, Finance Act 1994

[Under section 696 Corporation Tax Act 2009 ("CTA 2009"), net payments in relation to certain derivative contracts (as defined in section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a “recognised clearing house” as defined in section 285 of FSMA 2000.

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any FX FCM knowingly permit any such contract to be submitted by a ForexClear Participant. Should this occur the FX FCM in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any Executing Party submitting such a contract for registration from the Register of ForexClear Dealers. The Clearing House may also, in its absolute discretion take such action in respect of the FX FCM as it deems fit in accordance with the Regulations. The FX FCM shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

If in doubt, FCM Clearing Members should consult their professional advisers as to the potential application of sections 696 and 697 CTA 2009 to their transaction.]

APPENDIX 2B.A

FCM CLIENT – PARTIAL TRANSFER FORM



FCM CLIENT - PARTIAL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Receiving FCM Clearing Member

Date:

We, [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM ForexClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 8(c) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM ForexClear Contracts, using the Schedule below:

**Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM ForexClear Contracts.

**Please append a list of additional FCM ForexClear Contracts to this form, if required.

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1.

(Authorized Signatory) Name Position Date

2.

(Authorized Signatory) Name Position Date

Signatories for and on behalf of the transferring FCM Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed above;
- ii. that the Clearing House will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iii. that, in accordance with the FCM Rulebook, the Clearing House is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- iv. that the transfer detailed above may require that additional cover be paid to the Clearing House (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that the Clearing House is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- v. that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates; and
- vi. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

<u>Authorized signatory</u>	<u>Authorized signatory</u>
<u>Date</u>	<u>Date</u>

All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.

Email: ForexClear.BusOps@lchclearnet.com

Telephone: [+44 (0) 207 426 3729]

ForexClear Business Operations
Aldgate House
33 Aldgate High Street
London EC3N 1EA

APPENDIX 2B.B

FCM CLIENT – FULL TRANSFER FORM



FCM CLIENT - FULL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Receiving FCM Clearing Member

Date:

We,[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from [insert name of transferring FCM Client] (the "FCM Client") to transfer its entire portfolio of FCM ForexClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 8(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:

.....

OR

ii. the LCH trade IDs of the transferring FCM ForexClear Contracts (using the Schedule on the next page).

in order to enable the Clearing House to identify the relevant FCM ForexClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets in accordance with FCM Regulations 8(d).

The FCM Client wishes to transfer Account Assets

The FCM Client does NOT wish to transfer Account Assets

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1.

(Authorized Signatory)

Name

Position

date

2.

(Authorized Signatory)

Name

Position

date

Signatories for and on behalf of the transferring FCM Client:**To: Receiving FCM Clearing Member****We acknowledge and confirm:**

- i. the request to transfer as detailed herein;
- ii. that we will be unable to submit further FCM ForexClear Contracts through our Carrying FCM Clearing Member from the date that this form is received by the Clearing House until the transfer has been effected;
- iii. that the Clearing House will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iv. that, in accordance with the FCM Rulebook, the Clearing House is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- v. that the transfer detailed above may require that additional cover be paid to the Clearing House (and/or by us to the Receiving FCM Clearing Member listed above) even where Account Assets are transferred, and that the Clearing House is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of Account Assets, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact the Clearing House to identify the correct Account Assets to be transferred, and (y) while the Clearing House will attempt to transfer the specified Account Assets to the Receiving FCM Clearing Member, LCH.Clearnet is permitted to transfer alternative collateral as it deems appropriate in accordance with the FCM Rulebook;
- vii. that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates
- viii. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:_____
Authorized signatory_____
Authorized signatory_____
Date_____
Date**All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.**Insert email: ForexClear.BusOps@lchclearnet.comInsert telephone number: [+44 (0) 207 426 3729][ForexClear Business Operations](#)[Aldgate House](#)[33 Aldgate High Street](#)[London EC3N 1EA](#)[UNITED KINGDOM](#)

Schedule of transferring FCM ForexClear Contracts:

**Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM ForexClear Contracts in order that the Clearing House can determine the identity of the relevant Carrying FCM Clearing Member.

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>

APPENDIX 2B.C

FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM



FCM CLIENT TRANSFER - CARRYING FCM CLEARING MEMBER RESPONSE FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Carrying FCM Clearing Member

Date:

We.....[insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet Limited in relation tos [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its*] portfolio of FCM ForexClear Contracts held by us. We are writing to inform you that:

** Delete as appropriate*

(Please tick if applicable)

The transferring FCM Client has become insolvent and its FCM ForexClear Contracts should therefore not be transferred in accordance with FCM Regulation 8(b)(i) or FCM Regulation 8(c)(i), as applicable.

(Please tick if applicable)

The transferring FCM Client has outstanding obligations that are due and payable to us and/or our Affiliates and therefore its FCM ForexClear Contracts should not be transferred in accordance with FCM Regulation 8(b)(v) or FCM Regulation 8(c)(v), as applicable.

(Please tick if applicable)

The transferring FCM Client has asked that Account Assets be transferred and the relevant Account Assets are described in the schedule below.

Schedule of Account Assets:

The Account Assets of the FCM Client consist solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

The Account Assets of the FCM Client consist of the following cash and non-cash collateral:

CASH AMOUNT & CURRENCY

<u>ISIN</u>	<u>Notional Value</u>

All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.

Email: ForexClear.BusOps@lchclearnet.com

Telephone: [+44 (0) 207 426 3729]

Fax: [TBC]

[ForexClear Business Operations](#)
[Aldgate House](#)
[33 Aldgate High Street](#)
[London EC3N 1EA](#)
[UNITED KINGDOM](#)

Signatories for and on behalf of the Carrying FCM Clearing Member:

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:

1. _____
(Authorized Signatory) Name Position date

2. _____
(Authorized Signatory) Name Position date

APPENDIX 2B.D

CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE FOREXCLEAR DEFAULT MANAGEMENT GROUP

1 Definitions

1.1 “Confidential Material” means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FXCCM, its associated companies and advisers, or to which the FXCCM, its associated companies and advisers obtains or otherwise has access as a result of participation in the ForexClear DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FXCCM).

1.2 “FXDMG Member” means an individual appointed by a Nominating FXCCM.

1.3 “Nominating FXCCM” means a ForexClear Member who, through their obligations under the ForexClear DMP Annex, makes available a representative to serve on the ForexClear DMG.

1.4 “Permitted Purpose” means proper fulfillment by the FXCCM of its duties under the ForexClear DMP Annex and includes, after the completion of the Auction, the use by the FXCCM its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own on-going portfolio management and to enable it to comply with on-going legal or regulatory requirements.

1.5 References denoting the masculine (including “his” and “he”) shall be construed as the feminine if the ForexClear DMG Member is female.

1.6 All other terms have the meaning ascribed to them in the Default Rules (including the ForexClear DMP Annex).

Confidentiality and non-disclosure: general obligations of the FXCCM

2 Confidentiality

2.1 The FXCCM agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to paragraph 2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FXCCM shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :

- a) it comes into the public domain other than through a breach by the FXCCM of this Agreement; or
- b) the FXCCM is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FXCCM.

2.2 The FXCCM further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FXCCM expressly

acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Appendix 2B.D might result in the gaining of an unfair commercial advantage by the FXCCM over other members of the Clearing House ForexClear Service.

2.3 Subject to paragraph 2.5, the FXCCM may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

2.4 The FXCCM agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

2.5 This paragraph and the duties hereunder shall survive the termination of this Appendix 2B.D and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FXCCM.

3 Secrecy

3.1 Except in accordance with the terms of this Appendix 2B.D, the FXCCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

- a) Confidential Material;
- b) the fact that it has received any Confidential Material;
- c) the existence of any discussions or negotiations between the parties in this matter.
- d) details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FXCCM being relieved of such an obligation because of the circumstances covered in paragraphs 2.1a) and 2.1b).

3.2 The Clearing House undertakes to ensure that the FXCCM is fully apprised of information on the ForexClear DMP that it makes public and which is accordingly of relevance to the FXCCM's obligations.

4 Property

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

5 Return of Confidential Material

5.1 Upon request by the Clearing House, and in any event upon fulfillment of the Permitted Purpose, the FXCCM shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other

papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FXCCM is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

6 No Representations or Warranties; No Conflict of Interest

6.1 Subject to references made in paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Appendix 2B.D by the FXCCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this Appendix 2B.D, the FXCCM's participation in the ForexClear DMP shall not prevent the FXCCM from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FXCCM may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FXCCM has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FXCCM or any of its directors, employees or other representatives.

7 Liability

7.1 Subject to Regulation 24, the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FXCCM or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or willful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the ForexClear DMG, and for the accuracy of the information (confidential material as defined in this Appendix 2B.D) that it distributes to the FXCCM in connection with the ForexClear Default Management Process.

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

8 Remedies

8.1 Without affecting any other rights or remedies that the Clearing House may have, the FXCCM acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Appendix 2B.D and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

Confidentiality and Non-Disclosure and General Terms of Participation in ForexClear Default Management Group

9 Conflict of interest

9.1 The FXCCM shall procure that, in the event that a ForexClear DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the FXDMG, he shall promptly report his view to the Chairman of the ForexClear DMG, who shall act accordingly, taking the advice of other ForexClear DMG Members as appropriate.

10 Confidentiality

10.1 Subject to paragraph 10.3 below, the FXCCM shall procure that the ForexClear DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a ForexClear DMG Member (including, for the avoidance of doubt, the FXCCM who recommended his appointment to the ForexClear DMG (the Nominating FXCCM) or his employer (if different) or any other employee, adviser, officer or fellow worker of that FXCCM or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorized delegate, providing always that the ForexClear DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 2.1a) and 2.1b).

10.2 Subject to paragraph 10.3 below, the FXCCM shall procure that the ForexClear DMG Member shall not use any Confidential Material for any purpose other than the proper fulfillment of his duties as a ForexClear DMG Member.

10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any ForexClear Clearing Member, the ForexClear DMG Member may be required by the Nominating FXCCM and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the ForexClear DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the ForexClear DMG with regard to the management of that default.

10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the ForexClear DMG Member of the ForexClear DMG, the FXCCM shall procure that the ForexClear DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, provided that the ForexClear DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

11 Warranty and representation

11.1 The FXCCM represents and warrants that it will procure that:

- a) the Nominating FXCCM and the ForexClear DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

b) nothing in this Appendix 2B.D will cause the ForexClear DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FXCCM or to his employer, if different, or any other contract counterparty of the ForexClear DMG Member.

12 Confidentiality and Non-Disclosure: General Obligations of the Clearing House

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Appendix 2B.D, confining use to the ForexClear Default Management Process, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

13. Third Party Rights

13.1 A person who is not a party to this Appendix 2B.D shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms

2C ENCLEAR**2C.1 General Matters****2C.1.1 Introduction**

This Section 2C of the FCM Procedures governs the FCM EnClear Clearing Services, form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook. FCM Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the FCM Rulebook (including these FCM Procedures) is subject to change from time to time.

FCM EnClear Clearing Services are provided to FCM Clearing Members authorized by the Clearing House to participate in it (“FCM EnClear Clearing Members” or “ECFCMs”) in respect of “FCM EnClear Transactions” executed by ECFCMs. Such transactions must comply with the Clearing House’s requirements (see the FCM Regulations).

These FCM Procedures apply to all FCM EnClear Contracts on ECS in the Freight Division of the EnClear Service.

In the event of any conflict between any provision of these FCM Procedures and any requirement, rule or provision of any other documentation, these FCM Procedures shall prevail.

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

2C.1.2 Definitions

The following terms shall have the meanings below for the purposes of this Section 2C of the FCM Procedures:

<u>ECFCM</u>	<u>An FCM EnClear Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in FCM EnClear Clearing Services.</u>
<u>ECS</u>	<u>The Extensible Clearing System, made available by the Clearing House for position management in the Freight Division of the FCM EnClear Clearing Services.</u>
<u>ClearWay</u>	<u>A user interface made available by the Clearing House for the purpose of entering and confirming FCM EnClear Transactions for the EnClear market and for submission of FCM EnClear Transactions into ECS for clearing.</u>
<u>Approved Broker</u>	<u>A broker that has entered into an FCM EnClear Clearing Services Approved Broker Agreement</u>
<u>OTP</u>	<u>OTC EnClear Trading Platform</u>

2C.1.3 Agreements

2C.1.3.1 Clearing Approval

Only FCM EnClear Clearing Members may clear FCM EnClear Contracts.

Details of how to obtain FCM Clearing Member status at the Clearing House or how to become approved by the Clearing House as an ECFCM of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627/7521/7968.

FCM Clearing Members seeking approval from the Clearing House to clear FCM EnClear Transactions in the Freight Division must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the Membership department.

2C.1.4 Customers

Parties who are not ECFCMs or Non-ECFCM Clearing Members ("**Customers**") may not directly clear trades through the FCM EnClear Clearing Services. However, any such Customer may enter into an agreement with an ECFCM who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an FCM EnClear Transaction – that is, it meets all the relevant criteria published by the Clearing House from time to time – may be submitted for registration to the Clearing House by the ECFCM in accordance with the FCM Regulations and these FCM Procedures. For the Freight Division, a clearing arrangement is entered into if particulars relating to that trade are "accepted" by two relevant ECFCMs (or an ECFCM and a Non-ECFCM Clearing Member, as the case may be) who each agree to become counterparty to the appropriate FCM EnClear Contract (or FCM EnClear Contract a Non-FCM EnClear Contract) with the Clearing House, in accordance with the FCM Regulations and these FCM Procedures.

However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any FCM EnClear Contract.

2C.1.5 Approved Brokers

Only brokers who are expressly authorized by the Clearing House ("**Approved Broker**") may access ClearWay and submit FCM EnClear Transactions for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:

- Freight (FFAs, Options and Containers)
- Iron Ore (Swaps and Options)
- Steel
- Coal (Swaps and Options)
- Fertilizer

The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight Agreement to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.

Details of how to obtain Approved Broker status at the Clearing House of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627//7521/7968.

Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.

PLEASE NOTE: If the two relevant ECFCMs accept an FCM EnClear Transaction which has been brokered, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the names of those ECFCMs, whether or not those ECFCMs have appointed or authorized that broker to submit such a trade.

In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising therefrom, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. An ECFCM shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.

The Clearing House shall not be liable for any errors or omissions on the part of an Approved Broker who inputs a trade via ClearWay and which is registered by the Clearing House.

Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the FCM EnClear Clearing Services.

The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorized by the Clearing House to submit trades under the relevant product types. The authorization of such brokers as Approved Brokers is purely to assist ECFCMs to submit trades to the Clearing House for registration in the names of those ECFCMs. No check is made regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorization or at all.

2C.1.6 **OTPs**

OTPs may submit FCM EnClear Transactions for registration via the ClearWay ticket entry system.

LCH.Clearnet has signed agreements with the following OTPs:

- **Baltic Exchange Derivatives Trading Limited ("BEDT").** BEDT submit trades for clearing via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the ECFCMs (STP facility) and registered for clearing in ECS if they are within

the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.

- **Cleartrade (“CT”).** CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the ECFCMs in the CT Credit Filter, meaning ECFCMs will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot Limit Credit Filter and be automatically accepted by the ECFCMs and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.

PLEASE NOTE: If an ECFCM accepts an FCM EnClear Transaction which has been matched on BEDT, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the name of that ECFCM, whether or not it is a participant of BEDT.

In the event that a trade is submitted to the Clearing House for registration by an OTP and such trade is “accepted” for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there-from, notwithstanding that any trade particulars submitted by that OTP in respect of such trade are erroneous or incorrect.

The Clearing House shall not be liable for any errors or omissions on the part of an OTP who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.

2C.1.7 Contract Terms

The FCM EnClear Contract Terms for contracts cleared in the Freight Division are set out in Section 3.4 of Part A of Schedule C to the FCM Regulations.

The Eligibility Criteria for each FCM EnClear Contract are set out in Part B of Schedule C to the FCM Regulations.

2C.1.8 Registration

2C.1.8.1 General

FCM EnClear Transactions in the Freight Division must be submitted to the Clearing House either via ClearWay or by an OTP for processing in the ECS System.

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

2C.1.8.2 EnClear Market User Systems

2C.1.8.2.1 ClearWay

ClearWay is an application used by ECFCMs, Approved Brokers and OTPs to enter FCM EnClear Transactions, which once confirmed by both ECFCM's, will be registered for clearing in ECS.

ClearWay contains a Lot Limit Credit Filter which enables ECFCMs to set limits for their position accounts. If a ticket is entered which falls within an ECFCM's set parameters, its side of the trade will be automatically confirmed.

Transactions which breach the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions, for ECFCMs to accept manually.

In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or ECFCM and such trade is accepted for registration by the ECFCM, the ECFCM shall be bound by the terms set in FCM EnClear Contract.

2C.1.8.2.2 ECS

ECS is the clearing system which registers trades within the FCM EnClear Clearing Services: Freight Division. The following functionality is available to ECFCMs:

- position keeping
- position adjustments
- position transfers (LCH.Clearnet will perform the transfers on the request of ECFCMs)
- manual exercise/abandonment of Coal Options

2C.1.8.3 Clearing House System Requirements

ECFCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system and/or ClearWay in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

2C.1.9 Submission and Acceptance of FCM EnClear Transactions for Registration in the Freight Division

For registration of FCM EnClear Transactions, ECFCMs must comply with all the requirements of the Clearing House as set out in the FCM Rulebook and other relevant documentation issued by the Clearing House in this regard.

An FCM EnClear Transaction submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered by the Clearing House immediately upon receipt by ECS, after the acceptance by both ECFCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.

2C.1.10 Novation

Once a trade has been registered in ECS, novation replaces each FCM EnClear Transaction submitted through the FCM EnClear Clearing Services with either:

- two separate FCM EnClear Contracts: one between the selling ECFCM and the Clearing House and the other between the buying ECFCM and the Clearing House; or
- (where only one Clearing Member is an ECFCM) one FCM EnClear Contract between the Clearing House and the ECFCM, and the other between the Clearing House and the non-ECFCM Clearing Member, with the latter being governed by the General Regulations.

2C.1.11 Rejection

If the Clearing House does not register a trade presented for registration it will notify the relevant ECFCMs concerned within a reasonable time, indicating the reasons for rejection.

2C.1.12 Notification

For the Freight Division, all FCM EnClear Contracts arising from registered FCM EnClear Transactions are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

2C.1.13 Position Keeping Accounts

2C.1.13.1 Types of Accounts for the Freight Division

Positions with regard to LCH.Clearent Freight Contracts are recorded within the ECS system in position-keeping accounts. For the avoidance of doubt, these position-keeping accounts in ECS are not "Member Accounts" as described in Regulation 5 of the General Regulations.

ECFCMs may open and utilize position accounts at their discretion. For example, an ECFCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.

There is no restriction on the number of individual position accounts an ECFCM may open. The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the ECFCM.

2C.1.13.2 Basis of Position Keeping for the Freight Division

Position Accounts can be held net or gross, as required by the ECFCM. ECFCMs must notify the Clearing House of their requirements in this regard.

2C.1.13.3 Position Settlement (Gross Accounts) for Freight Division

Where a position account is held gross, the ECFCM may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

2C.1.13.4 Financial Accounts

Position accounts have financial accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realized margin.

Where appropriate, ECFCMs' financial accounts are identified by a single character code: "C" for segregated client business used for Initial Margin Flows and "L" for segregated client business used for Variation Margin Flows; and "H" for house business.

Position accounts will map to either an ECFCM's "C" account or "H" account, as specified by that Member.

2C.13.5 Other Financial Accounts

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

	<u>Code</u>
<u>Additional Margin accounts (House), used for holding additional cash in relation to Proprietary Business</u>	<u>B</u>
<u>Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business</u>	<u>E</u>
<u>Unallocated Excess account (Client), used for holding excess cash and non cash collateral in relation to FCM Client Business</u>	<u>U</u>

2C.1.13.6 Default Fund (DF) Account

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

2C.1.14 Margins**2C.1.14.1 Initial Margins**

Separate Initial Margin calculations are performed for an ECFCM's house "H" and client "C" accounts; no offset between these accounts is allowed. Accounts are margined net, meaning that if long and short positions are held in the same delivery month, Initial Margin is charged on the net position.

2C.1.14.2 Initial Margins Parameters

Initial Margin parameters are set by the Clearing House. However, in accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual ECFCM's house and/or client accounts.

ECFCMs 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.

2C.1.14.3 Calculation of Initial Margins

London SPAN

Initial Margins are re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange⁷.

For full details of how London SPAN calculates margin, reference should be made to the SPAN technical information package available from the Clearing House's Service Desk at +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House's Risk Management Department at +44 (0)20 7426 7620.

2C.1.14.4 Realized Variation Margin

The majority of FCM EnClear Contracts are settled to market daily by the Clearing House in accordance with the relevant FCM EnClear Contract Terms. Profits or losses are either credited to or debited from ECFCMs' relevant financial accounts (realized margin).

Realized margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded (i.e., the Fixed Price for new trades and the previous day's Reference Price for other positions).

2C.1.14.5 Contingent Variation Margin

Certain types of FCM EnClear Contracts (e.g., World Scale Wet Freight) are marked to market daily by the Clearing House in accordance with the relevant FCM EnClear Contract Terms. Unrealized margin is the calculated contingent profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded (i.e., the original traded price).

2C.1.14.6 Option Variation Margin

As premium is paid up front, option Variation Margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.

2C.1.14.7 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

⁷ The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

Protected Payments System in London or the USA (USD) (see Sections 3.2.1 and 3.2.2 respectively).

2C.1.15 Trade Management for the Freight Division

PLEASE NOTE: FCM EnClear Transactions for the Freight Division may be submitted for clearing to be registered either:

- (a) in the name of two ECFCMs; or
- (b) an ECFCM and a non-ECFCM Clearing Member.

As such, for the purposes of this Procedure 2C.1.15, for the ease of expositions, references to an ECFCM, may, in the case of FCM EnClear Transactions of type (b) above, included a non-ECFCM Clearing Member.

2C.1.15.1 Trade Entry

FCM EnClear Transactions for the Freight Division may be submitted for clearing either directly by the ECFCM or by an Approved Broker via ClearWay, or through an OTP. A list of Approved Brokers is available from the Clearing House.

BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.

The following particulars of FCM EnClear Transactions must be entered in ClearWay via its Ticket Entry screen:

- Product
- Series (Spot, Month, Quarter, Season or Calendar)
- Contract Type (Forward, Call or Put)
- Prompt (contract day, month, quarter, season or calendar)
- Strike (select from the dropdown list)
- Seller Ref (a sequential number)
- Buyer Ref (same as the Seller Ref)
- Seller Account (obtained from the customer or its ECFCM)
- Buyer Account (obtained from the customer or its ECFCM)
- Lots (per month (or day in the case of spot))
- Price

The following particulars of FCM EnClear Transactions must be entered in ClearWay via an Upload file:

- Type (always TICKET)
- Sell Trader (always LCH1)
- Sell Account (obtained from the customer or its ECFCM)
- Sell Broker (their 3 letter mnemonic)
- Buy Trader (always LCH1)
- Buy Account (obtained from the customer or its ECFCM)
- Buy Broker (their 3 letter mnemonic)
- Contract (combination of the product, series, contract type, prompt and strike)
- Quantity (in lots)
- Price
- Buy Client Ref (a sequential number)
- Sell Client Ref (same as the Buy Client Ref)
- Anonymous Trade (always Y)

In certain circumstances the Clearing House may enter trades upon request from an ECFCM, Approved Broker, OTP or other party. In such circumstances, the Clearing House shall have no liability to the ECFCM, Approved Broker, OTP or any other party for any failure to input trades or for inputting trade details incorrectly.

2C.1.15.2 Trades between persons who are not ECFCMs

Where an FCM EnClear Transaction is executed directly between two parties who are not ECFCMs, or between an ECFCM and another non-ECFCM party (who is not a non-ECFCM Clearing Member), the trade may be submitted for clearing provided that each party to that trade has an ECFCM who is prepared to "accept" that trade for clearing. Such FCM EnClear Transaction will then be submitted to the relevant ECFCMs via ClearWay for acceptance.

2C.1.15.3 Acceptance of Trades

Freight Trades must be accepted by ECFCMs in order to be cleared.

When details of an FCM EnClear Transaction are input via ClearWay, such trade details will be sent to the ECFCMs identified in such particulars, who may then accept or reject their side of that trade.

ECFCMs can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those ECFCMs. Trades which do not pass the lot limit validation criteria set by an ECFCM will go to a pending state, and will not be cleared unless they are manually accepted on the

same day by the ECFCM. If an ECFCM has a credit limit set up for an account and a trade is entered which is within that limit, that ECFCM will not have an opportunity to reject that trade.

Once a trade has been accepted by both ECFCMs in ClearWay, either manually or automatically via the credit filter, it is submitted to ECS for registration, where the trade is novated and a subsequent FCM EnClear Contract arises between each ECFCM and LCH.Clearnet.

Cleartrade trades need to be confirmed in Cleartrade's credit filter prior to being accepted by ECS for registration. ECFCMs can set credit limit parameters for their clients in Cleartrade and should refer to Cleartrade's procedures for further details of this.

If a trade is neither accepted nor rejected by both ECFCMs by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that ECFCM or any other ECFCM and the trade will either remain open as a bilateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.

Acceptance by an ECFCM of any FCM EnClear Transaction means that the ECFCM so accepting agrees to be bound by an FCM EnClear Contract arising in respect of that FCM EnClear Transaction in accordance with the FCM Regulations and these FCM Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to ECFCMs, the trade may not be withdrawn, recalled or amended.

2C.1.15.4 Contra Trades

Where incorrect details of a trade have been accepted by both ECFCMs in accordance with the FCM Regulations and these FCM Procedures, the only available method to correct that trade will be by the entry of a contra trade.

A contra trade will not be required if the trade has a status of "pending" and has not been accepted by both counterparties, as the trade can be cancelled via ClearWay by the ECFCM or Approved Broker and input again with the correct details.

An accepted trade may need to be corrected by a contra trade for the following reasons:

- incorrect price;
- incorrect expiry month;
- incorrect product;
- incorrect lots (only where too many lots have been entered);
- incorrect buyer/seller.

ECFCMs will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of

the ECFCMs to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by an ECFCM, it will be automatically accepted by that ECFCM. Where a trade does not meet the validation criteria, it will remain pending and need to be manually confirmed by that ECFCM.

Contra trades will attract the same clearing fees as a normal trade unless the Clearing House's Commercial Services are notified of the trade details at +44 (0)20 7426 7027/6311.

2C.1.16 Position Transfers

ECFCMs wishing to affect a position transfer from one ECFCM to another ECFCM should submit a request (a "Position Transfer Request") to the Clearing House's Membership Team by email to MembershipTeam@lchclearnet.com. Confirmation of a position transfer is required from both the transferor ECFCM and the transferee ECFCM.

ECFCMs are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS/Synapse.

Provided that adequate cover is available from both ECFCMs, the transfer will normally be authorized. Should insufficient cover be available, the transfer may not be authorized until additional cover is provided.

2C.1.17 Reports

ECS

The ECS system will generate reports at the end of each business day detailing registered FCM EnClear Contracts in the Freight Division, margin requirements and positions. These reports are available to ECFCMs and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each ECFCM and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

ClearWay

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by ECFCMs and Approved Brokers through the ClearWay GUI and downloaded as a report.

2C.1.18 Fees

Fees arising from the provision of FCM EnClear Clearing Services will be collected from the ECFCMs monthly through the Members' accounts.

Details of tariffs and any changes thereto will be notified to ECFCMs by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for FCM EnClear Contracts registered by the Clearing House is

communicated to ECFCMs), please see Section 3.6 of these FCM Procedures. ECFCMs should also have regard for the individual sections of this Section 2C of these FCM Procedures which may contain further information regarding fees.

2C.1.19 Tax

ECFCMs should take their own legal and accounting advice 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 EnClear Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the ECFCM who is or was party to that FCM EnClear Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through the Clearing House Protected Payments System.

To the extent that VAT or any equivalent tax is due or becomes due in respect of a transaction under any FCM EnClear Contract, the consideration which the parties have agreed is due under the contract will be regarded as VAT exclusive and VAT will be charged in addition to this amount.

2C.1.20 Procedures for Liquidation of FCM EnClear Contracts of FCM Clients

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

When the Clearing House determines that part or all of an FCM Client's FCM Client Segregated Sub-Account containing FCM EnClear Contracts is non-transferable and part or all of such FCM Client Segregated Sub-Account and any or all of the FCM EnClear Contracts held in such FCM Client Segregated Sub-Account will be liquidated, the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM EnClear Contracts into an account of the Clearing House established for purposes of liquidating the FCM EnClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House will be subject to liquidation and will include in such Hedged Account the FCM EnClear Contracts that are to be liquidated, regardless of the FCM Clients for which such FCM EnClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM EnClear Contracts will be transferred into a Hedged Account established for liquidating FCM EnClear Contracts.

An FCM Client whose FCM EnClear Contracts are transferred into a Hedged Account is referred to as a "**Non-Porting Client**". The Clearing House shall hold the Account Assets of each Non-Porting Client (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Client Segregated Sub-Account until the liquidation of the entire Hedged Account and all FCM EnClear Contracts and

other positions therein, as described below. At the time that the FCM EnClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM EnClear Contracts shall be discharged as of the time such FCM EnClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client Segregated Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client Segregated Sub-Account of such FCM Client.

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

Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “Risk Factor”) which is equal to such Non-Porting Client’s Initial Margin requirement with respect to its FCM EnClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (i.e., at the time of transfer into the Hedged Account).
- (ii) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “New Non-Porting Clients”.
- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “Existing Non-Porting Clients Combined Risk Factor”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “Existing Non-Porting Clients”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Initial Margin associated with the Hedged Account with respect to all positions (including all FCM EnClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (i.e., at a time prior to the transfer of the FCM EnClear Contracts of New Non-Porting

Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Initial Margin requirements applicable to the transferred FCM EnClear Contracts of the New Non-Porting Clients.

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

(v) Upon the liquidation of the Hedged Account and all FCM EnClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a pro rata basis based on the Risk Factor of each Non-Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant FCM Client Segregated Sub-Account.

2C.2 Freight Division

2C.2.1 Introduction

This Section 2C.2 only applies to the Freight Division of the FCM EnClear Clearing Services.

References to “FCM EnClear Clearing Members” or “ECFCMs” in this section, means those ECFCMs who are party to, or accept, FCM EnClear Transactions in the Freight Division for clearing by the Clearing House. See Section 2C.1.3.1 for further details about obtaining approval to clear within the Freight Division.

2C.2.2 OTC Freight Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the LCH FCM EnClear OTC Freight Division (“Eligible Products”) may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of Schedule C to the FCM Regulations and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into four categories of products within Freight Division. The list may change from time to time.

2C.2.2.1 FFA (Forward Freight Agreement) Products

Dry Timecharter Basket Routes – Forwards (CTC, PTC, STC, HTC)

Dry Timecharter Basket Routes – Options (CTO, PTO, STO, HTO)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

Tanker Voyage Routes (TD3, TD5, TD7, T19, TC2, TC4, TC5, TC6)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)

Baltic Exchange Dry Index (BDI)

2C.2.2.2 CFSA (Container Freight Swap Agreement) Products

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

2C.2.2.3 WCI Container Products

WRS (Rotterdam – Shanghai)

[WLS \(Los Angeles – Shanghai\)](#)

[2C.2.2.4 Commodities](#)

[Iron Ore Swaps \(TSI\)](#)

[Iron Ore Options \(TSO\)](#)

[Steel Swaps \(SCN, SCS, SST, SBC, SCC\)](#)

[Fertilizer Swaps \(UNO, UYZ, DTA, DNO, UAN, UNE\)](#)

[Coal Swaps \(API 2 and API 4\)⁸](#)

[Coal Options \(API 2 and API 4\)⁹](#)

[2C.2.3 Operating Times](#)

[2C.2.3.1 Opening Days](#)

[The Clearing House will publish details of the business days on which the FCM EnClear Clearing Services is operational to receive FCM EnClear Transactions in its Freight Division by Member Circular.](#)

[2C.2.3.2 Opening Hours](#)

[FCM EnClear Transactions in the Freight Division may be notified during the following hours, London time:](#)

Products	Trade Entry Times	Trade Confirmation Times
FFAs	07:00 – 18:00	07:00 – 18:30
Containers	07:00 – 18:00	07:00 – 18:30
Iron Ore	07:00 – 18:00	07:00 – 18:30
Steel	07:00 – 18:00	07:00 – 18:30
Fertilizer	07:00 – 18:00	07:00 – 18:30
Coal Swaps	07:00 – 18:00	07:00 – 18:30
Coal Options	07:00 – 17:00	07:00 – 17:30

⁸ [API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearent Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay \(Argus/McCloskey\) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay \(Argus/McCloskey\) Coal Swap Contracts.](#)

⁹ [See footnote 2, above. LCH.Clearent Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay \(Argus/McCloskey\) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay \(Argus/McCloskey\) Coal Option Contracts.](#)

Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an FCM EnClear Transaction and will not be registrable that day. It may, however, be re-submitted on another day.

Note: ECFCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

2C.2.4 Trade Acceptance: Cleartrade Credit Filter

ECFCMs may elect to use Cleartrade Exchange Pte Ltd's credit filter. If an ECFCM does so elect, then, when a trade is submitted through the filter, submission of the trade through the filter constitutes a deemed "acceptance" of the trade on behalf of the ECFCM. If an ECFCM wishes to allow for trades to be submitted in its name, through the Cleartrade credit filter, it should contact the Clearing House's Membership Department for the requisite variation agreement, amending the Clearing Extension Agreement. ECFCMs shall be bound by the FCM EnClear Contract which arises subsequently, upon registration of the trade in ECS.

Correspondingly, where a trade has been submitted to ECS via the Cleartrade credit filter, a pre-matched contra trade in respect of that trade may only be submitted via the Cleartrade credit filter.

2C.2.5 Settlement

All FCM EnClear Contracts arising from FCM EnClear Transactions in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series (not permissible for World Scale wet contracts). No physical settlement is permissible.

2C.2.6 Reference Prices for Daily Settlement and Marking to Market

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each Business Day for daily settlement purposes and for the final settlement prices. See Part B of Schedule C to the FCM Regulations for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the "Floating Price" for the purposes of the Contract Terms (see Schedule C to the FCM Regulations).

2C.3 Option Exercise and Expiry

2C.3.1 Freight and Iron Ore Options

Freight and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

2C.3.2 Coal Options

Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.

Automatic Exercise

Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.

Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

Manual Exercise or Cancellation

On expiry day and before 17:30 hours, London time, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or assignment, an open futures position will be created in the underlying contract at the strike price.

It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.

2C.3.3 Exercise by the Clearing House

When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.

Notice of Assignment/Allocation

The Clearing House will use reasonable endeavors to notify the relevant seller of its allocation as soon as is possible on the day the options expire.

Notification will be sent via the MBREXR report on the MemberLive reporting site. ECFCMs must have a valid account and password to access this secure site.

2D. THE FCM NODAL SERVICE

2D.1 Introduction

2D.1.1 Background

Application to both the FCM Rulebook and the U.K. Rulebook of the Clearing House.

This Section 2D of the FCM Procedures forms a part of both the FCM Procedures and a part of the UK General Procedures corresponding to the UK General Regulations (see the reference in Section 2G of those Procedures) and is referred to as the “Nodal Procedures”. These Nodal Procedures apply to the clearing of FCM Nodal Transactions (by FCM Nodal Clearing Members) and Nodal Transactions (by Nodal Service Clearing Members), each of which involves the clearing of transactions in Nodal Eligible Derivative Products listed on Nodal, through the Clearing House’s Nodal Service.

Defined terms used in these Nodal Procedures and not otherwise defined herein or in the FCM Regulations shall have the meaning as defined in the Clearing House’s “General Regulations”. References herein to FCM Nodal Transactions, the FCM Rulebook, the FCM Regulations, FCM Nodal Contracts and other definitions contained in the FCM Regulations are intended to apply only to FCM Nodal Clearing Members, and references herein to Nodal Transactions, the Rulebook, the General Regulations, Nodal Contracts and other definitions contained only in the General Regulations are intended to apply only to Nodal Service Clearing Members. These Nodal Procedures do not intend to (i) apply substantive provisions of the FCM Regulations that are not also provided in the General Regulations to Nodal Service Clearing Members or (ii) apply substantive provisions of the General Regulations that are not also provided in the FCM Regulations to FCM Nodal Clearing Members.

The term “Nodal CMs” used herein refers to both FCM Nodal Clearing Members and Nodal Service Clearing Members, collectively.

References herein to “Nodal Transactions” means either FCM Nodal Transactions (as defined in the FCM Regulations) or Nodal Transactions (as defined in the General Regulations), as applicable, except where these Nodal Procedures otherwise differentiate between the two.

The provisions of Section 1.5.3 of these FCM Procedures that are applicable to FCM Nodal Contracts are incorporated into this Section 2D by reference and shall apply to Nodal Service Clearing Members as if the references in Section 1.5.3 to “FCM Nodal Contracts” were instead to “Nodal Contracts” and the references to “FCM Clearing Members” were instead to “Nodal Service Clearing Members”. For the avoidance of doubt, Section 1.5.3 of these FCM Procedures applies to all FCM Clearing Members as written without modification.

Additional Background.

Nodal CMs must inform themselves fully of their obligations under the FCM Rulebook or under the Rulebook (as applicable), and under the other relevant documentation, such as the FCM Clearing Membership Agreement or the Clearing Membership Agreement (as applicable), and the terms of any approval

by the Clearing House to extend clearing activities. Nodal CMs should also familiarize themselves with Nodal's Rules.

The Clearing House provides the Nodal Service in respect of cash settled 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, the 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 Nodal 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 or Nodal Service 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

FCM Nodal Clearing Members may submit FCM Nodal Transactions for registration by the Clearing House and Nodal Service Clearing Members may submit Nodal Transactions (as defined in the General Regulations) 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 (with respect to the Nodal Service Clearing Member). Both FCM Nodal Transactions and Nodal Transactions may also be submitted for registration on behalf of the applicable Nodal CM by a Nodal Non-Clearing Participant ("**Nodal NCP**") as set out at Section 2D.4.1.

Nodal CMs 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 Nodal CM 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 or as a Nodal Service 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

Nodal CMs who wish a Nodal Transaction to be registered by the Clearing House must comply with all requirements of Nodal and Nodal's Rules, as relevant.

2D.3 GENERAL

2D.3.1 Operating Times

2D.3.1.1 Opening Days

Details of the days on which the Nodal Service is operational will be published by the Clearing House by circular to Nodal CMs. Details of the days on which Nodal is operational is available from Nodal.

2D.3.1.2 Opening Hours

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

Any such transactions must satisfy the Clearing House's requirements as set out in these Nodal Procedures and in the FCM Regulations and/or the General Regulations (as applicable), and Nodal's requirements as set out in Nodal's Rules.

(a) Parties to Nodal Transactions presented for Registration.

The Clearing House only registers FCM Nodal Contracts or Nodal Contracts, as applicable, arising from Nodal Transactions between Nodal CMs.

Such Nodal Transactions may arise through trades executed or registered through a Nodal Trading Facility by Nodal CMs or by Nodal NCPs.

(i) The Nodal Transaction may have been entered into by two Nodal CMs, each acting as principal.

(ii) One side (or both sides) of the Nodal Transaction may arise through a Nodal NCP executing or registering a trade on the Nodal Trading Facility. In such case, the trade will immediately be replaced with:

In the case of a Nodal NCP clearing through an FCM Nodal Clearing Member:

- an FCM Nodal Transaction will arise between the NCP and the counterparty Nodal CM or NCP, with the former

NCP's FCM Nodal Clearing Member being party to the Transaction as agent for the NCP.

In the case of a Nodal NCP clearing through a Nodal Service Clearing Member:

- a trade between the Nodal NCP and its applicable Nodal Service Clearing Member, and
- a Nodal Transaction between its Nodal Service Clearing Member and the counterparty Nodal CM.

(b) Presentation for Registration

Under (a)(i) or (a)(ii) above, the Nodal Transaction will be presented to the Clearing House for registration as either two FCM Nodal Contracts, two Nodal Contracts or one FCM Nodal Contract and one Nodal Contract, as applicable, with the Clearing House as seller to the buying Nodal CM and as buyer to the selling Nodal CM.

(Where two Nodal NCPs both have the same Nodal CM, then each side of the trade will be presented to the Clearing House for registration as a separate FCM Nodal Contract or Nodal Contract, as applicable:

- with one in which that Nodal CM is buyer and the Clearing House is the seller;
- and the other in which that Nodal CM 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 or a Nodal Contract, as applicable, that the particulars of a 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 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 Nodal CMs 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 Nodal CM and the Nodal NCP are party to a valid and enforceable agreement under which the Nodal CM agrees to clear Nodal Transactions on behalf of such person. Such agreement must confer rights on the Nodal CM and the Nodal CM must lawfully be entitled at all times to pass to the Clearing House, in accordance with FCM Regulation 15 or General Regulation 30, as applicable, 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 Nodal CM shall be definitive proof of the Nodal CM clearing for such Nodal NCP.

The Clearing House contracts with the Nodal CM 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 Nodal CM 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 Nodal CM of its agreement with a Nodal NCP will be without prejudice to the Nodal CM's obligations arising from or in relation to any Nodal Transaction, FCM Nodal Contracts or Nodal Contracts arising prior to such termination.

2D.6 REGISTRATION OF NODAL TRANSACTIONS

2D.6.1 General

The Clearing House may require a Nodal CM in whose name a Nodal Transaction is to be registered to provide it with cover for initial and variation margin (Initial Margin and Variation Margin as defined in the FCM Regulations with respect to FCM Nodal Clearing Members) as a condition of registration as an FCM Nodal Contract or a Nodal Contract, as applicable.

2D.6.2 Registration

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

2D.6.3 Novation

With effect from registration, novation operates to replace each Nodal Transaction with either two separate FCM Nodal Contracts, two separate Nodal Contracts or one FCM Nodal Contract and one Nodal Contract, as applicable, one between the selling Nodal CM and the Clearing House and the other between the buying Nodal CM and the Clearing House. Novation is described in more detail in the FCM Regulations and the General Regulations.

2D.6.4 Notification

All FCM Nodal Contracts and Nodal Contracts arising from registered Nodal Transactions are listed on the 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 Nodal Contracts and FCM Nodal Contracts are recorded within CPS in position-keeping accounts at Individual Trader Mnemonic (ITM) level, which are not CM accounts as described in Regulation 5. The account types are as follows:

H House excluding Clients

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

S Segregated client

Z Default account, only to be used in the event of a CM default

The requirement to open a H 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 Nodal account hierarchy is: FCM – NCP – ITM. The NCP, or non-clearing participant, is the client for gross margining purposes. The ITM, or individual trader mnemonic, 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 client of a Nodal Service Clearing Member or an 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

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

Where appropriate, a Nodal Service 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). Only the H financial account is obligatory.

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 client (used for Initial Margin Flows)</u>	<u>C</u>

By permitting a transaction to be allocated to a position-keeping account, a Nodal Service 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 (Nodal Service Clearing members only)</u>	<u>B</u>
<u>Additional Margin account (Client), used for holding additional cash in relation to Client business.</u>	<u>E</u>

2D.7.2.3 Default Fund (DF) Account

Each Nodal Service 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 Nodal Service will be collected monthly from the Nodal CMs' financial accounts.

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

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

2D.8.2 Execution Fees

Members are asked to note that, in respect of FCM Nodal Contracts and Nodal Contracts, fees charged to Nodal CMs 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 Nodal CMs by Nodal.

2D.9 MARGIN

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

2D.9.1 Variation Margin

Certain FCM Nodal Contracts and Nodal Contracts are settled to market daily by the Clearing House. Profits or losses are either credited to or debited from Nodal CMs’ 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 Nodal CM’s house “H” and client “C” accounts; **no offset between these accounts is allowed.** 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. Initial Margin need not be in the same currency as the contracts traded. 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

2D.9.2.1 Initial Margin Parameters

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

Nodal CMs 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 and the General 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 or Section 3.2 of the UK General Procedures, as applicable).

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

Nodal CMs 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 or 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 Nodal CM who is or was party to that FCM Nodal Contract or 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 and Nodal Contracts are settled depending upon their terms, as set out in the relevant FCM Nodal Contract Terms or 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 is debited from or credited to the Nodal CMs' 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

Nodal CMs will not have the functionality to affect a position transfer to another Nodal CM or between internal accounts. For the avoidance of doubt, this means that FCM Nodal Clearing Members may not transfer FCM Nodal Contracts pursuant to FCM Regulation 8.

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 2~~[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 \(other than FCM Client collateral relating to FCM Nodal Contracts which must be segregated from collateral held in connection with all other Products\). 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.](#)

3.1.2 **Cover Account Postings**

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

- **PPS payments and receipts;**
- **[Option Premiums;](#)**
- **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](#)**
[Price alignment interest;](#)
- **Consideration.**

3.1.3 Tender Account Postings

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

- PPS payments and receipts;
- Settlement differences; and
- Coupon Payments relating to member collateral.

3.1.4 Financial Transaction Reporting

Banking reports are generated each day that provide members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.

A “Banking Reports Reference Pack” can be requested from the LCH.Clearnet Client Training Team, this contains definitions and examples of each of the available reports.

3.2 Protected Payments System (PPS)

The Clearing House operates a direct debit system, known as the Protected Payments System (PPS), for the transfer of funds to and from [FCM](#) Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London (“**London PPS**”) and in the United States (where it is known as “**US PPS**”). FCM Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys due from FCM Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating Bank through PPS to make any payment, and the receipt of that commitment by the Clearing House is not to be regarded as satisfaction of any payment due to the Clearing House.

Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the [FCM](#) Clearing Membership Agreement, clearing extension documentation and ~~these General Regulations, Default Rules and Procedures~~ [the applicable provisions of the FCM Rulebook](#). Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

3.2.1 PPS

(a) Introduction

An FCM Clearing Member must open and maintain PPS accounts in GBP and USD and such other currencies in which it incurs settlements on its Client or House accounts.

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 ~~for details of current PPS banks:~~

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 line accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulation-Regulations, including but not limited to Part 1-49- and Part 190 of such regulations (but excluding Part 22 until compliance therewith becomes mandatory under the 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, Ppayments 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 recognisized 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 ~~-~~ 16.00 (London time) only USD will be called in London.

Normally the Clearing House will call intra-day margin through London PPS accounts. However where the Clearing House wishes to make such an intra-day call after London PPS closes (16:00 London time), such a call will be made upon the FCM Clearing Member's nominated US PPS account.

FCM Clearing Members must designate a currency (GBP, EUR or USD) that will be called by default during the hours of London PPS for each mnemonic/sub-account. Clearing Members may request a change to the default currency no later than 09.30am ~~30 am~~ London time in order for the change to be undertaken the following day. FCM Clearing Member's may submit a request to change their currency at the following link:

www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 hours New York Time (21:00 hours London Time).

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated PPS bank(s) within one hour of receipt of the intraday call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the FCM Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of LCH.Clearnet.

(d) Auto repay

FCM Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lchclearnet.com or ~~te~~[telephone](tel:+442074267505) +44 (0)20 7426 7505)

(e) Value Date

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in ~~s~~[Sections 3.2.1-4, \(b\) and 3.2.1\(c\)](#), subject to section 3.2.1-8, ~~(g)~~, all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

(f) Foreign Bank Holidays

The Clearing House has made arrangements with London PPS banks to operate the PPS on all UK banking days including foreign bank holidays.

Confirmation that PPS payments will be made must be received within the deadlines set out in ~~s~~[Sections 3.2.1-4, \(b\) and 3.2.1\(c\)](#). However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On the 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value 21 August.

Please refer to the Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

www.lchclearnet.com/member_notices/

(g) UK Bank Holidays

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS Calls will be made on the next following business day, for the relevant currency.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS Calls will be made as normal that day. Value will be given the same day providing that the relevant currency centre is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

(h) Use of London PPS and US PPS

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS Calls. Generally London PPS will be used for Morning PPS Calls (including contributions to the Default Fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 hours London time. However FCM Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS Call or intra-day margin calls before 16:00 hours London time to an FCM Clearing Member's US PPS account in exceptional circumstances (an "**Exceptional PPS Call**"). The Clearing House will use all reasonable commercial endeavours to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

(i) Contingency Payment Arrangements

FCM Clearing Members must ensure that they have contingency arrangements to ensure continuity of margin payment in the event of failure of their nominated PPS Bank. From time to time the Clearing House may require the FCM Clearing Member to provide evidence of these arrangements.

(j) Recovery from insolvent PPS Banks

In the event that payment is not completed by the relevant PPS bank, due to insolvency and not a technical failure, and the affected FCM Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of

costs, to the accounts of the affected FCM Clearing Members in proportion to the amount of the original missed -payment.

~~3.2.2~~

3.2.2 PPS Mandate(s)

Each FCM Clearing Member is required to complete a standard form London PPS and US PPS Mandate(s) (copies are available from membershipteam@lchclearnet.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

3.3 Acceptable Forms Of Cover

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form against liabilities

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this ~~s~~Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of cover acceptable to it, including but not limited to cash, performance bonds or securities.

To view ~~our a list of~~ acceptable collateral ~~list~~, go to: http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp.

3.3.1 **Cash**

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from FCM Clearing Members only in relation to current or anticipated obligations.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two (2) Business Days notice of their intention to request withdrawal of cash used as cover for margin and its replacement by the lodgement of non-cash collateral. In the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House may decline to release such cash cover until the end of the required notice period.

3.3.2 **Securities**

Please refer to the following ~~pages on our~~section of the Clearing House's website for both prevailing haircuts and notes on collateral acceptable for margin purposes:

http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

3.3.3 **Securities Value Notification**

FCM Clearing Members may obtain details on the cover value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

3.4 **Distribution Of Cover**

3.4.1 **Overview**

As different types of cover attract different utilization fees and different contracts are assessed for VAT in different ways (see [sSection 3.5.4](#)), the Clearing House identifies the cover applied to liabilities in order to allow utilization fees and VAT to be calculated correctly.

This is done by establishing a specified order for both types of liabilities and types of cover and applying cover sequentially, such that cover type 1 is applied first to liability type 1, cover type 2 to liability type 1 if there is a deficiency when cover type 1 has been exhausted and so on.

The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply cover held (including any described in LCH.Clearnet Limited reports/records as "unutilized" or "excess") to meet the FCM Clearing Member's liabilities/obligations to LCH.Clearnet Limited.

3.4.2 **Liability Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by an FCM Clearing Member, please see [sSection 3.4.4](#) below.

Liabilities will be covered in the order:

- (a) Secured debit cash balances (see [sSection 3.2.1-40](#));(h));
- (b) Variation Margin and ~~initial—margin~~Initial Margin including offset of contingent credits.

3.4.3 **Cover Application**

Note: The following provision applies solely for the purpose of calculating fees during the overnight offsetting of FCM Clearing Members' collateral against FCM Clearing Members' liabilities. ~~—~~In case of default by an FCM Clearing Member, please see [sSection 3.4.74](#) below.

~~Cash will be applied before to each liability.~~

FCM Clearing Members may choose to have cash applied before securities: collateral to their liability or fees, or vice versa.

3.4.4 **Order of Priority on Default**

Post-default the Clearing House is entitled to realize and/or apply cover in whatever order it deems appropriate.

3.5 Interest And Accommodation Charge Structure

3.5.1 Cash Balance Interest Rate

The Clearing House applies interest to FCM Clearing Member's cleared cash balances.

The following rates are applied:

- LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding DF Contributions);
- CDR – Client Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances on SwapClear Client financial accounts; and
- Default Fund Rate;

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating each above listed interest rates. Any alteration will be effective on the date notified.

~~3.5.1~~ 3.5.2 Price Alignment Interest (PAI) Rate

To minimize the impact of daily cash ~~variation margin~~ Variation Margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative variation margin received by the ~~clearing member~~ FCM Clearing Member and pay interest on cumulative variation margin paid in by the ~~clearing member~~ FCM Clearing Member respect of these instruments. This interest element is known as price alignment interest (“PAI”).

The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:

The amount of NPV in such currency from the previous ~~day's COB~~ Business Day's close of business multiplied by:

- The relevant interest rate in effect for that day; divided by
- 360; or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365.

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in FCM Regulation 2419(b), specifies that it will not change the PAI rate without the consent of all SwapClear Clearing Members and applicable FCM Clearing Members holding open contracts in such currencies.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page “FEDFUNDS1” or Telerate 120 or on any successor page(s) thereto.

CZK	The rate used shall be the <u>“CZEONIA”</u> rate, the rate published by the Czech National Bank – as such rate appears on Reuters page “CZEONIA” or any successor page(s) thereto.
HUF	The rate used shall be the <u>“HUFONIA”</u> rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page “HUFONIA” or any successor page(s) thereto.
SGD	The rate used shall be the <u>“SONAR”</u> rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page “ABSIRFIX01” or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page “NOINTR=ECI” or any successor page(s) thereto

For currency NOK, PAI is calculated using an appropriate overnight deposit rate for the currency

~~3.5.2~~ 3.5.3 **Interest/Accommodation Structure**

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay relevant rate	pay relevant rate of cover currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay relevant rate	Pay relevant rate	No charge or payment

Note:

1. “Foreign Cash” means cash in a currency other than that of the liability.
2. “Forward Cash” means cash which has been credited to an account for later value, ~~(e.g., an amount called via PPS for next-day value.)~~

~~3.5.3~~ 3.5.4 **Payment of Interest and Charges**

Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resulting monthly total is posted to FCM Clearing Members’ cover accounts at the beginning of the following calendar month. A VAT invoice is issued monthly detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency.

VAT is charged where relevant, dependent on contract, on accommodation charges and collateral utilization fees at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant 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; ~~and~~
- ~~(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, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to the cover account.

Monthly postings are processed via the cover account at the beginning of the following month, on the third working day. Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant exchange.

~~3.7~~ **Participation Monies**

~~3.7.1~~ **DF Default Fund; SwapClear Contributions**

~~DF contributions~~ SwapClear Contributions (as defined in the Default Fund Rules) will be called via PPS ~~normally~~ on the fourth working day ("~~Reset Day~~") of each month ~~quarter~~ 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 ~~the~~ Member ~~Reporting Website~~. Intranet Report 000032.

Excess ~~DF~~ SwapClear Contribution amounts due to FCM Clearing Members following the adjustment to ~~DF accounts and the crediting of interest~~ SwapClear Contribution will be repaid to FCM Clearing Members' PPS accounts on the SwapClear Reset ~~Days~~ 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 ~~DF contributions~~ 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 and Nodal Services

For the EnClear and Nodal Services, Default Fund 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.

APPENDIX 3A

BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM

[Bank of America, N.A.](#)

[Barclays Bank Plc](#)

[JP Morgan Chase Bank](#)

[Citibank NA](#)

[Deutsche Bank AG](#)

[HSBC Bank Plc](#)

[Lloyds TSB Bank Plc](#)

[National Westminster Bank Plc](#)

[The Royal Bank of Scotland plc](#)

[Skandinaviska Enskilda Banken AB](#)

[For more information on PPS Banks please contact the Clearing House's Treasury Operations.](#)

APPENDIX 3B

BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM

<u>Name of Relationship Manager:</u>	
<u>Contact Details (telephone & email):</u>	
<u>Name of Bank:</u>	
<u>Address:</u>	
<u>LCH.Clearnet Limited MNEMONIC(S):</u>	

LCH.CLEARNET LIMITED

I/We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

<u>HOUSE ACCOUNT</u>		
<u>TICK ✓</u>	<u>CURRENCY</u>	<u>ACCOUNT NUMBER</u>
	<u>AUD</u>	
	<u>CAD</u>	
	<u>CHE</u>	
	<u>CZK</u>	
	<u>DKK</u>	
	<u>EUR</u>	
	<u>GBP</u>	
	<u>HKD</u>	
	<u>HUF</u>	
	<u>ISK</u>	
	<u>JPY</u>	
	<u>NOK</u>	
	<u>NZD</u>	
	<u>PLN</u>	
	<u>SEK</u>	
	<u>USD</u>	
	<u>ZAR</u>	

<u>CLIENT ACCOUNT</u>		
<u>TICK ✓</u>	<u>CURRENCY</u>	<u>ACCOUNT NUMBER</u>
	<u>AUD</u>	
	<u>CAD</u>	
	<u>CHE</u>	
	<u>CZK</u>	
	<u>DKK</u>	
	<u>EUR</u>	
	<u>GBP</u>	
	<u>HKD</u>	
	<u>HUF</u>	
	<u>ISK</u>	
	<u>JPY</u>	
	<u>NOK</u>	
	<u>NZD</u>	
	<u>PLN</u>	
	<u>SEK</u>	
	<u>USD</u>	
	<u>ZAR</u>	

For and on behalf of:

Name of FCM Clearing

Member: _____

Signature of Director: _____

Print Name: _____

Date _____

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3rd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA. Email: lchoperations-treasury@lchclearnet.com Telephone: 020 7426 7505 Fax: 020 7426 7037.

APPENDIX 3C

BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM

(In New York unless stated otherwise)

Bank of America, N.A.

J P Morgan Chase (New York or London)

Citibank NA

HSBC Bank USA

The Bank of New York

Harris Trust and Savings Bank (Chicago)

For more information on US PPS Banks please contact the Clearing House's Treasury Operations at +44 (0)20 7426 7505.

APPENDIX 3D

MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS

<u>Name of Relationship Manager:</u>	
<u>Contact Details (telephone & email):</u>	
<u>Name of Bank:</u>	
<u>Address:</u>	
<u>LCH.Clearnet Limited MNEMONIC(S):</u>	

LCH.CLEARNET LIMITED

I/We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

<u>HOUSE ACCOUNT</u>		<u>CLIENT ACCOUNT</u>	
<u>CURRENCY</u>	<u>ACCOUNT NUMBER</u>	<u>CURRENCY</u>	<u>ACCOUNT NUMBER</u>
<u>USD</u>		<u>USD</u>	

The above information is correct and LCH.Clearnet Limited will rely on this information in making debit and credit transactions for the identified accounts and will have no liability to the extent of such reliance.

For and on behalf of:

Name of FCM Clearing Member: _____

Signature of Director: _____

Print Name: _____ Date _____

Notes:

A separate Mandate must be completed and delivered to LCH.Clearnet Limited for each different PPS bank.

Twenty days notice must be given to LCH.Clearnet Limited in writing in respect of any change of bank account name or bank account number and a fresh Mandate provided.

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3rd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: lchoperations-treasury@lchclearnet.com; Telephone: 020 7426 7505; Fax: 020 7426 7037.

COLLATERAL**4. COLLATERAL****4.1 General Information****4.1.1 Non-Cash Collateral**

FCM Clearing Members wishing may lodge securities with the Clearing House. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (~~LCH OTC~~[in respect of FCM Client cover, the Clearing House shall hold such securities in the applicable LCH Clearing Product](#) Client Segregated Depository Account).

Collateral pledged in respect of an FCM Clearing ~~Member~~[Member's Client account](#) will not be applied by the Clearing House to its liabilities on a house account (see FCM Regulation ~~6(d)~~[9\(l\)](#)).

FCM Clearing Members are warned that the taking of collateral is a complex legal matter. These FCM Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. An FCM Clearing Member who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.

4.1.2 GENERAL INFORMATION

LCH.Clearnet Security Arrangements

FCM Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the FCM Clearing Membership Agreement and the FCM Regulations.

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a House account (see FCM Regulation ~~29(b)~~[9\(l\)](#)).

Unless stated otherwise in the FCM Rulebook, collateral pledged in respect of an FCM Clearing Member's House account may be applied by the FCM Clearing House towards the payment of any sum whatsoever due by the FCM Clearing Member to the Clearing House, save that no collateral charged in respect of an FCM Clearing Member's Client accounts shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on any of the FCM Clearing Member's House accounts.

As set out in FCM Regulation ~~10~~[9](#)(c), where an FCM Clearing Member wishes to pass an FCM Client's collateral to the Clearing House, the FCM Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the FCM Client that the FCM Clearing Member may pledge the collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. The Clearing House gives no undertaking that, on the default of an FCM Clearing Member, it will not utilize FCM Clients' collateral which has been passed to it by an FCM Clearing Member, before utilizing any other form of cover the Clearing House may hold.

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~~ 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~~ 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, ~~a~~ 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 ~~a client~~ an FCM Client or with the authority of the Clearing Member or ~~client~~ FCM Client.

The Clearing House will only accept delivery of securities in accordance with these ~~procedures~~ 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~~ General—Regulations provisions of the FCM Rulebook or in relation to exchange rules.

The Clearing House reserves the right to require ~~a~~ an FCM Clearing Member to execute ~~revised~~ 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 House may notify that FCM Clearing Member of the intention to levy a charge in respect of excess collateral with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove excess collateral before the date so notified, the ~~FCM~~ Clearing House may, in its discretion, ~~charge~~ charge the FCM Clearing Member at the rate of 1 basis point until excess collateral is removed by the FCM Clearing Member through use of a release instruction. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's PPS sterling account.

For the purposes of this section, **"excess collateral"** means that collateral identified by the Clearing House as being collateral over and above that which is required by the Clearing House in order to cover the obligations to the Clearing House of that FCM Clearing Member. The Clearing House shall have absolute discretion to decide whether and to what extent it is holding excess collateral at any time.

~~4.1.4~~4.1.6 **Lodgement of Collateral as Replacement for Cash Cover for Margin**

FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days notice of their intention to lodge collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgement. In the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

~~4.1.5~~4.1.7 **Force Majeure**

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to FCM Clearing Members with regard to instruments or securities accepted as collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as but not limited to the failure whether partial or total, interruption or suspension of any depository or custodian or other service ("**depository**") that the Clearing House is using, the termination or suspension of the Clearing House's membership or use of the depository or any variation of the depository's operational timetable, whether or not occasioned by action of the depository operator or other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or other emergency. This provision is without prejudice to the force majeure provisions of FCM Clearing Members' agreements with the Clearing House.

~~4.1.6~~4.1.8 **Regulatory and Supervisory Information**

In every case, the Clearing House will be entitled to supply a securities depository with all the information it requires for any purposes relating to an FCM Clearing Member, or to securities received by the Clearing House from an FCM Clearing Member which are or may at any time have been held by the depository. Securities will be lodged and held within such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems and

to any applicable law and subordinate rules relating thereto as well as to the terms of the FCM Rulebook and these FCM Procedures.

4.1.74.1.9 **Interest Payments**

The Clearing House will remit interest amounts, taking into account any withheld tax, to FCM Clearing Members' PPS banks on the appropriate value date. These are processed using "Tender" sub-accounts designated "I" for house or "L" for segregated client.

4.2 **Securities**

4.2.1 **General Information**

Securities must be lodged in the Clearing House's relevant Custodian accounts (see [Appendix 4D](#)).

~~4.2.2~~ **Form of Charge**

4.2.2 **Lodgment Procedure**

[FCM](#) Clearing Members wishing to lodge securities with the Clearing House must first complete a Form of Charge. This document establishes a fixed charge over specified securities transferred into an account with the Clearing House by the [FCM](#) Clearing Member. The document is required to be executed in accordance with the instructions which accompany it. The Form of Charge document covers securities that are transferred to the Clearing House via bilateral settlement or via Triparty arrangements. To operate Triparty arrangements with the Clearing House an additional Collateral Services Agreement ([GCSA](#)) must also be executed with the relevant ICSD.

Charge documentation is available from the Clearing House Risk Department and should be returned on completion to that department.

4.2.3 **Settlement procedures – Securities**

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

~~4.2.3~~ 4.3 **Instructions via the Collateral Management System**

The Clearing House will action instructions input and authorized via the Collateral Management system. The details input on the Collateral Management system will form the basis of the matching instruction sent to the relevant CSD/custodian. FCM Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions

It is the responsibility of the FCM Clearing Member to input a cancellation request of any incorrectly input instruction and then subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, please see [Section 6.8](#) below for further details.

The Clearing House will update the status of the instruction in the Collateral Management system in relation to the status of the instruction at the CSD/Custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the FCM Clearing Member's account and provide value for the purposes of cover.

The Clearing House will notify FCM Clearing Members of the relevant account details for matching. [FCM](#) Clearing Members should refer to Appendix 4D to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses of [FCM](#) Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a CSD/custodian or the FCM Clearing Member (save for any liability which by law may not be excluded).

[4.2.44.3.1](#) **Instruction deadlines**

FCM Clearing Members may input security instructions via the Collateral Management system at any time. [I](#)nstructions will only be [a](#)uctioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday — to Friday, 08:00 ~~to~~ 20:00hrs UK time.

Instruction deadlines for same day settlement:

CSD/custodian	Deadline for instructions (UK Time)
Euroclear UK/IE (CREST)	14.00
Euroclear internal	16:30
Fedwire Citi and BoNY Mellon	19:00

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

[4.2.54.3.2](#) **Deliveries to and from local markets**

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian, ~~—~~FCM Clearing Members should refer to the relevant CSD/custodian for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before settlement date (*i.e.* on S-1-). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

Deliveries from local market	Custodian deadline (UK time)	Instruction deadline to Clearing House (UK time)
Japan	02.45	16.30 on S-1
Belgium	14.50	13.50 on S

Italy	15.00	14.00 on S
-------	-------	------------

4.34.3.3 Lodging securities

Lodge instructions must be input via the Collateral Management system prior to the deadlines above for same day settlement. Settled transactions will be added to FCM Clearing Member's cover balances following settlement.

Lodge instructions for future settlement dates will be instructed same day if received prior to the deadlines. Instructions received after the deadlines will be instructed the following day.

4.44.3.4 Releasing securities

4.4.1(a) Release where sufficient cover is available

Release instructions input via the Collateral Management system prior to the deadlines above for same day settlement will be removed from the FCM Clearing Member's cover balance on instruction.

4.5(b) Release where sufficient cover is unavailable

Release instructions must be input via the Collateral Management system before 09:30 UK time. The FCM Clearing Member will then be called for additional cash collateral. Following confirmation of the cash call the settlement instruction will be sent to the CSD/custodian and removed from the FCM Clearing Member's cover balance.

4.64.3.5 Substitutions

Substitutions may be input via the Collateral Management system and will be auctioned same day if input prior to the deadlines above.

FCM Clearing Member's must input the relevant lodge instruction(s) first and then link the associated release instruction(s) to the lodge instruction(s).

4.74.3.6 Transfers

Transfer instructions may be input via the Collateral Management system and will be auctioned same day during operational hours.

Note: transfers are only permitted between mnemonics of the same FCM Clearing Member and are subject to client segregation rules.

4.84.3.7 Settlement cancellations

FCM Clearing Members may request cancellation of an instruction via the Collateral Management system. The Clearing House will cancel any instruction that has not yet been processed. The Clearing House will make best endeavours to cancel any settlement instructions already sent to the CSD/custodian but cannot guarantee that the transaction will not settle.

4.94.3.8 Instruction statuses

The status of an instruction can be monitored via the Collateral Management system. Statuses reflect the status of the instruction at the Clearing House and not at the CSD/custodian. Please refer to the Collateral Management system User Guide for status definitions.

4.4 Withholding Taxes

4.9.14.4.1 US Withholding Taxes

US income tax laws impose a withholding tax on payments of US source interest, including original issue discount, to a foreign person unless an exemption or reduced rate applies. Interest is US source income, if the debtor is a US corporation. Interest on debt obligations issued after July 18 1984 is generally exempt from US withholding tax. In addition, a foreign person who is a resident of a country with which the US has an income tax treaty may be entitled to a reduced withholding tax rate or an exemption from the US withholding tax.

In order to reduce or eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, FCM Clearing Members will be expected to provide one of the forms (noted below) to the Clearing House. A current form will be required for each FCM Clearing Member.

The relevant forms will normally be one of:

- (a) “W-9 (Request for Taxpayer Identification Number and Certification)”. Applies to a US corporation including a foreign branch of a US corporation; or
- (b) “W-8BEN (Certificate of Foreign Status)”.

Applies to non-resident alien individuals, foreign corporations, partnerships and estates.

FCM Clearing Members may obtain originals of forms W-8BEN and W-9 from Treasury Operations.

Note: The Clearing House’s arrangements with the Custodians only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. FCM Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.

Unless the Clearing House has already received the appropriate tax form, lodgements into A/c numbers 735136, 735138, 206203 and 090401 must be accompanied by form W-9.

Unless the Clearing House has already received the appropriate tax form, lodgements into A/c numbers 735137, 735139, 207887 and 090372 must be accompanied by form W-8.

The Clearing House’s acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or

professional advisers.

Completed tax forms should be returned to Treasury Operations for onward transmission to the Custodians.

Custodians offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by the Custodian.

In certain cases the Custodian/the Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either the custodian/the Clearing House at the time when a coupon is due.

4.4.2 Italian Securities

The accounts are operated by the Clearing House in accordance with the "Custodians – Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities".

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

- (a) (a) resident in a country that has entered into a double taxation agreement with Italy (except Black list countries/countries that do not have a tax treaty with Italy); or
- (b) (b) a corporation resident in Italy; or
- (c) (c) a supranational ~~organisation recognised~~ organization recognized by Italian Law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to exemption, and where applicable supply additional documentation, before a delivery can be made.

Official forms are available on request from Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within our accounts.

The effective date depends on the type and terms of the security:

- Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

- Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

Clearing Members should consult their own tax advisers before lodging Collateral to the Clearing House or submitting any tax documentation.

4.9.24.4.3 **Withholding tax — CSDs/Custodians**

CSDs/Custodians may offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to FCM Clearing Members any recovery in withholding tax credited to the Clearing House's account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSD/Custodian and the Clearing House at the time when a coupon is due.

4.9.34.5 **References**

These procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer to each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

4.9.44.6 **Contingency arrangements**

In the event of an outage of the Collateral Management system FCM Clearing Members will be able to lodge and release securities by faxed instruction to the Clearing House.

FCM Clearing Member will be notified of a Collateral Management system outage via Member Circular that will notify FCM Clearing Members of the switch to contingency arrangements. The FCM Clearing Member should then revert to the fax forms for securities found in the appendices to this Section 4.

Normal service hours and deadlines will apply to faxed instructions.

FCM Clearing Members will be notified via Member Circular when normal service resumes.

4.104.7 **Return of Unallocated Excess and FCM Buffer**

Upon the request of an FCM Clearing Member, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or FCM Buffer (as requested) to such FCM Clearing Member; provided, that (i) FCM Clearing Members are not entitled to request the return of Applied FCM Buffer, and (ii) the Clearing House shall not be required to return FCM Buffer if the FCM Clearing Member is a defaulter. The FCM Clearing Member's request must contain the specific details of the amount of funds requested and whether such FCM Clearing Member is requesting the return of FCM Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any FCM Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

[FCM Regulation 10\(i\) contains additional provisions relating to FCM Buffer, Applied FCM Buffer and Unallocated Excess.](#)

APPENDIX 4A

Contingency FCM Client Account Lodgement Form



**CONTINGENCY FCM - CLIENT
LODGE MENT FORM**

Version 1: December 2011

To: LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No: _____

From: Clearing Member (full name): _____

Client Account _____

Mnemonic: _____

Beneficial Owner Name (full name): _____

We hereby transfer the securities described below to the Clearing House under the terms of ~~regulation 10(m)~~ [Regulations 9\(m\) and 9\(n\)](#) of the FCM Regulations.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator. We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: Depository/Agent _____

US Securities, Broker Code _____

Account Holder: _____

Account Number: _____

Beneficial Owner Italian Tax ID: _____

Delivery to: _____

BONY (US Owners)	BONY (Non-US Owners)	BONY (Global)	Citibank (US Owners)	Citibank (Non-US Owners)	Citibank (Global)	Euroclear (EUR Securities)	Euroclear (Italian)
735138	735139	874067	206203	207887	613085309 TBC	15211	25910

Signatories for and on behalf of The Clearing Member:

1. _____ (Signature) _____ (Print Name) _____ (Position)

2. _____ (Signature) _____ (Print Name) _____ (Position)

Date: _____

APPENDIX 4B

Contingency FCM House Account Lodgement Form



LCH.CLEARNET

CONTINGENCY PROPRIETARY - COLLATERAL LODGEMENT FORM

Version 1: December 2011

To: LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From: Clearing Member (full name): _____

In respect of Proprietary Business

Mnemonic: _____

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent, where applicable, to the securities being held in the Euroclear clearance system subject to the fungibility regime organized by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: Depository/Agent _____

US Securities, Broker Code _____

Account Holder: _____

Account Number: _____

Beneficial Owner Italian Tax ID: _____

Delivery to: _____

BONY (US Owners)	BONY (Non-US Owners)	Citibank (US Owners)	Citibank (Non-US Owners)	Euroclear Bank (Global)	Euroclear Bank (Italian)	Euroclear UK & Ireland (CrestCo)
735136	735137	090401	090372	91205	91737	5165

Signatories for and on behalf of The Clearing Member:

1. _____ (Signature) _____ (Print Name) _____ (Position)

2. _____ (Signature) _____ (Print Name) _____ (Position)

Date: _____

APPENDIX 4C
Contingency Collateral Release Form



**CONTINGENCY COLLATERAL
 RELEASE FORM**

Version 1: June
 2011

To: LCH.Clearnet Limited ("the Clearing House")

From: Clearing Member (full name):

House/Client Account* Mnemonic: * Please delete as appropriate

We hereby request you to release the securities described below.

Security Code Number (e.g . ISIN)	Delivery Date	Trade Date	Amount/Nominal Value(Issue - Coupon - Maturity)	Description of Security

The Clearing House Ref No: (from lodgement form)

Delivery to: Depository/Agent

US Securities, Broker Code

Account Holder

Account Number

Signatories for and on behalf of the Clearing Member:

1

 (Signature) (Print Name) (Position)

2

 (Signature) (Print Name) (Position)

Date

To: THE ABOVE-NAMED CLEARING MEMBER

The release of the above-mentioned securities is agreed.

For and on behalf of
 LCH.Clearnet Limited: Date: Time:

(Authorized Signatory):

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA
 Recognised as a Clearing House under the Financial Services and Markets Act 2000. LCH.CLEARNET LIMITED COPY

BUSINESS ~~Continuity~~ CONTINUITY**5. BUSINESS RECOVERY****5.1 Recovery Situations**

The FCM Procedures set out in this ~~s~~Section are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's Business Continuity Plans.

Due to the uncertain nature of the events which would lead to the need for Business Recovery the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.

These FCM Procedures provide for the evacuation or decommissioning of Aldgate House. The procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

5.2 Recovery Situations Affecting Members' Offices**5.2.1 During Office Hours**

FCM Clearing Members that are unable to gain access to their principal office accommodation and as a result require the Clearing House assistance should contact the Help Desk ~~on~~at +44 (0)20 7426 7200.

5.2.2 Outside Office Hours

FCM Clearing Members should telephone the Clearing House ~~on~~at +44 (0)20 7426 7545, leaving the following information:

Name:

Company Name:

Contact Telephone Number:

Brief Details of the Nature of the Problem:

A member of the Clearing House operational staff will then make contact regarding any assistance that can be given.

5.3 Aldgate House Evacuation**5.3.1 Communicating with FCM Clearing Members**

Should the Clearing House be forced to evacuate Aldgate House it will need to inform its FCM Clearing Members as soon as practicable. The following sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to FCM Clearing Members by the following methods:

- (a) facsimile transmissions to FCM Clearing Members designated fax machines;

(b) posting messages on www.lchclearnet.com;

(c) posting messages on the following toll free number:
0044 800 1 69 69 09.

5.3.2 Broadcast message on TRS/CPS

Some of the above communications methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing FCM Clearing Members with progress reports following an initial broadcast message.

~~5.3.2~~ 5.3.3 Evacuation of Aldgate House

If it is necessary for the Clearing House to evacuate Aldgate House, and if re-entry to the building is unlikely within thirty minutes, FCM Clearing Members will be informed by disseminating the following message using the methods described in ~~s~~Section 5.3.1 above.

“The Clearing House has been forced to evacuate Aldgate House. Please refer to Clearing House Procedures - Business Continuity Arrangements –for further information.”

At this time all of the activities normally carried out at Aldgate House will have ceased, if only temporarily. FCM Clearing Members will be kept informed of developments as further details become available.

Please note that the reason for broadcasting the above message is to provide FCM Clearing Members with early notification of an evacuation of Aldgate House. At this stage no decision will have been taken to invoke Business Continuity Plans. See ~~s~~Section 5.3.3 below for advice on how FCM Clearing Members will be notified of an invocation of the recovery plan.

~~5.3.3~~ 5.3.4 Invoking of Business Continuity Plans

The Clearing House is contracted with a specialist provider for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the provider stipulates that dedicated work area recovery positions will be available immediately. Syndicated recovery positions will be available within four hours of invocation.

Depending on the severity of an incident a full or partial invocation of the service may be required.

~~5.3.4~~ 5.3.5 Limited Invocation

If the Clearing House’s assessment of the incident suggests that reoccupation of Aldgate House will be possible within two hours, then it is likely that only the mission critical activities (MCA) –will be recovered to the recovery site. All other activities will cease until Aldgate House becomes available.

The following message will be posted:

“The Clearing House has invoked business continuity plans for its MCA’s. Please refer to the Clearing House’s Procedures - Business Continuity Arrangements for further information.”

~~5.3.5~~ 5.3.6 **Full Invocation**

Once a decision has been taken to proceed with full invocation of business continuity plans FCM Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in ~~s~~Section 5.3.1 above.

“The Clearing House has invoked all business continuity plans. Please refer to the Clearing House’s Procedures - Business Continuity Arrangements for further information.”

It is anticipated that a period of approximately two hours will elapse between the invocation of full business continuity plans and relocation of recovery teams. During this time most of the activities normally carried out at Aldgate House will cease.

Please note that the Clearing House’s primary data center ~~r~~ is not located at Aldgate House and so an evacuation of the site will not affect FCM Clearing Members’ ability to access IT applications.

5.3.7 **Imminent Expiry of Options**

Clearing Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a ‘reasonably endeavors’ basis. If any evacuation of Aldgate House coincides with an option expiry this assistance may cease.

If the Clearing House’s invocation of Business Continuity Plans coincides with an option expiry, the notification of the Clearing Member’s option allocations and the deadline for the entry of option exercises may be delayed.

~~5.3.6~~ 5.3.8 **Cover Calling**

In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. These may include but are not limited to:

- (a) the acceptance/release of securities and guarantees;
- (b) the conversion of currencies;
- (c) the ability to cover liabilities in currencies other than their original currency.

APPEAL PROCEDURES

6. APPEAL PROCEDURES

6.1 Introduction

These FCM Procedures describe how an FCM Clearing Member may appeal against a decision of the Clearing House (that is, LCH.Clearnet Limited).

It should be noted that no appeal may be lodged to the Clearing House in respect of any decision of any other member company of the LCH.Clearnet Group (including LCH.Clearnet SA).

6.2 Decisions In Respect Of Which An Appeal May Be Lodged

6.2.1 AAn FCM Clearing Member may appeal against any of the following decisions made by the Clearing House:

- (a) a decision by the Clearing House to rescind that FCM Clearing Member's eligibility to have contracts of a certain category registered in its name;
- (b) a decision by the Clearing House to terminate that FCM Clearing Member's FCM Clearing Membership Agreement other than when such decision occurs in connection with the operation by the Clearing House of its Default Rules and these FCM Procedures.

6.2.2 An undertaking which is not an FCM Clearing Member may appeal to an Appeal Committee against the decision made by the Clearing House declining to grant FCM Clearing Member status to that person.

6.2.3 From time to time the Clearing House may amend the lists in this sSection 6.2 of decisions in respect of which appeals may be lodged.

6.3 Initiating An Appeal

6.3.1 An appeal to an Appeal Committee under this Section 6 shall be commenced by sending a copy of the APPEAL FORM in the form set out in Appendix 6A of these FCM Procedures to the Company Secretary of LCH.Clearnet Limited ("**the Company Secretary**") at the registered office of the Clearing House.

6.3.2 The APPEAL FORM must be fully completed in all material respects by the person lodging the appeal ("**the appellant**").

6.3.3 The appellant must enclose with its APPEAL FORM payment of £500 which payment shall be returned if the appeal is subsequently upheld by the Appeal Committee or by the Appeal Tribunal.

6.3.4 An appeal may only be commenced under these FCM Procedures within 28 days of the date upon which the decision to which it relates was notified to the appellant. The Chief Executive of the Clearing House has a discretion to waive this time limit if the appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.

shall be given to the appellant to do so. A representative of the appellant (and the appellant himself, if the appellant is an individual) and a representative of the Clearing House may attend the hearing and the Appeal Tribunal may in its discretion invite further or other persons to attend the hearing.

6.5.10 At the hearing an appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel PROVIDED that if in any particular case an Appeal Tribunal is satisfied that there is good and sufficient reasons for doing so, it may refuse to permit a particular individual to represent an appellant at the hearing.

6.5.11 Neither the Clearing House nor an appellant shall have the right to call any witness or cross examine any person who shall have provided any information to an Appeal Tribunal, PROVIDED that an Appeal Tribunal may permit any such cross examination on such terms as it may determine, if it decides that it is appropriate in the particular circumstances of that appeal so to do.

6.5.12 An Appeal Tribunal may have regard to such further or other documents and information and matters as it considers fair and reasonable in the circumstances.

6.5.13 Where in this paragraph 6.5 any time is giving for the doing of anything, the Chairman of the Tribunal shall have a discretion to extend such time if he determines that it is fair and reasonable in the circumstances so to do.

6.5.14 In considering an appeal, an Appeal Tribunal shall act fairly and impartially and shall take into consideration, inter alia, the following:

- (a) the FCM Regulations, other specific Regulations, Default Rules and FCM Procedures of the Clearing House; and
- (b) the Notice of Further Appeal; and
- (c) all documentation and information placed before it by an appellant or by the Clearing House; and
- (d) the role and concomitant obligations of the Clearing House (~~“(i.e., LCH.Clearnet Limited”)~~) as a ~~recognised clearing house~~ Recognised Clearing House under the Financial Services and Markets Act 2000.

6.5.15 An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.

6.5.16 An appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the appellant.

6.5.17 An Appeal Tribunal shall determine an appeal by majority vote although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:

- (a) dismiss the appeal; or

**APPENDIX 6A
APPEAL FORM**

The Clearing House Appeal Procedures

Full Name of firm/company etc. lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Description of decision appealed against (see Section 6.2 of the Clearing House FCM Procedures):	
Date decision notified to appellant:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.3 of the ~~Clearing House~~[FCM](#) Procedures, we request that this appeal against the above mentioned decision of the Clearing House be referred to an Appeal Committee.

Signed for and on behalf of the appellant

(print name)

Notes:

Please enclose a ~~cheque~~[check](#) payable to LCH.Clearnet Limited drawn on a UK branch, in the sum of £500 sterling. If your appeal is successful this sum will be refunded to you.

If there are any written representations, any documentation or further material which you would like the Appeal Committee to consider when determining your appeal, you may send it with this Appeal Form if you wish. Alternatively you may send it in later. However, please note that the [FCM](#) Procedures put a time limit on the submission of such material. See Section 6.4.2 of the ~~Clearing House~~[FCM](#) Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited enat +44 (0)20 7426 7000.

**APPENDIX 6B
NOTICE OF FURTHER APPEAL**

The Clearing House Appeal Procedures

Note: This form should only be used if you have had a determination of an Appeal Committee and you are now commencing a Second Tier Appeal under Section 6.5 of the ~~Clearing House~~FCM Procedures.

Full Name of firm/company etc. lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Details of determination of Appeal Committee appealed against (see Section 6.5 of the Clearing House <u>FCM</u> Procedures): Please attach a copy of the Determination	
Date of determination of the Appeal Committee:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.5 of the Clearing House Procedures, we request that an Appeal Tribunal be constituted to determine this appeal against the above mentioned determination of the Appeal Committee.

.....
Signed for and on behalf of the appellant

.....
(print name)

Notes:

If there are any written representations, any documentation or further material which you would like the Appeal Tribunal to consider when determining your appeal, you may send it with this Notice of Further Appeal Form you wish. Alternatively you may send it in later. However, please note that the Procedures put a time limit on the submission of such material. See Section 6.5.6 of the ~~Clearing House~~FCM Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited ~~on~~at +44 (0)20 7426 7000.

COMPLAINTS

7. COMPLAINTS

~~7. COMPLAINTS~~

7.1 Introduction

7.1.1 These FCM Procedures describe how a person (the “**Complainant**”) who:

- (a) has a complaint about the conduct or behaviour or other actions of an FCM Clearing Member with regard to that FCM Clearing Member’s clearing activities with LCH; or
- (b) has a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House’s regulatory functions;
- (c) may make a formal complaint, and how that complaint will be investigated and resolved.

7.2 How To Make A Complaint

7.2.1 A complaint with regard to the conduct or behaviour or other actions of an FCM Clearing Member in that FCM Clearing Member’s clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:

- (a) must be made in writing, dated and addressed to the Company Secretary LCH.Clearnet Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;
- (b) should set out, as far as possible, details of the conduct, behaviour or other actions complained of, date/s and place/s it occurred, names of person involved, outcome sought, and any other relevant details;
- (c) must be made no later than 3 months after the conduct, behaviour or other actions complained of, or, if the conduct, behaviour or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;
- (d) must contain the full name and address of the complainant and, wherever possible details of a contact telephone number and email address.

7.2.2 In submitting a complaint in accordance with these FCM Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.

7.4 **Referral To An Independent Investigator**

7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in [sSection 7.3](#) above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in [sSection s.7.1.1](#) and [7.1.2](#) above, (and providing that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in [sSection 7.5](#) below.

7.4.2 A request for referral to an Independent Investigator shall be made in writing to the Company Secretary and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with [sSection 7.2](#).

7.4.3 Within 14 days of receipt of a written request, in accordance with [sSection 7.4.2](#) above, the Company Secretary shall refer the complaint to an Independent Investigator.

7.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:

- (a) independent of LCH.Clearnet Limited (for these purposes “independent” shall mean that such person is not and has not been an officer, director or employee of LCH.Clearnet Limited); and
- (b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the [RegulationsFCM Rulebook](#) (including the [FCM](#) Procedures), and other relevant documentation, regulation and applicable law;
- (c) with appropriate experience of the market activities in respect of which the complaint is focused.

7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.

7.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week day period referred to in [7.4.3](#) above, then the Company Secretary shall notify the complainant in writing of the reasons for the delay.

takes such action as may be reasonably practicable to remedy the cause of the complaint.

DISCIPLINARY PROCEEDINGS**8. DISCIPLINARY PROCEEDINGS****8.1 SCOPE OF THIS PROCEDURE**

All FCM Clearing Members are subject to Disciplinary Proceedings pursuant to Section 8 of these FCM Procedures (the “**Disciplinary Procedures**”).

Any alleged breach by an FCM Clearing Member of an obligation set out in the FCM Rulebook (the “**Alleged Breach**”) may be dealt with in accordance with the provisions of these Disciplinary Procedures.

These Disciplinary Procedures are without prejudice to:

- (a) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the FCM Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Rules;
- (b) the Clearing House’s right to take no action where it considers that taking action would be disproportionate or otherwise, in its discretion;
- (c) any provision of ~~Applicable Law~~applicable law concerning enforcement by the Regulatory Body.

8.2 INVESTIGATION PROCEDURE

Subject to the provisions of ~~Paragraph~~Section 8.3, the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this ~~Paragraph~~Section 8.2.

(a) Opening of the Investigation Procedure

When the Clearing House commences proceedings to investigate an Alleged Breach:

- (i) the Clearing House shall send a written notice to the FCM Clearing Member, setting out details of the Alleged Breach, including a summary of the facts relied on in sufficient detail for a reasonable person in the FCM Clearing Member’s position to properly understand and respond to the allegations made against it;
- (ii) the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet group organization that shall lead the investigation procedure on behalf of the Clearing House and shall inform the FCM Clearing Member who this representative will be in the written notice which is sent in accordance with sub-paragraph (i) above;
- (iii) Following receipt of the written notice sent in accordance with sub-paragraph (i) above, the FCM Clearing Member shall be permitted to (x) raise objections in writing to the Alleged Breach of which it has

The Report shall contain the findings of the investigation, reference the provision of the FCM Rulebook allegedly breached by the relevant FCM Clearing Member and indicate the Clearing House's intended course of action in relation to the Alleged Breach, being either:

- ~~(vii)~~ (i) to proceed with Disciplinary Proceedings, in accordance with these Disciplinary Procedures, if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed;
- ~~(viii)~~ (ii) to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the FCM Rulebook if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed but the sanctions set out in Paragraph 8.4 of these Disciplinary Procedures are, in the Clearing House's reasonable opinion, inadequate; or
- ~~(ix)~~ (iii) to take no further action.

(c) Disciplinary Committee Formation

Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with Paragraph 8.2(b)(i) above, it will convene a "**Disciplinary Committee**" consisting of:

- ~~(x)~~ (i) The Chairman of the Risk Committee of the Clearing House, or his representative;
- ~~(xi)~~ (ii) The Chief Compliance Officer, or his representative;
- ~~(xii)~~ (iii) The Chief Risk Officer, or his representative, and
- ~~(xiii)~~ (iv) Two members of the Executive Committee of LCH.Clearent Group Limited.

Details of the precise composition of the Disciplinary Committee shall be provided to the FCM Clearing Member as part of the Report, as appropriate.

(d) FCM Clearing Member Response

The FCM Clearing Member shall respond to the Disciplinary Committee, within 14 days of receiving a Report which indicates that the Clearing House intends to proceed with Disciplinary Proceedings, providing a statement of defence ~~ese~~ responding to the allegations.

If no response has been received by the Disciplinary Committee within 14 days or such extended period as has been agreed between the FCM Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure (as set out in Paragraph ~~8.2(e)~~ below) and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in Paragraphs 8.2(g) and 8.2(h) below.

(e) Exploratory Meetings

Having considered the Report, the FCM Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with ~~Paragraph~~Section 8.2(e) above and conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this ~~Paragraph~~Section 8.2(f), by a majority of the attendees, provided that no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of ~~Applicable Law~~applicable law or regulation or court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

~~(xvii)~~(i) a relevant Regulatory Body;

~~(xviii)~~(ii) _____ a Governmental Authority; or

~~(xix)~~(iii) the courts of England and Wales, the State of New York or the United States, in connection with a Dispute.

(g) Recommendation

Within 7 days of the later of:

~~(xx)~~(i) the FCM Clearing Member's response to the Report; and

~~(xxi)~~(ii) the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with ~~Paragraph~~Section 8.2(f) above, to the Clearing House (the "**Recommendation**").

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the FCM Clearing Member pursuant to ~~Paragraph~~Section 8.4 of these Disciplinary Procedures.

This ~~Paragraph~~Section 8.2(g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rules if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in Paragraph 8.4 of these Disciplinary Procedures are, in the Disciplinary Committee's reasonable opinion, inadequate.

(h) Decision Notice

Following receipt of a Recommendation, pursuant to [ParagraphSection 8.2\(g\)](#) above, the Clearing House must decide whether or not to sanction the FCM Clearing Member in accordance with [ParagraphSection 8.4](#) of these Disciplinary Procedures or otherwise in accordance with the provisions of the Rules.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

A decision by the Clearing House in accordance with this [ParagraphSection 8.2\(h\)](#) will be made by the Chief Executive Officer of the Clearing House or another suitably senior executive of the Clearing House.

Within 14 days of receiving a Recommendation, the Clearing House must notify the FCM Clearing Member of its decision by registered mail to the address notified to the Clearing House in its admission application (the “**Decision Notice**”).

A Decision Notice shall include details of the grounds on which the Clearing House has come to its decision and the sanction(s), if any, to be imposed against the FCM Clearing Member by the Clearing House pursuant to [ParagraphSection 8.4](#) below or otherwise in accordance with the provisions of the Rules.

(i) Action

Notwithstanding any decision by the Clearing House to convene a Disciplinary Committee and proceed with Disciplinary Proceedings in accordance with [ParagraphsSections 8.2\(c\) to 8.2\(i\)](#) above, the Clearing House may at any time choose to:

~~(xxii)~~[\(i\)](#) discontinue the Disciplinary Proceedings;

~~(xxiii)~~[\(ii\)](#) determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant FCM Clearing Member pursuant to [ParagraphSection 8.4](#) below or otherwise in accordance with the provisions of the Rules;

~~(xxiv)~~[\(iii\)](#) take alternative action in accordance with the provisions of the Rules (including, without limitation, suspension or termination of the FCM Clearing Member’s membership of the Clearing House pursuant to the FCM Rulebook and/or the issuance of a Default Notice in respect of such FCM Clearing Member in respect of the FCM Clearing Member pursuant to the Default Rules), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or

~~(xxv)~~[\(iv\)](#) amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add, delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this [ParagraphSection 8.2](#) will apply (and, unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, any timing specified in this [ParagraphSection 8.2](#) will restart) in respect of the amended Report.

8.3 **IMMEDIATE MEASURE**

Where the Alleged Breach comprises a breach of:

- (a) any of an FCM Clearing Member's obligations set out in the FCM Rulebook when such breach constitutes a threat to the integrity or safety of the Clearing House or increases the risk exposure of the Clearing House or other FCM Clearing Members;
- (b) an FCM Clearing Member's obligation to satisfy the relevant membership criteria pursuant to Section 1 of the [se](#) FCM Procedures;
- (c) an FCM Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section 1 of the [se](#) FCM Procedures;
- (d) an FCM Clearing Member's obligations to submit its clearing activity to audits and inspections pursuant to Section 1 of the [se](#) FCM Procedures;
- (e) an FCM Clearing Member's obligations to satisfy its record keeping requirements pursuant to Section 1 of the [se](#) FCM Procedures;
- (f) an FCM Clearing Member's obligation to furnish the Clearing House with ~~M~~margin by the required time in accordance with FCM Regulation ~~109~~ and Section 3 of the [se](#) FCM Procedures,

the Chief Executive Officer of the Clearing House or the Chief Compliance Officer shall be entitled at their sole discretion to, (a) issue a letter to the relevant FCM Clearing Member, reminding such member of their obligations under the FCM Rulebook or (b) impose a fine on the FCM Clearing Member in accordance with ~~Paragraph~~ [Section](#) 8.4, without being required to follow the procedure set out in ~~Paragraph~~ [Section](#) 8.2 above. In such circumstances the Clearing House must notify the FCM Clearing Member of its decision and the sanction that is to be imposed by way of a Decision Notice.

8.4 **SANCTIONS**

The Clearing House shall be entitled, in its absolute discretion, to impose the following sanctions against an FCM Clearing Member, pursuant to these Disciplinary Procedures, provided that any such sanction is proportionate and commensurate with the seriousness of the Alleged Breach:

- (a) to impose a fine or require the FCM Clearing Member to make any other form of payment in an amount which it considers appropriate;
- (b) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the Website;

- (c) suspension for a fixed period, as determined by LCH.Clearnet Limited in its sole discretion from anyone or all of the clearing services offered by the Clearing House;
- (d) issuance of a private warning or reprimand;
- (e) termination of the FCM Clearing Membership Agreement; and/or
- (f) any combination of the above.

8.5 **DISPUTING A DECISION**

Where an FCM Clearing Member wishes to dispute the Clearing House's decision to impose sanctions listed in [ParagraphSection](#) 8.3 or 8.4, an FCM Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer may, at their discretion, direct) of receiving the Decision Notice in accordance with [ParagraphSection](#) 8.2(h) or 8.3, file an Appeal in accordance with Section 6 of these [FCM Procedures](#). In the event that the FCM Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the FCM Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

8.6 **REPORTING AND PUBLICATION**

The Clearing House shall:

- (a) report on its monitoring procedures in respect of the FCM Rulebook, compliance and breaches of the FCM Rulebook to its Regulatory Body pursuant to [Applicable Law](#)[applicable law](#) and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;
- (b) immediately notify the Regulatory Body of a decision to suspend or terminate an FCM Clearing Member's membership rights or declare an FCM Clearing Member to be subject to an Event of Default (in each case in accordance with the FCM Rulebook); and
- (c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, provided however that only the details of those FCM Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed.

8.7 **INFRINGEMENT OF APPLICABLE LAW**

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of [Applicable](#)

~~Law~~[applicable law](#), it shall report the matter to the relevant Regulatory Body as soon as possible.

Exhibit A – 2.b
FCM Procedures Part 2b

See Attached

2B FOREXCLEAR

2B.1 Introduction and Interpretation

This Section 2B of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an “**FXCCM**” is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

Unless otherwise specified, all times are in local London time.

2B.2 Users of FCM ForexClear

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. Those authorized by the Clearing House to submit trades (as defined below) for clearing in the FCM ForexClear Service fall into three categories – FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“**FX FCMs**”), FCM Clients of FX FCMs and Affiliates of FX FCMs. FX FCMs, FCM Clients of FX FCMs and Affiliates of FX FCMs are collectively known as ForexClear Participants (“**FXPs**”). For membership procedures, please see Section 1 of the FCM Procedures. At least one party to each FCM ForexClear Transaction submitted to the Clearing House will be an FX FCM, acting through a client or house account; the other party may be another FX FCM or may be a ForexClear Clearing Member.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

2B.3 Termination of FX FCM Status

Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; membership@lchclearnet.com) for details of how to resign from the FCM ForexClear Service.

2B.4 Service Scope

2B.4.1 Eligibility

Non-Deliverable FX Transactions as defined in Part A of Schedule B to the FCM Regulations (“**NDFs**”) may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the ForexClear Eligibility Criteria (as set out in Part B of Schedule B to the FCM Regulations).

2B.4.2 Service Operating Hours

Opening Days:

The FCM ForexClear Service will be open each day, except weekends, Christmas Day and New Year’s Day.

Opening Hours:

The FCM ForexClear Service will be open between 20:00 ~~local hours~~, London time, Sunday night and 01:00 ~~local hours~~, London time, Saturday morning (“**Opening Hours**”). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

2B.5 Position Accounts**2B.5.1 FCM Accounts**

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM ForexClear Transactions and FCM ForexClear Contracts. An FCM Clearing Member’s position and financial information are further identified by a single character code: C for client business; and H for house business.

2B.5.2 Position-Keeping Accounts*FCM Clearing Member Accounts:*

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus ~~OTC-FX~~ ForexClear Client Account with LCH). An FCM Clearing Member’s FCM ForexClear Contract positions are also recorded within the FCM ForexClear Clearing System in ForexClear ~~A~~accounts.

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via ~~FCM~~ ForexClear Reporting (see Section 2B.2021). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contracts (provided that ~~all~~ FCM Contracts attributable to any Business Categories of FCM Contracts and related cover may be physically commingled in the same depository accounts, subject to the requirements of the Rulebook to properly segregate all FCM Client assets). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows each FCM Clearing Members to identify all FCM ForexClear Contracts registered in ~~their~~ its name.

Sub-accounts within the FX FCM’s Proprietary Account may be set up (e.g. for branches or Affiliates). Each such sub-account will carry the unique Bank Identifier Code (“**BIC**”) (or equivalent unique identifier) of the relevant branch/ Affiliate (~~please~~ see Section 2B.5.4 below).

Sub-accounts within the FX FCM’s Proprietary Account will be associated with the House financial account of the FX FCM and information contained across the Proprietary Account sub-accounts is consolidated into the House financial account of each FX FCM.

2B.5.3 Clients

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 4(a), the FX FCM must submit an “**FCM Client Static Data**” form to the Clearing House’s membership department. Positions of an FCM Client

will be identifiable in ForexClear Reporting through that FCM Client's BIC/unique identifier.

2B.5.4 Affiliates and Branches

Under FCM Regulation 4(c), FX FCMs are permitted to clear for Affiliates through their Proprietary accounts.

Where an FX FCM enters into an agreement with an Affiliate in accordance with FCM Regulation 4(c), submission of an "FCM Affiliated Client Static Data" form to the Clearing House will allow the FX FCM to be provided with one or more sub-accounts for that Affiliate (for position-keeping purposes) within that FX FCM's house account.

Because the House financial account reflects the consolidated balances and liabilities of the FX FCM's proprietary business, the balances and liabilities associated with FCM ForexClear Transactions submitted by Affiliates ~~(if applicable)~~ and/or per branch ~~(if applicable)~~ will be provided as an estimate ~~(if applicable)~~.

2B.6 Financial Accounts

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

2B.6.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
<u>C</u>	<u>Client</u>	<u>C</u>	<u>LCH ForexClear Client Segregated Depository Account used for Initial Margin Flows</u>
	<u>Client</u>	<u>L</u>	<u>LCH ForexClear Client Segregated Depository Account used for Variation Margin Flows</u>
H	House	H	Proprietary Account
G	Client	G	LCH OTC FX Client Segregated Depository Account

2B.6.2 Other Financial Accounts

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

Code

~~Buffer~~[Additional Margin](#) accounts (House), used for holding additional cash in relation to Proprietary business B

~~Buffer~~[Additional Margin](#) account (Client), used for holding additional cash in relation to FCM Client Business E

[Unallocated Excess account \(Client\), used for holding excess cash and non-cash collateral in relation to FCM Client Business](#) U

2B.6.3 Default Fund (DF) Account

Each FCM Clearing Member's ~~Default Fund~~ Contribution is held in a separate financial account. The ~~DF~~[Default Fund](#) account code is "F". Each FCM Clearing Member's ~~Default Fund~~[ForexClear](#) Contribution ~~relating to its FCM ForexClear Contracts~~ is held in an account that is separate from any financial account containing such FCM Clearing Member's ~~Default Fund~~ Contribution relating to any other Business Categories of FCM Contracts.

2B.7 Novation and Registration

An NDF is an FCM ForexClear Transaction (i.e., eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Eligibility Criteria (set out in Part B of the Schedule B to the FCM Regulations) at the Registration Time.

Where an FX FCM accepts registration of the FCM ForexClear Transaction and notifies the Clearing House of such acceptance, the FX FCM shall, pursuant to FCM Regulation 40(b), (i) be deemed to have presented the FCM ForexClear Transaction for clearing and (ii) become obliged to pay all cover required by the Clearing House in connection with the registration of the FCM ForexClear Transaction upon request of the Clearing House. It is a condition for registration of an FCM ForexClear Transaction that, where both Executing Parties intend to register the FCM ForexClear Transaction through an FX FCM, both FX FCMs accept the FCM Notification (or where such Executing Parties nominate the same FX FCM, such FX FCM accepts both acceptances) and therefore submit the FCM ForexClear Transaction to the Clearing House.

It is a condition for registration of an FCM ForexClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM ForexClear Contract prior to registration.

The FCM ForexClear Service will register FCM ForexClear Transactions submitted during the Opening Hours, provided that all FX FCMs have sufficient cover for their Liabilities (as defined in Section 2B.17) at the time of the relevant Margin Run.

If any FX FCM does not have sufficient cover for its Liabilities at the time of the relevant Margin Run, then the registration of FCM ForexClear Transactions to which it is party will be suspended until (1) sufficient cover is provided or by the FCM Clearing Member; (2) until the FX FCM's portfolio risk is reduced by the FX FCM submitting for registration risk reducing FCM ForexClear Transactions; or (3) until the FCM Clearing Member's portfolio risk is sufficiently reduced as a result of the application of updated market data, at the Clearing House's discretion.

Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2B.8.1) and the required cover has been provided by the relevant FX FCMs, the Clearing House will send, via the FCM Approved Trade Source System, a message confirming the registration of the FCM ForexClear Transaction as an FCM ForexClear Contract and including a datestamp of the relevant registration time. For the purpose of the ~~ForexClear~~ Part III of the FCM Regulations, the time of dispatch of such message shall be the "**Registration Time**" of that FCM ForexClear Contract.

The definitive report of the registered FCM ForexClear Contract will be shown on the "All Open Contracts" report issued by ForexClear Reporting (as defined in Section 2B.~~20~~21).

If an FX FCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FX FCMs will continue to be registered (assuming sufficient cover for their Liabilities has been provided).

2B.7.1 Trade Capture

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a "**trade**"). The FCM Approved Trade Source System validates the trade using the FCM ForexClear Product Eligibility Criteria as set forth in Part B to Schedule B to the FCM Regulations (the "FCM ForexClear Eligibility Criteria") and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as an "**FCM ForexClear Transaction**". Once the Clearing House receives the FCM ForexClear Transaction message, it will send a message of acknowledgement back via the FCM Approved Trade Source System that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the Validation Checks are rejected. Rejections are reported back to the FCM Approved Trade Source System.

The Clearing House will provide FCM ForexClear Transaction/FCM ForexClear Contract (as applicable) updates as and when these change (e.g., for acceptance, rejection and novation-).

2B.7.2 **ForexClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source System designated by the Clearing House for ForexClear is MarkitSERV. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

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

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract(s), unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 41.

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

2B.8 **Trade Validation and Registration**

2B.8.1 **Process flow description**

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Validation Check (as defined below) required for FCM ForexClear Transactions (together the “**Validation Checks**”).

The fields checked are as follows:

- **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the “**Counterparty Validation Check**”);
- **Trade type:** is the instrument type an NDF?
- **Economic Terms:** does the trade include all the Economic Terms (as defined in ~~the~~[Part A of](#) Schedule B to the FCM Regulations)?
- **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule B to the FCM Regulations)?
- **Settlement Currency:** is the Settlement Currency USD?
- **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the “**Submission Date**”) and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 ~~local~~[hours](#), London time), the Submission Date is defined as the next good business day.

- Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows the relevant Business Days for determining the Valuation Date and the Settlement Date:¹

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
USD-BRL	BRL & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	USD	New York City
USD-RUB	USD & RUB	New York and Moscow	USD	New York City
USD-INR	INR	Mumbai	USD	New York City
USD-CLP	USD & CLP	New York and Santiago	USD	New York City
USD-CNY	CNY	Beijing	USD	New York City
USD-KRW	KRW	Seoul	USD	New York City
USD-COP	USD & COP	New York and Bogota	USD	New York City
USD-IDR	IDR & SGD	Jakarta and Singapore	USD	New York City
USD-MYR	MYR & SGD	Kuala Lumpur and Singapore	USD	New York City
USD-PHP	PHP	Manila	USD	New York City
USD-TWD	TWD	Taipei	USD	New York City

Trades that pass the Validation Checks are accepted and two trade records are created for the FCM ForexClear Transaction: one for the FCM ForexClear Contract between the Clearing House and the first FX FCM to the FCM ForexClear Transaction and the other for the FCM ForexClear Contract between the Clearing House and the second FX FCM to the FCM ForexClear Transaction (or the

¹ [As amended from time to time as per the relevant EMTA Template.](#)

ForexClear Contract between the Clearing House and the ForexClear Clearing Member to the corresponding ForexClear Transaction pursuant to the UK General Regulations).

Provided each FXCCM has sufficient cover, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection.

As provided in Section 2B.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “**ForexClear ID**”). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

2B.8.2 Manual Trade Rejection, Novation and Cancellation (Exceptional Event)

From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register an FCM ForexClear Transaction; or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case manually prior to a Margin Run, (e.g. in the case of a default event, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from a defaulted FX FCM).

The Clearing House acknowledges the action and sends a status message to the ~~ForexClear~~FCM Approved Trade Source System of either “REJECTED” in respect of trades being manually rejected; “NOVATED” in respect of trades being manually registered; and “CANCELLED” in respect of an FCM ForexClear Contract or an FCM ForexClear Transaction being manually cancelled, as appropriate.

2B.8.3 Trade Cancellation

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until such FCM ForexClear Contract is “fixed” —(i.e., when its Settlement Rate has been determined on the relevant Valuation Date—).

A successful cancellation message results in a “CANCELLED” status message if the FCM ForexClear Transaction or the FCM ForexClear Contract (as the case may be) is cancelled before or after a Margin Run (as defined in Section 2B.15).

The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

2B.8.4 Process flow description

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions or FCM ForexClear Contracts (as the case may be) that have previously been submitted to the FCM ForexClear Service. Cancellation instructions must include the ForexClear ID.

The Clearing House acknowledges receipt of the instruction from the FCM Approved Trade Source System to cancel an FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) and sends a "PENDING CANCELLATION" message to the FCM Approved Trade Source System for the relevant FXPs.

The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) an FCM ForexClear Transaction or FCM ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of an FCM ForexClear Contract only, an FCM ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

Where a trade has already been rejected (as a result of having failed a Validation Check), the FCM ForexClear Service sends a "CANCEL REJECTED" message to the FCM Approved Trade Source System for the relevant FXPs.

~~If the FCM ForexClear Transaction is "PARKED" but has not been included in a Margin Run, it is cancelled and a "CANCELLED" message is sent to the FCM Approved Trade Source System to confirm to the relevant FXPs that the FCM ForexClear Transaction has been cancelled. The ForexClear Transaction is excluded from the next and future Margin Runs. In accordance with FCM Regulation 41, the date and time of the cancellation shall be as reported by the Clearing House via the FCM Approved Trade Source System.~~

If a Margin Run is currently in progress, the request to cancel is routed to a temporary queue for later manual action. Once the Margin Run has finished, the Clearing House will re-submit or reject the request to cancel.

If the FCM ForexClear Contract is "NOVATED", the Clearing House amends the status of the relevant FCM ForexClear Contract to "PARKED PENDING CANCELLATION" and sends this information in a message to the FCM Approved Trade Source System for the relevant FXPs. The effect of the "PARKED PENDING CANCELLATION" FCM ForexClear Contract is included in the next Margin Run.

The "PARKED PENDING CANCELLATION" FCM ForexClear Contract is cancelled if all FXCCMs have pledged sufficient collateral with the Clearing House to cover the ForexClear margin requirement without that particular FCM ForexClear Contract. If an FX FCM has insufficient collateral pledged, the Clearing House makes a cash margin call via PPS. When confirmation of receipt of the margin call is received, the FCM ForexClear Contract is cancelled. The FCM ForexClear Contract is excluded from future Margin Runs and a "CANCELLED" message is sent to the ~~ForexClear~~FCM Approved Trade Source System for the benefit of the relevant FXPs to the now excluded FCM ForexClear Contract. In

accordance with FCM Regulation 41, the time of dispatch of such message shall be the cancellation date and time in respect of that FCM ForexClear Contract. If an FX FCM is declared a defaulter, the Clearing House will not process any cancellation of an FCM ForexClear Contract to which the defaulter is a party, nor the corresponding FCM ForexClear Contract that arose from the same underlying FCM ForexClear Transaction. All FCM ForexClear Contracts between non-defaulting FX FCMs for cancellation (assuming sufficient cover for their Liabilities has been provided) will be cancelled.

2B.8.5 Trade Amendment

No amendment of the financial terms of an FCM ForexClear Transaction or FCM ForexClear Contract is permitted. FX FCMs who wish to change the FCM Client information on a ForexClear Transaction should contact ForexClear Business Operations at 0207 426 3729 for further information.

2B.8.6 Backloading of Existing Trades

The Clearing House provides the facility for FCM Clearing Members to load eligible existing FCM ForexClear Transactions, through an FCM Approved Trade Source System. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the ForexClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM ForexClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the ForexClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as a ForexClear Contract, the UK General Regulations will apply with respect to such registration of a [Non-FCM](#) ForexClear Contract.

For backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see Section 2B.201). It is a pre-condition of registration that sufficient cover for IM and variation margin ("VM") is provided.

2B.8.7 Valuation Date Event Management

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each FCM ForexClear Contract.

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in ~~the~~ Schedule B to the [ForexClearFCM](#) Regulations). The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the following criteria:

- Settlement Rate Option source code (as below)
- Valuation Date

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

Currency Pair	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)
USD-BRL	BRL PTAX (BRL09)
USD-RUB	RUB CME-EMTA (RUB03)
USD-INR	INR RBIB (INR01)
USD-CNY	CNY SAEC (CNY01)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR ABS (IDR01)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-COP	COP TRM (COP2)
USD-IDR	IDR ABS (IDR01)
USD-MYR	MYR ABS (MYR01)
USD-PHP	PHP PDSPEO (PHP06)
USD-RUB	RUB CME-EMTA (RUB03)
USD-TWD	TWD TAIFX1 (TWD03)

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time (see Section 2B.8.8 below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

2B.8.8 Valuation Date Event Management: Process flow description

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.

If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

2B.8.9 Settlement

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear Contract Terms. [\(see Part A of Schedule B to the FCM Regulations\).](#)

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open FCM ForexClear Contracts will have resulted in VM credits and debits between the parties (as set out at Section 2B.10.3). With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the FCM ForexClear Contract, the result of which is a Net Settlement Amount (“NSA”), which will be reflected in the FX FCMs’ cash accounts with the Clearing House on the Settlement Date. As such, with respect to each FCM ForexClear Contract, the payment in full of all the VM required during the term of such FCM ForexClear Contract shall satisfy the relevant party’s obligation to pay the Settlement Currency Amount on the Settlement Date of such FCM ForexClear Contract. [For the purpose of providing Nostro reconciliation, to the relevant parties, the Clearing House will provide Reporting \(as defined in Section 2B.21 of these FCM Procedures\) which will reflect an entry for the “Settlement Currency Amount” and a separate entry for the reversal of the aggregate net Variation Margin which has been paid/received through the term of the FCM ForexClear Contract.](#) This paragraph applies even if the Settlement Date has been adjusted in accordance with the FCM ForexClear Contract Terms.

2B.8.10 Reference Data

Holiday Event Calendar:

For the FCM ForexClear Service the Clearing House uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, Inc.) the (“**SwapsMonitor Financial Calendar**”) in order to determine holidays. This requires all FX FCMs to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM ForexClear Service, will be available online for inspection and for file download from Clearing Member Reporting. SwapsMonitor is used on a daily basis across all calendars.

Date Adjustment:

When a new holiday is declared in a particular jurisdiction, an update to the holiday calendar affecting FCM ForexClear Contracts for which the Valuation Date is due on the new holiday is required. The Valuation Date and the Settlement Date will be adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House may accede to a request from FX FCMs to suspend processing of adjustments to the relevant affected Valuation Dates and Settlement Dates so as to allow FX FCMs to cancel and rebook any FCM ForexClear

Contracts following any such adjustment. In such case, the Clearing House will inform FX FCMs as to the timing and duration of any such suspension.

2B.9 Market Data

2B.9.1 Sources used by FCM ForexClear Service

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2B.9.2) in relation to each Currency Pair:

- FX spot rates (“**FX Spot Rates**”);
- FX swap points (“**FX Swap Points**”);
- Settlement Rate Option;
- Interest rate curves (see Section 2B.9.5 below) (“**Interest Rate Curves**”);
- USD LIBOR Curve;
- PAI rates (“**PAI Rates**”); and
- Country credit spreads (see Section 2B.9.6 below) (“**Country Credit Spreads**”),

together, “**Market Data**”.

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours (as defined in Section 2B.4.2).

2B.9.2 Market Data Sources and Frequencies

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- Source – FXCCMs (including FX FCMs).
- Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.

FX Swap Points:

- Source - all FXCCMs (including FX FCMs).
- Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.
- Tenors – as shown in the table below.

Tenor
S/N

1 week
1 month
2 months
3 months
6 months
12 months
24 months

Settlement Rate Options:

- Source - Reuters.
- Frequency - when published (at the times shown in the table at Section [42B.9.3](#) below).

Interest Rate Curves:

- Source - internal Clearing House
- Frequency - at each SwapClear margin run.

Country Credit Spreads:

- Source - Bloomberg.
- Frequency - when published.

USD LIBOR Curve:

- Source - SwapClear.
- Frequency - at each SwapClear margin run.

PAI rates:

- Source - LCH Treasury.
- Frequency - Daily.

2B.9.3 Market Data

Reference Currency	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)	Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)
BRL	BRL PTAX (BRL09)	13:15 (São Paulo)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
INR	INR RBIB (INR01)	12:30 (Mumbai)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)
<u>COP</u>	<u>COP TRM (COP02)</u>	<u>10:30 (Bogota)</u>

IDR	IDR ABS (IDR01)	11:30 (Singapore)
INR	INR RBIB (INR01)	12:30 (Mumbai)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
COP	COP TRM (COP02)	10:30 (Bogota)
IDR	IDR ABS (IDR01)	11:30 (Singapore)
MYR	MYR ABS (MYR01)	11:30 (Singapore)
PHP	PHP PDSPEO (PHP06)	11:30 (Manila)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
TWD	TWD TAIFX1 (TWD03)	11:00 – 12:00 (Taipei)

2B.9.4 Market Data Provision to FX FCMs

Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section 2B.2021).

2B.9.5 Curve Building in ForexClear

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) ("RTWG"). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalization of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 local hours, London time ("EOD"). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 6-12B.16.2):

- FX Spot Rates; and
- FX Swap Points.

2B.9.6 Country Credit Spreads

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

2B.10 FCM ForexClear Contract Valuation

2B.10.1 Price Submission

In accordance with these FCM Procedures, each FX FCMs shall provide pricing data to the Clearing House in accordance with the ForexClear Market Data Interface (a document issued by LCH and as amended from time to time) as amended from time to time: (save in the case of there being more than one FXCCM in the same corporate group, in which case each such FXCCM shall ensure that one of those FXCCMs complies with this requirement).

This data is used to calculate the NPV (as defined in Section ~~2B.10~~2B.10.2 below) of FCM ForexClear Contracts.

2B.10.2 Net Present Value (“NPV”)

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each FCM ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Sections 2B.9.2 and 2B.10.1).

On the Valuation Date, the Settlement Rate is used to value the FCM ForexClear Contract.

If Valuation Postponement applies, the FCM ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs in accordance with Sections ~~4~~2B.9.2 and ~~4~~2B.10.1) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

2B.10.3 Variation Margin (“VM”)

VM for each FCM ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FX FCM, the net sum of the VM for all open FCM ForexClear Contracts is credited to or debited from such FX FCM once a day, following the EOD Margin Run.

Cover for VM (adjusted by PAI, as set out below) will be paid each business day by or to each FX FCM in respect of all of its open FCM ForexClear Contracts. The VM will be calculated in, and must be paid in, USD.

With respect to each FCM ForexClear Contract, VM is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

2B.10.4 Reporting Breakdown

ForexClear margin reports show the portfolio of open FCM ForexClear Contracts of each FX FCM by Currency Pairs and in the Settlement Currency (i.e., USD).

2B.10.5 Price Alignment Interest (“PAI”)

The effect of daily cash VM movements results in the need for PAI. Without this adjustment, the pricing of FCM ForexClear Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.

2B.10.6 PAI Calculation Methodology

PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section 2B.10.6, “**T**” means any given business day; “**T-1**” means the business day immediately preceding T; “**T+1**” means the business day immediately following T; and “**MTM**” means the total value (expressed in USD) of an FXCCM’s portfolio open of FCM ForexClear Contracts after valuation in accordance with Section 2B.10.3 at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

Principles:

- MTM is calculated at EOD on T-1.
- Change in MTM (net VM in respect of an FX FCM’s portfolio of open ForexClear Contracts) is paid/ received on the morning of T.
- PAI Rate for T to be applied is known at EOD T.
- PAI is calculated on the night of T, for MTM of T-1 for FCM ForexClear Contracts up to the business day before their Settlement Date.
- PAI is paid / received on morning of T+1 via PPS.

Components:

- PAI Rate (annualized interest applied to an FX FCM’s MTM).
- MTM
- Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- $PAI_T = PAI_T \text{ Rate} \times MTM_{T-1} \times \text{Accrual Factor}$.

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

2B.10.7 VM/PAI Adjustment

With respect to each FX FCM, the Clearing House makes the following adjustment to the VM at EOD ~~VM~~:

- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) paid an amount in VM greater than the amount of VM it has received, such FX FCM will receive PAI; and
- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) received an amount in VM greater than the amount of VM it has paid, such FX FCM will pay PAI.

2B.11 **Initial Margin (“IM”)**

The Clearing House will require FX FCMs to post IM. This amount will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FX FCM, it is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear Transactions using ForexClear’s Portfolio Analysis and Risk (“**FxPAR**”) margining model. FxPAR is based on a modified filtered historical simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the historical (5 year) data submitted by FXCCMs pursuant to Section 2B.9, which is adapted to current market prices.

Separate ~~initial margin~~[Initial Margin](#) calculations are performed for an FX FCM’s house “H” and client “C” accounts.

The Clearing House reserves the right to require additional amounts of cover from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation 9.

2B.11.1 **Credit Risk Multiplier (“CRiM”)**

The CRiM applied will consider the FX FCM’s credit worthiness, ~~initial margin~~[Initial Margin](#) level and/or stress testing exposures in accordance with LCH.Clearenet Credit Risk Policy.

2B.11.2 **Liquidity Risk Multiplier (“LRMM”)**

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the LRMM is applied and additional IM is charged. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the “**FXDMG**”) according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

LRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM’s house position-keeping account.

2B.11.3 **Sovereign Risk multiplier (“SRM”)**

An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

- i. the probability of sovereign default or a regime change event occurring; and
- ii. the depreciation or appreciation risk of the Reference Currencies.

The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.

The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM's house position-keeping account.

2B.12 Additional Margin

The Clearing House may require an FX FCM to pay additional amounts (in addition to ~~initial margin~~[Initial Margin](#) and ~~variation margin~~[Variation Margin](#)) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation 9. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party not adequately covered by ~~IM or VM~~[Initial Margin or Variation Margin](#). This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Rules have increased.

2B.12.1 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours, London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2B.[922.3](#)).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2B.13 Initial Margin Management Events Service ("IMMES")

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations [enat](#) 0207 426 7527. To be

eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the “**IMMES Agreement**”).

2B.13.1 **Step-by-step details**

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs’ profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the “IMMES Trades”).

The Clearing House then analyses the relevant FX FCM’s FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the ~~ForexClear~~FCM Approved Trade Source System for registration.

2B.14 **Intra-Day Margin Call: Collateral Management**

2B.14.1 **General – Intra-day Margining**

Following an intra-day margin call ~~and unless~~(except as notified otherwise by an FX FCM at the time of an intra-day margin call~~)~~, the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

Cash payments in respect of intra-day cover are accepted only in USD by the Clearing House.

~~It is the responsibility of the~~Each FCM ~~to~~Clearing Member must ensure that ~~they have it has~~ sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

2B.15 **General Margining Process**

A “**Margin Run**” is the process by which the Clearing House calculates an FX FCM’s ~~IM~~Initial Margin requirement (if any) and, during an EOD Margin Run, its ~~VM~~Variation Margin requirement and PAI adjustment (if required) (together its “**Margin Requirements**”); and (a) applies that FX FCM’s cover to satisfy the Margin Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM’s portfolio; and/or (b) calls for additional cover (if required) to cover the relevant Margin Requirement.

2B.16. Types of Margin Runs

There are ~~three~~four types of Margin Run:

2B.16.1 ITD / Ad Hoc – Day Margin Run

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the “**Schedule**”) or as necessary, and are performed in the time period during which a PPS call can be made (the “**ITD/Ad-hoc Day Margin Run**”). PPS times are published on the Clearing House’s website at: http://www.lchclearnet.com/risk_management/itd/pps/.

ITD/Ad-hoc Margin Runs are calls in respect of ~~IM~~Initial Margin only. ~~VM~~Variation Margin and PAI are not included in ITD/Ad-hoc Margin Runs.

2B.16.2 EOD Margin Run

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 22:00 ~~local~~hours, London time, on that business day (the “**EOD Margin Run**”).

EOD Margin Runs are calls in respect of ~~IM~~Initial Margin as well as ~~VM~~Variation Margin, NSA and PAI.

2B.16.3 ITD / Ad Hoc - Night Margin Run

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “**ITD/Ad-hoc Night Margin Run**”).

ITD/Ad-hoc Night Margin Runs are calls in respect of ~~IM~~Initial Margin only. ~~VM~~Variation Margin, NSA and PAI are included in ITD/Ad-hoc Night Margin Runs, but only as a component of IM.

2B.16.4 Mini Margin Run

Mini Margin Run’s (MMRs) will run continuously during the “Service Operating Hours” when ITD/Ad Hoc or EOD Margin Runs are not running or other key daily processes (such as banking opening / closure and date roll) are not running.

Mini Margin Run’s can take place in (1) MMR-Day Margin Run Mode where they follow the same principles as the “ITD – Day Margin Run” or (2) MMR-Night Margin Run Mode where they follow the same principles as the “ITD – Night Margin Run”.

2B.17 Margin Run Process

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”, FCM ForexClear Transactions with the status “PARKED” and FCM ForexClear Contracts in respect of which the Clearing House has received a request for cancellation with the status “PARKED PENDING CANCELLATION”. Margins Runs will not cover FCM ForexClear Transactions for which registration has been suspended pursuant to the application of Section 2B.7.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- EOD Margin Run on the Settlement Date; or
- EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the ~~IM~~Initial Margin required and (where applicable) the ~~VM~~Variation Margin and PAI required to cover each FX FCM's relevant open FCM ForexClear Contracts and FCM ForexClear Transactions (each a "Liability" and together the "Liabilities").

Each FX FCM's Liability is offset against that FX FCM's non-cash collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VM/PAI/IM). ~~IM~~Initial Margin will always be a Liability (payable to the Clearing House) and ~~VM~~Variation Margin, NSA and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Services portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 7.1) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for FCM ForexClear Service; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional collateral, this is also indicated ~~in the by~~ email and via the ForexClear Service Portal. Registration of FCM ForexClear Transactions and cancellations of FCM ForexClear Contracts ~~will cease until all FXCCMs have provided sufficient cover to~~ which that FX FCM is a party will be suspended pursuant to Section 2B.7.

Once it is confirmed that all FXCCMs have sufficient cover, the Clearing House:

- registers each FCM ForexClear Transaction as two FCM ForexClear Contracts (or registers an FCM ForexClear Contract and a ForexClear Contract under the UK General Regulations, if applicable) and changes the status for each FCM ForexClear Transaction from "PARKED" to "NOVATED" and informs the FCM Approved Trade Source System; and
- in respect of relevant FCM ForexClear Contracts being cancelled, cancels the relevant FCM ForexClear Contracts and changes the FCM ForexClear Contract status of each relevant FCM ForexClear Contract from "PARKED" to "CANCELLED".

The Clearing House acknowledges the FCM ForexClear Contract status and sends a message to the FCM Approved Trade Source System that the FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) is either "NOVATED" or "CANCELLED" as appropriate.

2B.18 **Transfer of FCM Clients**

In certain circumstance the Clearing House will transfer FCM ForexClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation 8(b) or 8(c).

2B.18.1 **Partial Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2B.A), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM ForexClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts.

2B.18.2 **Full Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2B.B), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM ForexClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM ForexClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form ([see Appendix 2B.C](#)) the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM ForexClear Contracts on behalf of the FCM Client whose FCM ForexClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.

2B.18.3 **Collateral Transfers**

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response Form at Appendix 2B.C) which cover is attributable to the transferring FCM Client and the associated FCM ForexClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus ~~OTC-FX~~ ForexClear Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM ForexClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM ForexClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day ~~settlement coupons and fees~~ Variation Margin and Net Settlement Amount associated with the transferring FCM ForexClear Contracts.

2B.18.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City Time <u>time</u> , unless stated otherwise)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from

Time (all references below are to New York City Time <u>time</u> , unless stated otherwise)	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
	ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	request from the Receiving FCM Clearing Member.	the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer. Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.
Day 2: 09:00 <u>11:00</u>		LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred. Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).	
Day 2: 14:30 <u>17:00</u>	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 08:00	<u>Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:30 London time margin run.</u>	<u>Clearing House performs the transfer process of FCM ForexClear Contracts to be included within the 14:30 London time margin run.</u>	<u>Clearing House performs the transfer process of FCM ForexClear Contracts to be included within the 14:30 London time margin run.</u>

Time (all references below are to New York City Time <u>time</u> , unless stated otherwise)	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
Day 3: 03 <u>10</u> :00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.
Day 3: 04 <u>11</u> :00	Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.
<u>Day 3: 11:00</u>	<u>Clearing House transfers FCM ForexClear Contracts.</u>	<u>Clearing House transfers FCM ForexClear Contracts and associated collateral.</u>	<u>Clearing House transfers FCM ForexClear Contracts.</u>
Day 3: 04:00 <u>11:30</u>	Clearing House transfers FCM <u>publication of relevant transfer reporting in relation to the FXM ForexClear Contracts. transferred to both the Carrying FCM Clearing Member and the Receiving FCM Clearing Member</u>	Clearing House transfers FCM <u>publication of relevant transfer reporting in relation to the FXM ForexClear Contracts transferred to both the Carrying FCM Clearing Member and associated collateral the Receiving FCM Clearing Member.</u>	Clearing House transfers FCM <u>publication of relevant transfer reporting in relation to the FXM ForexClear Contracts. transferred to both the Carrying FCM Clearing Member and the Receiving FXM Clearing Member.</u>

2B.19 **Proprietary Account Position Transfers**

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM ForexClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM ForexClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to

another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

2B.19.1 Legal Documentation

~~The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.~~

2B.19.2 Position Transfer Notice Period

~~The Clearing House will usually require five Business Days notice ahead of an intended transfer.~~

2B.20 FCM Clearing Member's Client Fund Transfer

The FCM ForexClear Clearing System provides functionality for the transfer of an individual FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per Appendix 2B.B.
- The FCM ForexClear Contract is registered by the Clearing House, and sufficient collateral is held to cover the FCM ForexClear Contract.
- Transfers are only handled on an individual trade by trade basis, and within the accounts of a single FCM Clearing Member (i.e., not a transfer between two FCM Clearing Members).

Transfer requests received by ForexClear Operations prior to 17:00 London time will be managed and included in the 19:30 London time margin run. The transfer of the FCM ForexClear Contract will occur provided that sufficient cover is held for the FCM Clearing Member.

2B.21 ForexClear Reporting

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service (including the FCM ForexClear Service), thus an FX FCM will receive reports in respect of the FCM ForexClear Service and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](#).²

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together "ForexClear

² http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

Reporting). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

2B.2021.1 **Margin Liability Reports**

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section 2B.17 and where additional collateral cover has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22:00 ~~local~~hours, London time. If the EOD Margin Run has not completed by 22:00 ~~local~~hours, London time, on a particular business day, the report generated at EOD will reflect that not all the Liabilities of all FXCCMs as covered by collateral by 22:00 ~~local~~hours, London time.

2B.2021.2 **Market Data Reports**

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

2B.2021.3 **Trade Reports**

Reports are provided that enable FX FCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

2B.2021.4 **Trade Fixing and Settlement Reports**

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "**NDF Fixings**" report), FCM ForexClear Contracts that have been settled during that current business day (the "**Settlements Today**" report) and FCM ForexClear Contracts that will settle the next business day (the "**NDF's Fixed with Settlement Tomorrow**" report).

2B.2021.5 **Fees Reports**

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

2B.2021.6 **Banking Reports**

[Follow this link for a full list of Banking reports.](#)³

³ http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp

2B.2122 Treasury Operations & Collateral Management

2B.2122.1 Cover Distribution

The Clearing House nets each FX FCM's Liabilities (i.e., margins and multipliers) and then the total of cash collateral and non-cash collateral are applied to offset those net Liabilities. This process is known as cover distribution ("**Cover Distribution**"). FX FCMs can choose whether cash or non-cash collateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section 2B.2122.3 below) call for additional collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 ~~local~~hours, London time, be repaid to the FX FCM.

2B.2122.2 Cover Distribution Notification

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section ~~0~~2B.20.1) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

2B.2122.3 Protected Payment System

The Clearing House operates the Protected Payments System ("**PPS**") for transferring funds to and from its FX FCMs to cover their Margin Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

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

Follow the link below for a list of PPS banks operating in the UK and US:

[List of PPS Banks](#)⁴

2B.2122.4 Acceptable Forms of Collateral Cover

Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:

[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral](#)⁵

2B.21.5 Interest and Accommodation

⁴ http://www.lchclearnet.com/risk_management/ltd/pps/

⁵ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

Interest is paid to FX FCMs on cash collateral held by the Clearing House. The London Deposit Rate (“LDR”) is applied. This rate is set daily at 10.00 ~~local~~ hours, London time.

A utilization fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House’s Treasury Operations or follow the link below:

[Overview of interest and charges](#)⁶

2B.2223 Default Management

2B.2223.1 Portfolio Splitting

As part of the ForexClear [DMP \(contained in the ForexClear DMP Annex to the Default Management Process, Rules\)](#), the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear [Default Management Group, DMG \(as defined in the ForexClear DMP Annex to the Default Rules\)](#), seek to create:

- (a) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (b) one or more individual Auction Portfolios which are more risk neutral.

2B.2223.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognized Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid

⁶ http://www.lchclearnet.com/risk_management/ltid/acceptable_collateral.asp

does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

2B.2223.3 **Affiliate Bidding**

ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member or an affiliated FCM Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member or FCM Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member or FCM Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Membership Department (membership@lchclearnet.com; +44 (0)207 426 7949).

2B.2223.4 **Outsourcing**

Pursuant to Section 1 (Membership) of ~~the~~these FCM Procedures, an FX FCM may appoint a third party to fulfil one or both of the ~~the~~ Clearing House's ~~Membership requirements~~FCM clearing membership criteria to: (i) participate in a ForexClear "fire drill" run by the Clearing House; and (ii) participate in the ForexClear ~~Default Management Process~~DMP operated by the Clearing House. Where an FX FCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

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

- a ForexClear Clearing Member
- an FX FCM;
- an FCM Client; or
- any other entity that the Clearing House deems appropriate in its sole discretion.

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

- (a) details of the third party entity that the FX FCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (b) evidence of the existence of a legally binding agreement between the FX FCM Clearing Member and the third party; and
- (c) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

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

Where an FX FCM successfully appoints an LCH Approved Outsourcing Agent, that FX FCM may be subject to increased ~~margin requirements~~ [Margin Requirements](#) to cater for the additional time required to invoke an outsourcing process in the event of a default

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

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

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

The appointment of an LCH Approved Outsourcing Agent does not absolve an FX FCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FX FCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FX FCM.

2B.223.5 **ForexClear DMG**

The necessary involvement of FX FCMs and the ForexClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the ForexClear DMP Annex to the Default Rules) in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Appendix 2B.D establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FX FCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FX FCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Appendix 2B.D covering confidentiality, non-disclosure and other terms.

2B-23.6 Procedures for Liquidation of FCM ForexClear Contracts of FCM Clients

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

When the Clearing House determines that part or all of an FCM Client's FCM Client Segregated Sub-Account holding FCM ForexClear Contracts is non-transferable and such FCM Client Segregated Sub-Account and any or all of the FCM ForexClear Contracts held in such FCM Client Segregated Sub-Account will be liquidated, the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM ForexClear Contracts into an account of the Clearing House established for purposes of liquidating the FCM ForexClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House will be subject to liquidation and will include in such Hedged Account the FCM ForexClear Contracts that are to be liquidated, regardless of the FCM Clients for which such FCM ForexClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM ForexClear Contracts will be transferred into a Hedged Account established for liquidating FCM ForexClear Contracts.

An FCM Client whose FCM ForexClear Contracts are transferred into a Hedged Account is referred to as a "**Non-Porting Client**". The Clearing House shall hold the Account Assets of each Non-Porting Client (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Client Segregated Sub-Account until the liquidation of the entire Hedged Account and all FCM ForexClear Contracts and other positions therein, as described below. At the time that the FCM ForexClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM ForexClear Contracts shall be discharged as of the time such FCM ForexClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client Segregated Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client Segregated Sub-Account of such FCM Client.

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

Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a "Risk Factor") which is equal to such Non-Porting Client's Initial Margin requirement with respect to its FCM ForexClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (i.e., at the time of transfer into the Hedged Account).
- (ii) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as "New Non-Porting Clients".
- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the "Existing Non-Porting Clients Combined Risk Factor") in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, "Existing Non-Porting Clients"). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Initial Margin associated with the Hedged Account with respect to all positions (including all FCM ForexClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (i.e., at a time prior to the transfer of the FCM ForexClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Initial Margin requirements applicable to the transferred FCM ForexClear Contracts of the New Non-Porting Clients.
- (iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a pro rata basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a pro rata basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-

Porting Clients shall continue to be treated as Existing Non-Porting Clients. (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

(v) Upon the liquidation of the Hedged Account and all FCM ForexClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a pro rata basis based on the Risk Factor of each Non-Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's FCM Client Segregated Sub-Account.

2B.24 **Payment of Stamp Tax**

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

2B.2425 **Section 168, Finance Act 1994**

[Under section 696 Corporation Tax Act 2009 ("CTA 2009"), net payments in relation to certain derivative contracts (as defined in section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a “recognised clearing house” as defined in section 285 of FSMA 2000.

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any ~~FX FCM-Clearing Member~~ knowingly permit any such contract to be submitted by a ForexClear Participant. ~~Should this occur the ForexClearFX FCM-Clearing Member~~ in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. ~~Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any Executing {Dealer}{Party} submitting such a contract for registration from the Register of Executing {ForexClear Dealers}{Parties}.~~ The Clearing House may also, in its absolute discretion take such action in respect of the ~~ForexClearFX FCM-Clearing Member~~ as it deems fit in accordance with the Regulations. ~~The ForexClearFX FCM-Clearing Member~~ shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

If in doubt, FCM Clearing Members should consult their professional advisers as to the potential application of sections 696 and 697 CTA 2009 to their transaction.]

**Exhibit A – 3
Default Rules**

See Attached

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

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

Before taking any such step the Clearing House shall have regard to the interests of the members of any market that the Clearing Member may belong to and shall, where in the circumstances it is reasonably practicable to do so without prejudice to those interests if applicable or the interests of the Clearing House, consult any relevant Exchange to whose Exchange Rules open contracts registered in the name

- (g) the Clearing Member is in default in making or accepting a tender pursuant to Regulation 19 or in performing an open contract subject to tender or a delivery contract;
 - (h) the Clearing Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;
 - (i) in respect of the Clearing Member, a bankruptcy petition is presented or bankruptcy order made or a voluntary arrangement is approved;
 - (j) in respect of the Clearing Member, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;
 - (k) an assignment or composition is made by the Clearing Member for the benefit of creditors or any of them;
 - (l) a petition is presented for the winding up of the Clearing Member;
 - (m) an order is made for the winding up of the Clearing Member, or a resolution is passed for the winding up of the Clearing Member (save for the purpose of its amalgamation or reconstruction);
 - (n) in respect of the Clearing Member, a petition is presented or order made for the appointment of an administrator;
 - (o) the Clearing Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
 - (p) any step analogous to those mentioned in paragraphs (i) to (o) is taken in respect of the Clearing Member in any jurisdiction; or
 - (q) any distress, execution or other process is levied or enforced or served upon or against any property of the Clearing Member.
6. The steps which may be taken by the Clearing House under Rule 3 in respect of the defaulter or otherwise are:
- (a) to register an original contract or an FCM ~~SwapClear~~-Transaction [\(as the case may be\)](#) in the name of the defaulter or to decline to register an original contract or an FCM ~~SwapClear~~-Transaction [\(as the case may be\)](#) in the name of the defaulter or otherwise to exercise the Clearing House's discretion with regard to the defaulter under Regulation 9(c) or, in the case of an FCM Clearing Member, FCM Regulations [30\(i\)](#), [40\(h\)](#) and [60\(e\)](#);
 - (b) to effect a closing-out in respect of an open contract of the defaulter (whether by the entering into of a closing-out contract or otherwise) and at the option of the Clearing House to settle such contracts or to effect the transfer or termination, close-out and cash-settlement of an open contract of the defaulter by applying a price determined by the Clearing House in its discretion;

- (c) to settle any open contract of which settlement might have been requested by the defaulter pursuant to Regulation 15(e) or 16;
- (d) to invoice a Contract, other than a SwapClear Contract ~~or~~ an FCM SwapClear Contract ~~or~~ a ForexClear Contract or an FCM ForexClear Contract, of the defaulter back by way of compulsory settlement in accordance with Regulation 28 at a price or premium determined under paragraph (d) of that Regulation;
- (e) to sell any security deposited by the defaulter pursuant to Regulation 12 or, in the case of a defaulter who is an FCM Clearing Member, FCM Regulation 9, or any agreement made between the defaulter and the Clearing House by public or private sale for account of the defaulter without being obliged to obtain the defaulter's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the defaulter;
- (f) subject to the Procedures, to exercise an option of the defaulter on its behalf notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by any relevant Exchange Rules;
- (g) to transfer an open contract of the defaulter to the account of another Clearing Member or to close-out and terminate such open contract and re-establish it with another Clearing Member, being a Clearing Member entitled and willing to have such open contract registered in its name or to transfer an open contract from the account of another Clearing Member to the account of the defaulter for the purposes of closing out an open contract registered in an account of the defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Exchange;
- (h) to take such steps as may be desirable, including crediting or debiting of accounts (including margin accounts), entry into new contracts, transfer of existing contracts, reversal of contracts, or termination, close-out and re-establishment of contracts, or any other step, to preserve as far as possible the position of any client of the Clearing Member. Where an open contract is transferred or closed-out, terminated, and re-established under paragraph (g), without requiring the consent of the relevant Exchange, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment of positions) to the Clearing Member to whom the open contract is transferred (or with whom the replacement open contract is re-established) such cover held as security for the defaulter's obligations to the Clearing House on that account as the Clearing House may deem appropriate;
- (i) tender or receive a tender in the defaulter's name;
- (j) to perform an open contract subject to tender or a delivery contract by either delivery of or accepting delivery of the commodity the subject of such contract to or from, as the case may be, the defaulter, its agent or a third party in any manner permitted by the terms of the Contract and the Exchange Rules (if any);
- (k) where the defaulter is party to an open contract subject to tender, to declare the defaulter's rights and liabilities in respect of performance thereof

- (i) those rights and liabilities and the rights and liabilities of the Clearing House under the open contract shall be discharged, and,
 - (ii) there shall arise between the defaulter and the Clearing House in respect of the open contract an obligation to account, as directed by the Clearing House, for a settlement amount determined by the relevant Board under this Rule.
- (b) The settlement amount referred to in paragraph (a) shall be an amount which, at the request of the Clearing House, the relevant Board determines to represent adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the defaulter and the Clearing House under the open contract. The Board's determination shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the defaulter and itself.
- (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.
8. Upon the discharge of the defaulter's rights and liabilities under or in respect of all Contracts to which it is party the following process shall, subject to any contrary provision in Rule 16, be completed by the Clearing House:

(a) there shall be brought into account all sums payable: ~~(i)~~

(i) by or to a defaulter in respect of Contracts (other than FCM ~~SwapClear~~ Contracts); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations; (except, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the defaulter); and/or any amount due from the defaulter to the Clearing House in respect of any Treasury Contract; ~~or (ii)~~

~~(a)(ii)~~ by or to a defaulter in respect of FCM ~~SwapClear~~ Contracts; any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;

- (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule 10;
- (c) such net sum, or each such net sum:
- (i) if payable by the defaulter to the Clearing House, shall be set off against any cover standing to the credit of the defaulter's account so as to produce a further net sum, or shall be aggregated with any debit balance of the defaulter's account, or
 - (ii) if payable by the Clearing House to the defaulter, shall be aggregated with any cover standing to the credit of the defaulter's account, or shall be set off against any debit balance of the defaulter's account so as to produce a further net sum;

- (d) where an amount is payable by the Clearing House to the defaulter in respect of a balance on its Proprietary Account(s), and there are amounts due to the Clearing House in respect of any client account ~~or with LCH, including~~ any FCM ~~OTC Omnibus Clearing Product~~ Client ~~Segregated Sub-Account (as the case may be) with LCH (and any FCM Client Segregated Sub-Accounts therein)~~ operated by it, the balance on the Proprietary Account(s) may be applied to meet the shortfall ~~in any on the client accounts or in account(s) with LCH, including~~ any FCM Omnibus ~~OTC Clearing Product~~ Client Account with LCH ~~(including in and any FCM OTC Client Segregated Sub-Accounts therein) (as the case may be)~~ in any way in which the Clearing House may determine; ~~and~~
- (e) notwithstanding anything to the contrary in the foregoing, in the case where the defaulter is an FCM Clearing Member, a net sum shall be calculated in respect of each applicable FCM ~~OTC~~ Client Segregated Sub-Account, and with regards to any amount due to the Clearing House from the defaulter in respect of net sums attributable to FCM ~~OTC~~ Client Segregated Sub-Accounts where there is inadequate cover (on a sub-account by sub-account basis) to fully ~~set off~~ set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available FCM Buffer or the reallocation of any Applied FCM Buffer in setting off any such amounts payable to the Clearing House.;
- (f) in the event that the Clearing House elects to close out and liquidate FCM SwapClear Contracts attributable to FCM Clients of the defaulter (in accordance with the SwapClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Segregated Sub-Accounts that are held in the defaulter's FCM Omnibus SwapClear Client Account with LCH, in the manner set out in Section 2A.15.6 of the FCM Procedures and in accordance with Part 22 and Part 190 of the CFTC Regulations;
- (g) in the event that the Clearing House elects to close out and liquidate FCM ForexClear Contracts attributable to FCM Clients of the defaulter (in accordance with the ForexClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Segregated Sub-Accounts that are held in the defaulter's FCM Omnibus ForexClear Client Account with LCH, in the manner set out in Section 2B.23.6 of the FCM Procedures and in accordance with Part 22 and Part 190 of the CFTC Regulations; and
- (h) in the event that the Clearing House elects to close out and liquidate FCM EnClear Contracts attributable to FCM Clients of the defaulter, the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Segregated Sub-Accounts that are held in the defaulter's FCM Omnibus EnClear Client Account with LCH, in the

manner set out in Section 2C.1.20 of the FCM Procedures and in accordance with Part 22 and Part 190 of the CFTC Regulations.

For the purposes of paragraph (a) of this Rule the Clearing House may assess the sum payable by or to the defaulter in respect of any breach of the Regulations or the FCM Regulations (as the case may be) in such reasonable manner as it thinks fit; provided, that in the case of breaches of the FCM Regulations, the assessment by the Clearing House shall not be in violation of the CFTC Regulations (including Part 22 thereof).

With respect to any Unallocated Excess deposited in the Unallocated Excess Sub-Account of the defaulter, the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the defaulter to the Clearing House (on behalf of the defaulter's FCM Clients or otherwise) or take any such Unallocated Excess into account for purposes of determining net sums under this Rule 8, except to the extent required by applicable law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

~~In the event that the Clearing House elects to close out and liquidate (in accordance with the SwapClear DMP Annex) any or all of the FCM Contracts attributable to FCM Clients of the defaulter, the Clearing House shall allocate any costs associated with such closing out and liquidation (including costs associated with hedging such positions to be liquidated) among the FCM OTC Client Segregated Sub-Accounts of the FCM Clients whose positions were liquidated as set out in the FCM Procedures and in accordance with Part 22.~~

9. The sum, or each sum, finally payable by the defaulter to the Clearing House or by the Clearing House to the defaulter (including any sums payable to the defaulter for the benefit of one or more of its FCM Clients ~~or payable by the defaulter in respect of one or more of its FCM Clients~~), or the fact that no sum is finally payable by either such party to the other, as the case may be upon completion of the process set out in Rule 8, shall be forthwith certified by the Clearing House. The certificate of the Clearing House under this Rule shall be conclusive as to the discharge of the defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Rule to be due to the defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule 8 can be completed.

- 9A ~~(This Rule 9A pertains to certain treatment of Variation Margin in connection with FCM SwapClear Contracts, FCM ForexClear Contracts and FCM EnClear Contracts attributable to FCM Clients of a) — Where the defaulter (which is an FCM Clearing Member and). This Rule 9A is not applicable to FCM Nodal Contracts.~~

(a) Where an FCM Contract (other than an FCM Nodal Contract) held on behalf of an FCM Client is transferred to a transferee FCM Clearing Member (in accordance with FCM Regulation 8(f) and these Default Rules) for such FCM Client, the Clearing House shall, subject to the limitations of Rule 9A(c) below, ensure that an amount equal to the net Variation Margin that has accrued (as due and payable by in favor of the Clearing House) FCM Client under such FCM Contract (including before and after the relevant default) through the time such FCM Contract is transferred, but which has not yet been paid by the Clearing House, is credited (but not yet paid or transferred to the defaulter, the FCM Client or any other person) by the Clearing House

on its books ~~(but not transferred to the defaulting FCM Clearing Member)~~ for the benefit of the relevant FCM Client. Upon the transfer of all relevant FCM Contracts (other than FCM Nodal Contracts) of an FCM Client to a transferee FCM Clearing Member, the Clearing House shall attribute any amounts (in respect of Variation Margin) so credited on the books of the Clearing House to ~~such the relevant FCM Client's FCM OTC~~ Client Segregated Sub-Account(s) of such FCM Client with the applicable transferee FCM Clearing Member; provided, that the FCM Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.

- (b) Where ~~the defaulter is an FCM Clearing Member and~~ an FCM Contract (other than an FCM Nodal Contract) held on behalf of an FCM Client is closed out and liquidated ~~(in accordance with the SwapClear DMP Annex FCM Rulebook (including the Default Rules and Sections 2A.15.6, 2B.23.6 and 2C.1.20 of the FCM Procedures, as applicable))~~, the Clearing House shall, subject to the limitations of Rule ~~9~~(c) below, ensure that an amount equal to the net Variation Margin that has accrued ~~(as due and payable by the Clearing House)~~ in favor of the FCM Client under such FCM Contract (including before and after the relevant default) through the time ~~such the relevant FCM Contract is closed out and liquidated,~~ but which has not yet been paid by the Clearing House, is credited (but not yet paid or transferred or transferrable to the defaulter, the FCM Client or any other person) by the Clearing House on its books for the benefit of such FCM Client. Following certification pursuant to Rule ~~9~~ of the net sum payable in respect of the relevant FCM OTC ~~Client Segregated Sub-Account of~~ an such FCM Client in which some or all of the FCM Contracts are closed out and liquidated, where (i) ~~such FCM Client is not in default as described in Rule 9A(c)(i) below,~~ and (ii) ~~the Clearing House has credited, in the aggregate (netting all payments due or payable in respect of such FCM OTC Client~~ Client's Segregated Sub-Account and any Variation Margin accrued but not paid in respect of such FCM Client), a positive value (i.e., payable by the Clearing House) of accrued but unpaid Variation Margin on its books for the benefit of the FCM Client pursuant to this Rule ~~9~~(b), the Clearing House shall, subject to the ~~to the~~ limitations of Rule ~~9~~(c) below, pay an amount equal to any Variation Margin so credited for the benefit of the FCM Client directly to such FCM Client; provided, that the FCM Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.

(c) (i) — Certain Limitations:

~~(e)~~(i) Where an FCM Client has defaulted with respect to its obligations to the defaulter, the Clearing House may determine, in its sole discretion, to make, or to refuse to make, any payments or credits to or on behalf of such FCM Client in respect of Variation Margin pursuant to this Rule ~~9~~A, or may retain such amounts to the extent necessary to offset any unsatisfied obligations of such FCM Client to the defaulter or of the defaulter to the Clearing House in respect of such FCM Client, or any other obligations in respect of FCM Clients of the defaulter to the extent permitted by applicable law.

- (ii) For the avoidance of doubt, where FCM Contracts (other than FCM Nodal Contracts) in respect of an FCM Client are closed out and liquidated and/or are transferred to a Hedged Account, and the gains and losses (including hedging costs (including the gains and losses associated with such closing out hedging transactions) and liquidation (including/auction costs associated with hedging such positions to be liquidated and losses) that are allocated to such FCM Client's FCM OTC Client Segregated Sub-Account (as described in the last paragraph connection therewith (pursuant to the FCM Rulebook, including Sections 2A.15.6, 2B.23.6 and 2C.1.20 of the FCM Procedures and including Rule 8 above of the Default Rules) exceed the amount of margin cover deposited with the Clearing House on behalf of such FCM Client, the Clearing House shall be permitted to set off (in whole or in part, as applicable) any payments or credits in respect of Variation Margin owed by the Clearing House in respect of such FCM Client under this Rule 9A against any such excess liquidation costs.
- (d) Notwithstanding anything to the contrary in the FCM Rulebook, each FCM Client of a defaulter is hereby expressly made a third-party beneficiary of the provisions of this Rule 9A, solely for purposes of the Clearing House's obligations to such FCM Clients under this Rule 9A.
10. (a) Where the defaulter has more than one account with the Clearing House, the defaulter's accounts shall be combined for the purpose of Rules 8 and 9 as follows:
- (i) ~~where the defaulter no account which~~ is an FCM Client Segregated Sub-Account of an FCM Client may be combined with any other account, including any FCM Client Segregated Sub-Account of another FCM Client, any FCM Omnibus Clearing Member, any accounts which are FCM OTC Product Client Account with LCH or any Proprietary Account; provided, that in the event that an FCM Client were to have two FCM Client Segregated Sub-Accounts ~~of~~with the same defaulter, and both such accounts cleared the same Product, then such FCM Client may be combined, but any FCM OTC Client Segregated Sub-Accounts ~~of~~may be combined;
- (ii) ~~no account which is an FCM Omnibus Clearing Product Client Account with LCH of such the defaulter shall not otherwise be combined~~may be combined with any other account, including any other FCM Omnibus Clearing Product Client Account with LCH or any Proprietary Account, except to extent permissible under applicable law (including Part 22 as provided in paragraph (iii) below;
- (i)(iii) ~~an account which is an FCM Omnibus Nodal Client Account with LCH of the CFTC Regulations;~~defaulter may be combined with other FCM Omnibus Nodal Client Accounts with LCH of such defaulter;
- (ii)(iv) an account which is a Proprietary Account of the defaulter may be combined with any other Proprietary Accounts of the defaulter and (if the Clearing House so elects) Treasury Accounts of the defaulter (subject to Rule 8(d) and 10(d) of the Default Rules); and

~~(iii)~~(v) an account which is a Treasury Account of the defaulter may only be combined with other Treasury Accounts and (if the Clearing House so elects) Proprietary Accounts of the defaulter.

Notwithstanding the foregoing, in no circumstances may an account which is an Individual Segregated Account of the defaulter or an Omnibus Net Segregated Account of the defaulter be combined with any other account of the defaulter.

(b) For the purposes of this Rule 10, ~~(i)~~ each Individual Segregated Account of the defaulter ~~and~~ each Omnibus Net Segregated Account of the defaulter and ~~(ii) each~~ the FCM OTC Client Segregated Sub-Account(s) of a particular FCM Client within a particular FCM Omnibus Clearing Product Client Account with LCH of the defaulter, shall constitute a separate “kind of account”. Where the defaulter has more than one kind of account with the Clearing House, the process set out in Rule 8 shall be separately completed in respect of each kind of account. In the case of each kind of account of the defaulter which is not an Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 shall be separately certified under Rule 9. In the case of each kind of account of the defaulter which is an Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (pro rata as it sees fit in its sole discretion) between the Omnibus Net Segregated Clearing Clients sharing in that Omnibus Net Segregated Account. Each sum so allocated to an Omnibus Net Segregated Clearing Client shall be separately certified under Rule 9.

(c) In Rule 8(c) the “defaulter’s account” means:

(i) with regard to a net sum produced by reference to Contracts registered in an Individual Segregated Account of the defaulter, that Individual Segregated Account;

(ii) with regard to a net sum produced by reference to Contracts registered in an Omnibus Net Segregated Account of the defaulter, that Omnibus Net Segregated Account;

~~(iii)~~ with regard to a net sum produced by reference to ~~any~~ FCM SwapClear Contracts registered in ~~an one or more~~ FCM ~~OTC~~ Client Segregated Sub-Accounts of the defaulter held in the name of ~~an individual~~ one particular FCM Client, that FCM ~~OTC~~ Client Segregated Sub-Account, or (if there is more than one) all such FCM Client Segregated Sub-Accounts (containing FCM SwapClear Contracts) combined;

~~(iv)~~ with regard to a net sum produced by reference to FCM ForexClear Contracts registered in one or more FCM Client Segregated Sub-Accounts of the defaulter held in the name of one particular FCM Client, that FCM Client Segregated Sub-Account ~~and any other FCM OTC, or (if there is more than one) all such FCM Client Segregated Sub-Accounts (containing FCM ForexClear Contracts) combined;~~

~~(v)~~ with regard to a net sum produced by reference to FCM EnClear Contracts registered in one or more FCM Client Segregated Sub-

Accounts of the defaulter held in the name of one particular FCM Client, that FCM Client Segregated Sub-Account ~~of the defaulter that is held on behalf of the same individual FCM Client, or (if there is more than one) all such FCM Client Segregated Sub-Accounts (containing FCM EnClear Contracts) combined;~~

~~(iii)~~(vi) with regard to a net sum produced by reference to FCM Nodal Contracts registered in one or more FCM Omnibus Nodal Client Accounts with LCH of the defaulter, that FCM Omnibus Nodal Client Account with LCH, or (if there is more than one) all those FCM Omnibus Nodal Client Accounts with LCH combined;

~~(iv)~~(vii) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Rule 10(a)) any Treasury Accounts of the defaulter; and

~~(v)~~(viii) with regard to a net sum produced by reference to one or more Treasury Accounts of the defaulter, that Treasury Account or those Treasury Accounts combined, and (if the Clearing House has elected in accordance with Rule 10(a)) Proprietary Accounts.

(d) Notwithstanding any provision of the Rulebook to the contrary, any loss which relates to a Treasury Account may not be treated as a Default Loss (as defined in Rule 23(b)), whether or not cover has been applied in respect of such loss. Nothing in this Rule 10(d) requires the Clearing House to apply cover in respect of any such loss instead of any other amount referred to in Rule 8(a), except that the Clearing House may not apply cover in respect of any such loss to the extent that doing so would give rise to an Excess Loss (as defined in Rule 15).

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

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

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

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

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

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

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

“Higher Bid” and **“Higher Bidder”** have the meanings given in Rule 2.5.3 of this Annex;

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

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

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

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

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

“Non-defaulters’ Contributions” means the SwapClear Contributions made by Non-Defaulting SCMs to the SwapClear Default Fund;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SwapClear Clearing House Business and FCM [SwapClear](#) House Business

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

2.1 Portfolio Splitting

The Clearing House, in consultation with and the assistance of the SwapClear DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule 2.3 of this Annex. The overriding principle is that the Clearing House will structure Auction Portfolios with the intention of ensuring a SwapClear DMP which best protects the resources of the Clearing House, subject to compliance with applicable provisions of the CEA and ~~regulations of~~ the CFTC [Regulations](#) regarding segregation of client assets. Therefore, nothing in this Rule

Losing Currencies bears to (b) the aggregate of the amounts calculated in (a) for all Losing Currency Unfunded SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.7 until the first to occur of (a) the Auction Losses being fully met; and (b) the SwapClear Unfunded Contributions of all Losing Currency Unfunded SCMs being fully attributed.

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

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

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

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

3.2 The SwapClear DMP in respect of any contract which is an FCM SwapClear Contract in respect of FCM SwapClear Client Business shall be conducted in accordance with FCM Regulation 8(f). The provisions of ~~Rule 9A of these~~ Default ~~Rules~~ Rule 9A shall also apply.

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

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

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

“Currency Pair” bears the meaning set out at Part A of the Schedule to the ForexClear Regulations;

“Currency Pair Participant” means, in respect of a specific Currency Pair, a Non-defaulting FXCCM who at the time the Clearing House declares a Default has ForexClear Contracts for that Currency Pair registered in its name;

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

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

“FCM ForexClear DMG Client Business” means the ~~advisory provision of FCM ForexClear Default Management Group established by the~~ Clearing Services by an FCM Clearing Member to its FCM Clients;

“FCM ForexClear House pursuant to Business” means the FCM ForexClear Contracts entered into by an FCM Clearing Member for its own account or for the terms account of this Annex an Affiliate;

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

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

“ForexClear DMG” means the advisory ForexClear Default Management Group established by the Clearing House pursuant to the terms of this Annex;

“Guidance” means guidance, in the form of one or more written notices, issued from time to time pursuant to Rule 8.2 of this Annex by or on behalf of the Clearing House to FXCCMs, supplementing the detail or conduct of any aspect of the ForexClear DMP

“Higher Bid” and **“Higher Bidder”** have the meanings given in Rule 2.5.3 of this Annex;

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

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

“Losing Currency Original FXCCM” has the meaning given in Rule 2.5.4 of this Annex;

“Losing Currency Unfunded FXCCM” has the meaning given in Rule 2.5.7 of this Annex;

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

“Non-defaulters’ Contributions” means the ForexClear Contributions made by Non-Defaulting FXCCMs to the ForexClear Default Fund;

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

“Portfolio” means, in respect of each Currency Pair, the ForexClear Contracts in such Currency Pair registered in the name of a Defaulting FXCCM, and, where relevant, includes any connected hedging trades concluded by the Clearing House through Risk Neutralisation;

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

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

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

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

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

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

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

“Short Bidder” has the meaning given in Rule 2.5.3 of this Annex.

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

2. **FOREXCLEAR CLEARING HOUSE BUSINESS AND FCM FOREXCLEAR HOUSE BUSINESS**

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

2.1 **Portfolio Splitting**

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

Contributions of each such FXCCM pursuant to this Rule 2.5.7 based upon the proportion that: (a) the risk of all of the ForexClear Contracts of such FXCCM denominated in any of the Losing Currency Pairs bears to (b) the aggregate risk of the amounts calculated in (a) for all Losing Currency Pair Unfunded FXCCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.7 until the first to occur of (a) the Auction Losses being fully met; and (b) the ForexClear Unfunded Contributions of all Losing Currency Pair Unfunded FXCCMs being fully attributed.

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

2.6 For the purposes of Rules 2.4 and 2.5 above, all references to the risk associated with a ForexClear Contract shall be references to such risk as determined by the Clearing House in its sole discretion for the purpose of calculating initial margin in accordance with the Procedures.

~~3. [RESERVED]~~

3. DEFAULT MANAGEMENT IN RESPECT OF FCM FOREXCLEAR CLIENT BUSINESS

The ForexClear DMP in respect of any contract which is an FCM ForexClear Contract in respect of FCM ForexClear Client Business shall be conducted in accordance with FCM Regulation 8(f). The provisions of Default Rule 9A shall also apply.

4. TRANSFER OF CASH FLOWS / REGISTRATION OF POSITIONS

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

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

Clearing House of amounts owed by the Clearing House to the FXCCM as a result of the operation of the ForexClear DMP against sums owed by the FXCCM to the Clearing House in respect thereof.

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

5. INFORMATION REGARDING DEFAULT MANAGEMENT PROCESS

- 5.1 Whenever the ForexClear DMP is implemented by the Clearing House in respect of a Defaulting FXCCM, the Clearing House will, with the assistance of the ForexClear DMG, provide such ongoing information to FXCCMs as the Clearing House deems reasonably appropriate in respect of the progress of the ForexClear DMP.
- 5.2 Nothing in this Rule 5 shall require the Clearing House to disclose information in respect of the ForexClear DMP which, in the reasonable opinion of the Clearing House, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the Clearing House's reasonable opinion, inappropriate for disclosure to FXCCMs.

~~6. [RESERVED]~~

~~7. [RESERVED]~~

6. BANKRUPTCY CODE AND RELATED ISSUES

Notwithstanding any other provision of this Annex in the event of a Default by an FXCCM, the completion of any and all actions, including but not limited to any transfers or transactions, permitted or required to be taken by the Clearing House hereunder shall be subject in all respects to the provisions of the Bankruptcy Code, Part 190 and Part 22 of the CFTC Regulations, the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, and the receipt of any approvals required under the Bankruptcy Code or such regulations.

7. CEA ISSUES

Notwithstanding any other provision of this Annex, in the event of a Default by an FXCCM, the operation of this Annex shall in all respects be subject to applicable provisions of the CEA and CFTC Regulations (including Part 22 thereof) regarding the handling, custody, liquidation, transfer and disposition of client positions and assets, including but not limited to those provisions requiring segregation of client assets and prohibiting application of the assets of non-defaulting clients to amounts owed by defaulting clients.

- representative's other work commitments do not affect his availability for this purpose;
- 9.6.2 to take all steps to respect the confidential capacity in which such a representative receives information through the ForexClear DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the ForexClear DMP of any such confidential information by the FXCCM or its representative. Such procedures shall normally include, without limitation, the establishment of Chinese walls within the FXCCM; and
- 9.6.3 to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with the requirements contained in the Procedures ~~or the FCM Procedures (as the case may be)~~.
- 9.7 Each FXCCM shall accept that:
- 9.7.1 representatives of FXCCMs serving on the ForexClear DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the ForexClear Service in the interests of Non-Defaulting FXCCMs; and
- 9.7.2 representatives of FXCCMs serving on the ForexClear DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the ForexClear Default Management Process, provided, however, that nothing in this Rule 9.7.2 shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers.
- 9.8 The Clearing House agrees that, in exercising its rights and obligations in consulting with the ForexClear DMG pursuant to this Agreement, it will use all reasonable commercial endeavours to agree a common position with the ForexClear DMG, provided that nothing in this Rule shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.

Exhibit A – 4
Default Fund Rules

See Attached

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

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

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

"**Excess Loss**" means a General Excess Loss;

"**Exchange Clearing Member**" includes, for the purposes of the Default Fund Rules, any Clearing Member participating in business conducted on Specified Exchanges and under the LCH Enclear OTC Regulations; [or part IV of the FCM Regulations \(Regulations Applicable to FCM EnClear Contracts\)](#);

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

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

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

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

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

"**ForexClear Clearing Member**" or "FXCCM" means, for the purposes of the Default Fund Rules and the ForexClear Default Fund Supplement, a Clearing Member which engages in ForexClear Business;

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

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

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

"**ForexClear Default Period**" has the meaning ascribed to it in Rule F2 of the ForexClear Default Fund Supplement;

"**ForexClear Determination Date**" has the meaning assigned to it in Rule F2;

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

"**ForexClear Excess Loss**" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate less (a) the proportion of the Deductible applicable to ForexClear Business under Rule 16(3) and (b) any sums then immediately payable in respect of Default Losses owed by such defaulter by any insurer or provider of analogous services under

Contributions to Fund

17. Each Clearing Member shall deposit and maintain with the Clearing House one or more sums of cash (each a "**Contribution**") in an amount calculated by the Clearing House in accordance with these Rules. A Clearing Member's "**General Contribution**" shall be equal to the sum of its EquityClear Clearing Member Contribution (if any), as defined in Rule 19A, and its Exchange Contribution (if any), as defined in Rule 19, denominated in sterling as cover, in accordance with Rules 15 to 37 (inclusive). An FXCCM's "**ForexClear Contribution**" shall be the amount specified in the ForexClear Default Fund Supplement, in accordance with Rules 15 to 37 (inclusive) and shall include any ForexClear Unfunded Contributions deposited and made by the FXCCM with the Clearing House. An SCM's "**SwapClear Contribution**" shall be the amount specified in the SwapClear Default Fund Supplement, in accordance with Rules 15 to 37 (inclusive) and shall include any SwapClear Unfunded Contributions deposited and made by the SCM with the Clearing House. An RCM's "**RepoClear Contribution**" shall be the amount specified in the RepoClear Default Fund Supplement, in accordance with Rules 15 to 37 (inclusive) and shall include any RepoClear Unfunded Contributions deposited and made by the RCM with the Clearing House.
18. Subject to Rule 18A, the amount of each General Clearing Member's General Contribution shall be determined by the Clearing House as soon as practicable after each Quarter Day on the basis of information available as at close of business on such Quarter Day and notified to such General Clearing Member as soon as practicable after such determination in accordance with the Procedures.
- 18A Until the EquityClear Transition Date, and subject to Rule 32A, the Clearing House may require an EquityClear Clearing Member to deposit and maintain with the Clearing House an additional sum of cash (a "**Supplementary EquityClear Contribution**") denominated in sterling as cover, to form part of that Clearing Member's General Contribution. The Clearing House may exercise its rights under this Rule in respect of any date before the EquityClear Transition Date on which, in the reasonable opinion of the Clearing House, 10% of the Clearing Member's requirement for initial margin (as calculated under the Procedures section of the Rulebook or other arrangements applicable) in respect of all EquityClear Contracts significantly exceeds the Clearing Member's EquityClear Contribution actually held by the Clearing House on that date. A Supplementary EquityClear Contribution required to be deposited under this Rule shall be payable in such amount and at such time as the Clearing House shall appoint.
19. Subject to Rules 20, 21, 33 and 34, an Exchange Clearing Member's Contribution (its "**Exchange Contribution**") to the Exchange Fund Amount shall be determined with reference to business conducted by it on the Specified Exchanges and under the LCH Enclear OTC Regulations, [or part IV of the FCM Regulations \(Regulations Applicable to FCM Enclear Contracts\)](#), as at close of business on each Quarter Day, as follows:-
- (a) the Clearing Member's "**Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect: (1) of all Contracts (other than EquityClear, SwapClear, ForexClear and RepoClear Contracts) and (2) all LCH Enclear OTC Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;
 - (b) the Clearing Member's "**Volume Weight**" shall be calculated by dividing the average daily number of Cleared Exchange Contracts and LCH Enclear OTC

"**TAR**" means the Total Available Resources; and

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

"**Loss Distribution Cap Amount**" means, in respect of each Non-Defaulting FXCCM and any Loss Distribution Period, an amount equal to the higher of (i) USD 100,000,000; (ii) the product of (a) 100 per cent. and (b) the ForexClear Contribution of such Non-Defaulting FXCCM as at the last ForexClear Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period; and (iii) any adjusted cap as may be agreed pursuant to paragraph (d) of this Rule F9.

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

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

"**Margin Account**" means each Proprietary Account [and each FCM Omnibus ForexClear Client Account with LCH](#) of an FXCCM.

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

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

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

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

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

"**Margin Account**" means each Proprietary Account, Individual Segregated Account, Omnibus Net Segregated Account and FCM Omnibus ~~OTC~~ [SwapClear](#) Client Account [with LCH](#) of an SCM.

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

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

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

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

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

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

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

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

**Exhibit A – 5
General Regulations**

See Attachments

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Definitions

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

<i>Account Balance</i>	-	Means, in relation to the SwapClear Clearing Client Business of a defaulter, an Individual Segregated Account Balance or an Omnibus Net Segregated Account Balance.
<i>Additional Collateral</i>	-	Means, in relation to SwapClear Clearing Client Business, collateral delivered by a SwapClear Clearing Member to the Clearing House in respect of a SwapClear Clearing Client which is in excess of the Required Collateral relating to the SwapClear Clearing Client Business undertaken by the relevant SwapClear Clearing Member in respect of the relevant SwapClear Clearing Client and which has been designated by that SwapClear Clearing Member as being Additional Collateral to be held in the Additional Collateral Account held in respect of that SwapClear Clearing Client.
<i>Additional Collateral Account</i>	-	Means, in relation to SwapClear Clearing Client Business, a sub-account opened by a SwapClear Clearing Member with the Clearing House in respect of a SwapClear Clearing Client for the purposes of holding Additional Collateral.
<u><i>Applied FCM Buffer</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i>approved agent</i>	-	A person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP.
<i>Approved Broker</i>	-	A person authorised by the Clearing House to participate as a broker in the LCH EnClear OTC service.
<i>Approved Turquoise Derivatives Settlement Provider</i>	-	The securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the Turquoise Derivatives Service.
<i>Approved EquityClear Clearing Agreement</i>	-	An agreement prescribed as such by the Clearing House from time to time between an EquityClear Clearing Member, an EquityClear NCM and the Clearing House.
<i>Approved EquityClear Settlement Provider (“ASP”)</i>	-	The operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts.
<i>Approved EquityClear Trading Platform (“ATP”)</i>	-	Any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service.
<i>Associated Clearing House</i>	-	The clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange.

<i>ATP Market Rules</i>	-	The rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House.
<i>Auction Portfolio</i>	-	Has the meaning assigned to it in the Default Rules.
<i>Automated Trading System</i>	-	An automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures.
<i>Backup SwapClear Clearing Member</i>	-	Means, in relation to SwapClear Clearing Client Business, the SwapClear Clearing Member(s) indicated by a SwapClear Clearing Client as acting as such and notified to the Clearing House from time to time.
<i>Board</i>	-	The board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
<i>Bond Trade</i>	-	A trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues.
<i>business day</i>	-	In respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear OTC Contract (except where specified otherwise in the LCH EnClear OTC Contract Terms), and an EquityClear Contract a day on which the Clearing House is open for business.
<i>buyer</i>	-	A Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange contract, a Cleared Exchange Contract, an Turquoise Derivatives Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Contract, a RepoClear GC Transaction, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, EquityClear (ccCFD) ATP Match or an Eligible OTC Trade, as the case may be.
<i>CEA</i>	-	Has the meaning assigned to it in the Default Rules.
<i>CFTC</i>	-	Has the meaning assigned to it in the Default Rules.
<u>CFTC Regulations</u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i>Cleared Exchange Contract</i>	-	A Contract entered into by the Clearing House on the terms of an exchange contract.

by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by the Board and any procedures, practices and administrative requirements of the Exchange. The term “Exchange Rules” shall include the Turquoise Derivatives Rules, as the case may be, save where the context otherwise requires.

<i>Executing Party</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>expiry date or month</i>	-	A date or month prescribed by Exchange Rules in respect of an option contract.
<i>FCM Approved Trade Source System</i>	-	Has the meaning assigned to it in the FCM Regulations.
<u><i>FCM Buffer</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i>FCM Clearing Member</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM Clearing Membership Agreement</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM Client</i>	-	Has the meaning assigned to it in the FCM Regulations.
<u><i>FCM Client Segregated Sub-Account</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i>FCM Contract</i>	4. - 2.	Has the meaning assigned to it in the FCM Regulations.
<i>FCM Default Fund Agreement</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM EnClear Contract</i>	-	Has the meaning assigned to it in the FCM Regulations.
<u><i>FCM EnClear Transaction</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<u><i>FCM ForexClear Clearing Services</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<u><i>FCM ForexClear Contract</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<u><i>FCM _____ ForexClear Transaction</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<u><i>FCM Nodal Transaction</i></u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
3.1. <u><i>FCM _____ Omnibus OTG Clearing Product Client Account with LCH</i></u>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM Omnibus OTG Clearing Product Nodal Client Account with LCH</i>	-	Has the meaning assigned to it in the FCM Regulations.

<i>FCM Omnibus OTC SCENClear Client Account with LCH</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i><u>FCM Omnibus ForexClear Client Account with LCH</u></i>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i><u>FCM Omnibus SwapClear Client Account with LCH</u></i>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i>FCM Procedures</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM Regulations</i>	-	Means the Clearing House's FCM Regulations.
<i>FCM SwapClear Clearing Services</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM SwapClear Contract</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM SwapClear Transaction</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i>FCM Transaction</i>	-	Has the meaning assigned to it in the FCM Regulations.
<i><u>ForexClear Clearing House Business</u></i>	=	<u>Means ForexClear Contracts entered into by a ForexClear Clearing Member with the Clearing House on a proprietary basis and for its own account.</u>
<i>ForexClear Clearing Member (FXCCM)</i>	-	A Member who is designated by the Clearing House as a ForexClear Clearing Member eligible to clear ForexClear Contracts which includes, in the case of the Default Rules, the Default Fund Rules (including the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member.
<i>ForexClear Contract</i>	-	A Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex), the Default Fund Rules, the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM ForexClear Contract.
<i>ForexClear Contract Terms</i>	-	The terms applicable to each ForexClear Contract as set out from time to time in the Schedule to the ForexClear Regulations or the Procedures.
<i>ForexClear Dealer (FXD)</i>	-	A person admitted by the Clearing House to the Register of ForexClear Dealers and who has not been removed from the Register of ForexClear Dealers.
<i>ForexClear Dealer Clearing Agreement (FDC Agreement)</i>	-	A written agreement, in the form and on the terms prescribed by the Clearing House between an FXD, an FXCCM and the Clearing House which has the function, amongst other things, of setting out the terms on which the FXCCM agrees to clear ForexClear Transactions for the

		ForexClear Dealer.
<i>ForexClear DMG</i>	-	Has the meaning assigned to it in the Default Rules.
<i>ForexClear DMP</i>	-	Has the meaning assigned to it in the Default Rules.
<i>ForexClear Eligibility Criteria</i>	-	With regard to ForexClear Transactions, the product criteria set out in Part B of the Schedule to the ForexClear Regulations.
<i>ForexClear Matcher</i>		A party which has been notified in writing by the Clearing House to ForexClear Participants from time to time as being a matching provider for the ForexClear Service.
<i>ForexClear Participants (FXPs)</i>	-	ForexClear Clearing Members, and ForexClear Dealers, and “ForexClear Participant” means either of them.
<i>ForexClear Regulations</i>	-	The Regulations entitled as such, applicable to ForexClear Contracts only, from time to time in force.
<i>ForexClear Service</i>	-	The service provided by the Clearing House under the ForexClear Regulations.
<i>ForexClear Transaction</i>	-	A contract, meeting the ForexClear Eligibility Criteria for registration as a ForexClear Contract, entered into between two ForexClear Clearing Members, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations. <u>In addition, a ForexClear Transaction shall include an FCM ForexClear Transaction where the relevant ForexClear Clearing Member is an Executing Party.</u>
<i>GC Trade</i>	-	A €GC Trade or a SGC Trade.
<u>Hedged Account</u>	=	<u>Has the meaning assigned to it in the FCM Regulations.</u>
<i>HKMEx</i>	-	The Hong Kong Mercantile Exchange Limited of 1905 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, and such of its affiliates as may operate the HKMEx Trading System from time to time.
<i>HKMEx Contract</i>	-	A Contract entered into by the Clearing House with a HKMEx Service Clearing Member pursuant to the HKMEx Regulations.
<i>HKMEx Contract Terms</i>	-	The terms of a HKMEx Contract as set out in the HKMEx contract specification provided in HKMEx's Rules.
<i>HKMEx Eligible Product</i>	-	A product prescribed from time to time by the Clearing House as eligible for the HKMEx Service.
<i>HKMEx Non-Clearing Member</i>	-	A person other than a HKMEx Service Clearing Member who is party to an agreement with HKMEx allowing such person to be a participant in the HKMEx Trading System and subjecting such person to the provisions of HKMEx's Rules.

Procedures, a Participating Exchange or a Co-operating Clearing House, where so agreed with the Participating Exchange or the Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms “Member” and “Clearing Member” for the purposes of these Regulations, Default Rules and Procedures, do not mean shareholder of LCH.Clearnet Limited or of any other undertaking in the LCH.Clearnet Group.

	-	(ii) "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules (including the SwapClear DMP Annex and the ForexClear DMP Annex), the Default Fund Rules, the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time.
<i>Member Link Agreement</i>	-	A Link Clearing Agreement or a Trade Allocation Agreement.
<i>Nodal</i>	-	Nodal Exchange, LLC of 8065 Leesburg Pike, Suite 700, Vienna, VA 22182, United States of America.
<i>Nodal Contract</i>	-	A Contract entered into by the Clearing House with a Nodal Service Clearing Member pursuant to the Nodal Regulations.
<i>Nodal Contract Terms</i>	-	The terms of a Nodal Contract as set out in the Nodal contract specification provided in Nodal's Rules.
<i>Nodal Eligible Derivative Product</i>	-	A derivative product prescribed from time to time by the Clearing House as eligible for the Nodal Service.
<i>Nodal Non-Clearing Participant</i>	-	A person other than a Nodal Service Clearing Member who is party to an agreement with Nodal allowing such person to be a participant in the Nodal Trading Facility and subjecting such person to the provisions of Nodal's Rules.
<i>Nodal Participants</i>	-	Nodal Service Clearing Members and Nodal Non-Clearing Participants.
<i>Nodal Reference Price</i>	-	A Reference Price in respect of a Nodal Contract.
<i>Nodal Regulations</i>	-	The Clearing House's Regulations applicable to Nodal Contracts from time to time in force.
<i>Nodal's Rules</i>	-	The rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.
<i>Nodal Service</i>	-	The service provided by the Clearing House under the Nodal Regulations.
<i>Nodal Service Clearing</i>	-	A Member who is designated by the Clearing House as

<i>Member</i>		eligible to clear Nodal Contracts.
<i>Nodal Trading Facility</i>	-	The facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.
<i>Nodal Transaction</i>	-	A contract in a Nodal Eligible Derivative Product between Nodal Service Clearing Members arising or registered on a Nodal Trading Facility meeting the requirements of the Regulations and the Procedures. <u>In addition, a Nodal Transaction shall include an FCM Nodal Transaction where the relevant Nodal Service Clearing Member is an Executing Party.</u>
<i>Non-Deliverable FX Transaction</i>	-	Has the meaning given to it in the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and the Foreign Exchange Committee, or any successor organisations, as amended and updated from time to time.
<i>NYSE Liffe Clearing Contract</i>	-	A contract in the terms of a LIFFE exchange contract subject to the LIFFE Rules entered into by LIFFE as central counterparty with a NYSE Liffe Clearing Member including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract.
<i>NYSE Liffe Clearing Member</i>	-	A Clearing Member who has been designated by LIFFE to clear NYSE Liffe Clearing Contracts and <i>NYSE Liffe Clearing Membership</i> shall be construed accordingly.
<i>NYSE Liffe Clearing Service</i>	-	The central counterparty and ancillary services provided by LIFFE to NYSE Liffe Clearing Members in accordance with the LIFFE Rules.
<i>NYSE Liffe Clearing Membership Agreement</i>	-	The tripartite clearing membership agreement relating to the NYSE Liffe Clearing Service between LIFFE, the Clearing House and each NYSE Liffe Clearing Member, as in force from time to time.
<i>official quotation</i>	-	A price determined by the Clearing House under Regulation 14.
<i>Omnibus Net Segregated Account</i>	-	Means, in relation to SwapClear Clearing Client Business, a sub-account opened within the Clearing House by a SwapClear Clearing Member in respect of Omnibus Net Segregated Business.
<i>Omnibus Net Segregated Account Balance</i>	-	Means, in respect of an individual Omnibus Net Segregated Clearing Client, the sum of: <u>(1)</u> (i) the Required Collateral attributed by the Clearing House in accordance with its rules and procedures to that client; (ii) the Excess Collateral attributed by the Clearing House in accordance with its rules and procedures to that client; and (iii) the Additional Collateral held in the Additional Collateral Account in respect of that client, minus (2) in respect of any Omnibus Net Segregated Clearing Client in respect of whom the Clearing <u>House</u> acts as security

<i>seller</i>	-	A Member (or the Clearing House where the context so requires) who is a seller under the terms of an exchange contract, a Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, a RepoClear Transaction, a RepoClear SGC Transaction, a RepoClear Contract, a RepoClear SGC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, an EquityClear Contract, or an LCH EnClear OTC Contract, as the case may be.
<i>Service</i>	-	means any one of the services made available by the Clearing House: (i) to an Exchange; (ii) under the SwapClear Regulations and under the FCM Regulations in respect of FCM SwapClear Contracts; (iii) under the RepoClear Regulations; (iv) under the EquityClear Regulations; (v) under the LCH EnClear OTC Regulations and under the FCM Regulations in respect of FCM EnClear Contracts; (vi) under the Turquoise Derivatives Regulations; (vii) under the HKMEx Regulations; (viii) under the Nodal Regulations <u>and under the FCM Regulations in respect of FCM Nodal Contracts</u> ; (ix) under the NYSE LIFFE Regulations; or (x) under the ForexClear Regulations <u>and under the FCM Regulations in respect of FCM ForexClear Contracts</u> .
<i>settlement contract</i>	-	A contract between the Clearing House and a Member arising pursuant to Regulation 15(b), Regulation 73C(b) or Regulation 91(b) or 95(b).
<i>settlement price</i>	-	One or more prices determined and issued by an Exchange in accordance with its Exchange Rules in respect of a delivery month or prompt date; or
	-	In relation to a Contract other than an exchange contract, one or more prices determined in accordance with the Regulations or the Procedures.
<i>SGC Trade</i>	-	A trading activity in which a RepoClear Participant (“the First Participant”) offers to sell (or buy) an agreed value of securities comprised in an SGC Basket, to be allocated in accordance with the RepoClear Procedures applicable to RepoClear SGC Contracts, and another RepoClear Participant (“the Second Participant”) offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that: <ul style="list-style-type: none"> (i) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear SGC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and (ii) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions effected through Euroclear UK and Ireland delivery by value (DBV) functionality, as

Treasury Account - Means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member.

Unallocated Excess [Has the meaning assigned to it in the FCM Regulations.](#)

Unallocated Excess Sub-Account [Has the meaning assigned to it in the FCM Regulations.](#)

~~6-~~ *variation margin* - An amount determined by the Clearing House in accordance with the Procedures in respect of original contracts or open contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the Procedures) and the value of such contracts at official quotations or at such other prices as the Clearing House may determine pursuant to the Procedures. The term “variation margin” shall include daily settlement amounts save where the context otherwise requires.

Terms not otherwise defined have the meaning given to them in the General Regulations of the Clearing House.

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

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

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

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

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

Headings are used herein for ease of reference only.

Regulation 39B Distribution of Assets

- (a) Where (after the netting and set-off provided for in Regulation 39A and Regulation 5(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts in full (determined in accordance with FCM Regulation 26A and General Regulation 39A), the claims of the Clearing Members (which shall include FCM Clearing Members for the purposes of this Regulation 39B) of each Service shall be met first to those Clearing Members who are SCMs and/or FXCCMs and/or RepoClear Clearing Members ("RCMs") in an amount equal to the outstanding SwapClear Contributions of such SCMs and/or ForexClear Contributions of such FXCCMs and/or RepoClear Contributions of such RCMs (as applicable) and, thereafter, pro rata to each Clearing Member's respective claim (and in respect of SCMs who have received an amount relating to their outstanding SwapClear Contributions, their respective claims shall be reduced by such amounts so received; and in respect of FXCCMs who have received an amount relating to their outstanding ForexClear Contributions, their respective claims shall be reduced by such amounts so received; and in respect of RCMs who have received an amount relating to their outstanding RepoClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each SCM and/or FXCCM and/or RCM the amount equal to the sum of its outstanding SwapClear Contribution and/or its outstanding ForexClear Contribution and/or its RepoClear Contribution (as applicable), the Clearing House shall distribute the assets available to it to each SCM and/or FXCCM and/or RCM (as applicable) in an amount equal to the proportion that the outstanding SwapClear Contribution of the relevant SCM and/or the outstanding ForexClear Contribution of the relevant FXCCM and/or the outstanding RepoClear Contribution of the relevant RCM bears to the aggregate of: (a) the sum of the outstanding SwapClear Contributions of all SCMs; (b) the sum of the outstanding ForexClear Contributions of all FXCCMs; and (c) the sum of the outstanding RepoClear Contributions of all RCMs.

- (b) For the purposes of this Regulation 39B, the terms "SCMs", "FXCCMs" and "RCMs" shall include "FCM Clearing Members".

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	
Vanilla interest rate swaps with constant notional principal	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-	
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999,999.99	
		EUR-EURIBOR-Telerate					
		See article 7.1 (f)(ii) for definition					
	Australian Dollar (AUD)	EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating		736 days		
		See Article 7.1(f) (viii) for definition					
		AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-	99,999,999,999.99
		See Article 7.1(a) (iv) for definition	Floating vs. Floating				
	Canadian Dollar (CAD)	AUD-LIBOR-BBA					
		See Article 7.1(a) (viii) for definition					
CAD-BA-CDOR		Fixed vs. Floating	Single currency	10,970 days	0.01-	99,999,999,999.99	
See Article 7.1(b) (ii) for definition		Floating vs. Floating					
		CAD-LIBOR-BBA					
		See Article 7.1(b) (viii) for definition					
		<u>7.2.</u> CA	<u>8.3.</u> F	<u>9.4.</u>	<u>10.5.</u> 7	<u>11.</u> 0.01 -	
		D-	l		3	99,999,999.99	
		CO	o		6		
		RR	a		d		
		A-	t		a		
		OIS	i		y		
		-	n		s		
		CO	g				
		MP					
		OU	v				
		ND	s				

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
				F l o a t i n g		
		<u>12.6.</u> See Article 7.1 (b) (xii) for definition				
	Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(e) (i) for definition	Floating vs. Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint (HUF)	HUF- BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000.00
		See Article 7.1r	FLOAT vs.			

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

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed floating	v Single currency	740 days		1m,2m,3,4m,5m,6m	Min25 Max 190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed floating	v Single currency	740 days		13.7. 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min25 Max 375
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed floating	v Single currency	740 days		1m,2m,3m, 6m, 1y	Min25 Max 375
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed floating	v Single currency	740 days		14.8. 1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed floating	v Single currency	740 days		15.9. 1w,2w 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m,1y	Min 3 Max 375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed floating	v Single currency	740 days		1w,2w 1m,2m,3m, 6m,9m,1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed floating	v Single currency	740 days		1w, 1m,2m,3m, 4m,5m, 6m,9m,1y	Min 3 Max 375

Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed floating	v	Single currency	1105 days	16.10. <u>1w,2w</u> 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR - REUTERS	Fixed floating	v	Single currency	1105 days	17.11. <u>1w,2w,_____3w</u> 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed floating	v	Single currency	1105 days	18.12. <u>1w,2w</u> 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	19.13. <u>Min</u> 3 Max 375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed floating	v	Single currency	740 days	20.14. <u>1w,2w</u> 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed floating	v	Single currency	1105 days	21.15. <u>1w,2w</u> 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m, 1y	Min 3 Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed floating	v	Single currency	740 days	1w, 1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m,1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed floating	v	Single currency	740 days	1m,2m,3m, 4m,5m, 6m,	Min 25 Max 190
Forward Rate Agreement	PLN	PLN – WIBOR_WIBO	Fixed floating	v	Single currency	740 days	1w,2w 1m, 3m, 6m,9m,1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed floating	v	Single currency	740 days	1w, 1m,2m,3m, 6m,9m,1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed floating	v	Single currency	1105 days	22.16. <u>1w,2w</u> 1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m, 1y	Min 3 Max 375

Termination date - Today \geq 1 + currency settlement lag

where currency settlement lag is:

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

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

Maximum Residual Term of trade:

Termination date - Today \leq 3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)

Termination date - Today \leq 10,970 days for AUD, CAD, CHF, JPY & SEK (30 years)

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

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

Maximum Residual Term to Maturity for Forward Rate Agreements

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

Currency	Maximum Residual Term to Maturity
EUR, JPY, USD, GBP	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

3.1.4 Designated Maturity

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

3.1.5 Calculation Periods

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

For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-standard Calculation Periods (“stub periods”) at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as SwapClear Transactions.

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

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities.

<p>Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.</p>	<p>opening leg and is no later than bond maturity date minus 2 RepoClear Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.</p>	<p>opening leg and is no later than bond maturity date minus 9 RepoClear Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.</p>
---	---	---

2.2 **Eligible Securities for a Repo Trade or RepoClear Repo Transaction**

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

2.2.1 **Government Debt Securities**

Germany
- Treasury Bills (Bubills)
- 23-17. Schatzanweisungen der Bundesrepublik Deutschland (Schatz)
- 24-18. Schatzanweisungen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit"
- German Unity Fund BKO
- 25-19. Anleihen der Bundesrepublik Deutschland (Bunds)
- 26-20. Anleihen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit" (German Unity Fund)
- 27-21. Anleihen der Bundesrepublik Deutschland (Bund Principal Strips)
- 28-22. Anleihen der Bundesrepublik Deutschland (Bund Coupon Strips)
- 29-23. Obligationen der Bundesrepublik Deutschland (Bobl)
- Anleihen der Treuhandstalt
- Obligationen der Treuhandstalt (Tobl)

Belgium
- Fixed-coupon linear-bonds (OLOs)
- Principal strips
- Coupon strips
- Belgian Treasury Certificates

Austria
- Austrian Government Bonds
Netherlands
- Dutch Government Bonds (also known as Dutch State Loans)
- Dutch Treasury Certificates
Ireland
- Irish Government Bonds
Finland
- Finnish Government Bonds
Portugal
- Portuguese Government Bonds
Spain
- Spanish Government Bonds
United Kingdom
- United Kingdom Government Bonds and Treasury Bills

2.2.2 Other Bonds

<p>German Jumbo Pfandbriefe</p> <p>Issuers:</p> <p>Allgemeine Hypothekenbank</p> <p>30-24. Bayerische Hypo-und Vereinsbank AG</p> <p>Bayerische Landesbank Girozentrale</p> <p>Berlin-Hannover Hypothekenbank</p> <p>DekaBank</p> <p>Depfa Bank</p> <p>Deutsche Genossenschafts-Hypothekenbank</p> <p>Deutsche Hypothekenbank Frankfurt AG</p> <p>31-25. Deutsche Hyp-Deutsche Hypothekenbank Frankfurt-Hamburg AG</p> <p>Dexia Hypothekenbank</p> <p>Dusseldorfer Hypothekenbank</p> <p>32-26. Enrohypo AG Europaeische Hypothekenbank der Deutschen Bank</p> <p>Eurohypo Aktiengesellschaft</p> <p>Hypothekenbank IN Essen</p> <p>Hypo Real Estate Bank AG</p> <p>Landesbank Baden-Wuerttemberg</p> <p>Landesbank Berlin</p> <p>Landesbank Hessen-Thuringen</p> <p>Landesbank NRW</p> <p>Landesbank Rheiland-Pflaz-Girozentrale</p> <p>Landesbank Sachsen</p> <p>Munchener Hypothekenback</p> <p>Norddeutsche Landesbank</p>

	Please see LCH.Clearnet Limited website for full details of all bonds eligible from time to time		
Currency	Euro	US Dollar	Sterling
Delivery Depositories	Euroclear; Clearstream Luxemburg (CBL); Clearstream Frankfurt (CBF) (including all cross-border combinations); National Bank of Belgium (via our agent, KBC Brussels)	Euroclear; Clearstream Luxemburg (CBL); (including all cross-border combinations)	Euroclear UK and Ireland
Minimum Settlement Date	Date of registration by the Clearing House	Date of registration by the Clearing House plus 1 RepoClear Operating Day	Date of registration by the Clearing House
Maximum Settlement Date	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 2 RepoClear Operating Days.	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 2 RepoClear Operating Days.	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 9 RepoClear Operating Days or Treasury Bill maturity date minus 1 RepoClear Operating d

3.2 Eligible Securities for a Bond Trade or RepoClear Bond Transaction

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

3.2.1 Government Debt Securities

Germany
- Treasury Bills (Bubills)
- 33.27. Schatzanweisungen der Bundesrepublik Deutschland (Schatz)
- 34.28. Schatzanweisungen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit"
- German Unity Fund BKO

-	35.29. <u>35.29.</u> Anleihen der Bundesrepublik Deutschland (Bunds)
-	36.30. <u>36.30.</u> Anleihen der Bundesrepublik Deutschland - Fonds "Deutsche Einheit" (German Unity Fund)
-	37.31. <u>37.31.</u> Anleihen der Bundesrepublik Deutschland (Bund Principal Strips)
-	38.32. <u>38.32.</u> Anleihen der Bundesrepublik Deutschland (Bund Coupon Strips)
-	39.33. <u>39.33.</u> Obligationen der Bundesrepublik Deutschland (Bobl)
-	Anleihen der Treuhandstalt
-	Obligationen der Treuhandstalt (Tobl)

Belgium

- | |
|------------------------------------|
| - Fixed-coupon linear-bonds (OLOs) |
| - Principal strips |
| - Coupon strips |
| - Belgian Treasury Certificates |

Austria

- | |
|-----------------------------|
| - Austrian Government Bonds |
|-----------------------------|

Netherlands

- | |
|--|
| - Dutch Government Bonds (also known as Dutch State Loans) |
| - Dutch Treasury Certificates |

Ireland

- | |
|--------------------------|
| - Irish Government Bonds |
|--------------------------|

Finland

- | |
|----------------------------|
| - Finnish Government Bonds |
|----------------------------|

Portugal

- | |
|-------------------------------|
| - Portuguese Government Bonds |
|-------------------------------|

Spain

- | |
|----------------------------|
| - Spanish Government Bonds |
|----------------------------|

United Kingdom

- | |
|--|
| - United Kingdom Government Bonds and Treasury Bills |
|--|

3.2.2

Other Bonds

German Jumbo Pfandbriefe

Issuers:

Allgemeine Hypothekenbank

40.34. <u>40.34.</u> Bayerische Hypo-und Vereinsbank AG
--

Bayerische Landesbank Girozentrale

Berlin-Hannover Hypothekenbank

DekaBank

Depfa Bank

Deutsche Genossenschafts-Hypothekenbank

Deutsche Hypothekenbank Frankfurt AG

German Jumbo Pfandbriefe

~~41.35.~~ Deutsche Hyp-Deutsche Hypothekenbank Frankfurt-Hamburg AG

Dexia Hypothekenbank

Dusseldorfer Hypothekenbank

~~42.36.~~ Enrohypo AG Europaeische Hypothekenbank der Deutschen Bank

Eurohypo Aktiengesellschaft

Hypothekenbank IN Essen

Hypo Real Estate Bank AG

Landesbank Baden-Wuerttemberg

Landesbank Berlin

Landesbank Hessen-Thuringen

Landesbank NRW

Landesbank Rheiland-Pflaz-Girozentrale

Landesbank Sachsen

Munchener Hypothekenbank

Norddeutsche Landesbank

Rheinhyp

Schleswig-Holsteinische

SEB Hypothekenbank

Westfaelische Hypothekenbank

WestLB

Wuerttembergische Hypothekenbank AG

International Bonds (denominated in Euro or in US Dollar)

Agency Bonds

Sovereign Bonds

Supranational Bonds

The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 3.1 and 3.2 above to be RepoClear Eligible Securities.

time.

Contract Series Rolling day ahead spot contract for business days only. Contracts for Monday delivery are made available for trading on the Friday prior to delivery.

Expiry Day Contracts will expire at 18:00 on the trading day.

Delivery Delivery is fulfilled by the transfer of Certified Emissions Reductions from the Holding Account at a designated Registry of the Seller to the Holding Account of LCH.Clearnet Ltd at the UK Emissions Trading Registry and from there to the Holding Account at the designated Registry of the Buyer.

3.3H **Standard Terms: Basic Provisions – EUA Options Contract**

Description Physically settled Premium Paid Option on the underlying EUA Forward contract for the corresponding December expiry.

These contracts, if “in the money” expire into their underlying EUA Forward contracts with a traded price equal to the Strike Price (see below)

Lot size 1000 tonnes

Currency Euro

Pricing ~~47.41.~~ Euro and Euro cents per metric tonne

Minimum tick €0.01 per tonne

Option Type Options are European style and will be automatically exercised on the expiry day if they are “in the money”. If an option is “out of the money” it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.

Option Premium The Premium is paid at the time of purchase.

Last trading day Contracts will expire at 18:00 hours UK time 3 business days prior to the last Monday of the options contract month.

Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be 3 days prior to the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be 3 days prior to the

Pricing	48.42. Euro and Euro cents per metric tonne
Minimum tick	€0.01 per tonne
Option Type	Options are European style and will be automatically exercised on the expiry day if they are “in the money”. If an option is “out of the money” it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
Option Premium	The Premium is paid at the time of purchase.
Last trading day	Contracts will expire at 18:00 hours UK time 3 business days prior to the last Monday of the options contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be 3 days prior to the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be 3 days prior to the third last Monday of the contract month.
Expiry	18:00 hours UK time on the last trading day Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater “in-the-money” when compared to the relevant reference price. Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract. The reference price will be a price in Euros and Euro cents, equal to the daily settlement price for the December EUA Forward contract of the corresponding year For these purposes “final settlement price” means the final settlement price on the expiry day of the underlying EUA forward contract.
Contract series	Four rolling month contracts (March, June, September and December) plus an additional two December contracts. All option contracts expire into the underlying December contract of the corresponding year.

The table below shows which set of terms (identified by the individual sub-section number of this section 3) applies to the relevant type of freight forward contract or option contract and route:

Name of freight contract and route	Section
Tanker Voyage Routes	Section 3.4A
49.43. \$ Per Tonne Tanker Voyage Routes	Section 3.4B
Dry Voyage Routes	Section 3.4C
Dry Timecharter Basket Routes - Forwards	Section 3.4D
Dry Trip Timecharter Routes	Section 3.4E
Timecharter Voyage Route	Section 3.4F
Dry Timecharter Basket Routes - Options	Section 3.4G
Baltic Exchange Dry Index	Section 3.4H
Iron Ore Swap	Section 3.4I
Fertilizer Swaps	Section 3.4J
Container Swaps	Section 3.4K
API 2 cif ARA (Argus/McCloskey) Coal Swap Contract	Section 3.4L
API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract	Section 3.4M
European Hot Rolled Coil Steel Swaps	Section 3.4N
Chinese Hot Rolled Coil Steel Swap	Section 3.4O
Turkish Import Scrap Steel Swap	Section 3.4P
Chinese Domestic Hot Rolled Ribbed Bar Steel Swap	Section 3.4Q
API 2 of ARA (Argus/McCloskey) Coal Option Contract	Section 3.4R
API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract	Section 3.4S

3.4A **Cash Settled Freight Forward Contracts: Tanker Voyage Routes**

Description Cash settled freight forward contracts on any of the following Tanker Voyage Routes:

Baltic TD3 (260,000 mt ME Gulf – Japan)

- (h) The Clearing House may not determine a transaction to be an Ineligible Transaction if after the Valuation Date (as defined in Part A of the Schedule to the ForexClear Regulations) in respect of the ForexClear Contracts arising from the registration of such a transaction has occurred.
- (i) Where an original party to an Ineligible Transaction is an FXD upon the setting aside of the Ineligible ForexClear Contract under Regulation 104(f), any Parallel Contract (as defined in the FDC Agreement) corresponding to the Ineligible Transaction and arising by operation of the FDC Agreement shall be terminated at the same value as the Ineligible ForexClear Contract to which it corresponds at the time of the notification under Regulation 104(g) and shall thereafter have no force or effect.
- (j) The Clearing House shall provide no less than 10 business days' prior notice (including by email) to ForexClear Clearing Members of an amendment to the ForexClear Eligibility Criteria.
- (k) Where a ForexClear Contract relates to an FCM ForexClear Transaction, it is a condition for registration as a ForexClear Contract that the FCM ForexClear Transaction to which the ForexClear Contract relates be presented for clearing: (i) by an Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) as a ForexClear Contract or FCM ForexClear Contract (as the case may be); and (ii) by an FCM Clearing Member on behalf of its FCM Client as an FCM ForexClear Contract. In the event that the Clearing House registers a ForexClear Contract and, for whatever reason, the corresponding FCM ForexClear Contract has not also been registered, the ForexClear Contract shall be deemed not to be registered as a ForexClear Contract until such time as such corresponding FCM ForexClear Contract has been registered.
- (l) In relation to an FCM ForexClear Transaction, if either the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member (as the case may be) does not present an FCM ForexClear Transaction for clearing, the Clearing House shall set aside any FCM ForexClear Contract or ForexClear Contract that has been registered (if any) and the particulars of the corresponding FCM ForexClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the Clearing House; or (ii) rejected until such time as the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member have presented the relevant contract to the Clearing House. In addition, any payment made under, or in respect of, any FCM ForexClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 24 and its obligations under this Regulation 104 and under FCM Regulation 40, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear Contract.

Exhibit A – 6
Section 1 of the Clearing House Procedures

See Attached

SECTION 1

CONTENTS

1. CLEARING MEMBER, DEALER, EQUITYCLEAR AND TURQUOISE DERIVATIVES
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Category D

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

Category E

Category no longer in use.

Category F

RepoClear Clearing Member: clearing own business.

Category G

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

Category H

SwapClear Clearing Member.

Category I

EquityClear Individual Clearing Member: clearing own business on EquityClear.

Category J

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

Category K

Special Clearing Member.

Category L

SwapClear FCM Clearing Member (refer to FCM Rulebook)

Category M

ForexClear Clearing Member

Category N

~~Not in use~~

[ForexClear FCM Clearing Member \(refer to FCM Rulebook\)](#)

Category O

LCH EnClear: OTC Services FCM Clearing Member (refer to FCM Rulebook)

Category P**Nodal FCM Clearing Member (refer to FCM Rulebook)**

NOTES:

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

1.8.3 Net Capital Requirements

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

The requirements for Clearing Members who clear more than one market are detailed in section 1.8.4. The definition of Net Capital is given in section 1.9 (subject to a minimum of £5mn sterling).

Category A

Category no longer in use.

Category B

Net Capital	£1.0mn
-------------	--------

Category C

Net Capital	£2.0mn
-------------	--------

Category D

(i) LME Associate Trade Clearing Members

Net Capital	£2.5mn
-------------	--------

(ii) LME Associate Broker Clearing and Ring Dealing Members

Net Capital	£5.0mn
-------------	--------

Category E

Category no longer in use.

Category F

Net Capital	€100.0mn
-------------	----------

Category G

Net Capital €400.0mn

Category H

Net Capital US \$50mn

Category I

Net Capital £5.0mn

Category J

Net Capital £10.0mn

Category K

See section 1.9.5

Category L

Net Capital Refer to FCM Rulebook

Category M

Net Capital US\$50mn

Category ~~M~~N

Net Capital ~~US\$50mn~~ Refer to FCM Rulebook

Category ~~N~~O

~~Not in use~~ Net Capital Refer to FCM Rulebook

Category ~~O~~P ~~Refer to FCM Rulebook~~

Net Capital Refer to FCM Rulebook

1.8.4 Cross-Market Net Capital Requirement for categories B-D and I-J,

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

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

Exhibit A – 7
Section 2G of the Clearing House Procedures

See Attached

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2G. THE NODAL SERVICE

~~2G.1~~ **INTRODUCTION** ~~The Procedures for the Nodal Service are set out in [Section 2D of the FCM Procedures.](#)~~

2G.1.1 Background

~~These NODAL Service procedures apply to the clearing of NODAL Eligible Derivative Products listed on NODAL Exchange.~~

~~NODAL Service Clearing Members (“CMs”) must inform themselves fully of their obligations under the Clearing House Rulebook (the “Rulebook”) and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. NODAL Service CMs should also familiarise themselves with NODAL’s Rules.~~

~~The Clearing House provides the NODAL Service in respect of cash settled futures 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 both the Rulebook (including these Procedures) and NODAL’s Rules are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the NODAL Service should be~~

~~directed to the Clearing House Business Operations Department on +44 (0)20 7426 7689. Enquiries regarding CM status should be directed to the Membership Department on +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's website (<http://www.NODAL.com>).~~

~~2G.1.2 Interpretation~~

~~Capitalised terms used in these Procedures have the meaning set out in the NODAL Regulations unless otherwise specified.~~

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

~~2G.2 MEMBERSHIP~~

~~NODAL Service CMs may submit NODAL Transactions for registration by the Clearing House. NODAL Transactions may also be submitted for registration on behalf of a NODAL Service CM by a NODAL Non-Clearing Participant ("NODAL NCP") as set out at Section 2G.4.1.~~

~~A NODAL Service CM must comply with all Clearing House requirements and with any NODAL requirements relating to participation in the relevant NODAL Trading System.~~

~~It is the responsibility of each NODAL Service CM 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 a NODAL Service CM can be obtained from the Clearing House Membership Department on +44 (0)20 7426 7627 / 7063.~~

~~2G.2.1 Submission of NODAL Transactions for registration~~

~~NODAL Service CMs who wish a NODAL Transaction to be registered by the Clearing House must comply with all requirements of the NODAL Exchange, as relevant.~~

~~2G.3 GENERAL~~

~~2G.3.1 Operating Times~~

~~2G.3.1.1 Opening Days~~

~~Details of the days on which the NODAL Service is operational will be published by the Clearing House by Clearing Member circular. Details of the days on which NODAL is operational is available from NODAL.~~

~~2G.3.1.2 Opening Hours~~

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

~~2G.4~~ ~~**NODAL TRANSACTIONS**~~

~~2G.4.1~~ ~~**Eligible Transactions**~~

~~Only the transactions in this 2G.4 in NODAL Eligible Derivative Products executed or registered through a NODAL Trading System in accordance with NODAL's Rules will be designated as NODAL Transactions eligible for registration by the Clearing House.~~

~~Any such transactions must satisfy the Clearing House's requirements as set out in these Procedures and in the NODAL Regulations, and NODAL's requirements as set out in its Rules.~~

~~(a)~~ ~~**Parties to Transactions presented for Registration**~~

~~The Clearing House only registers NODAL Contracts arising from NODAL Transactions between NODAL Service CMs.~~

~~Such NODAL Transactions may arise through trades executed or registered through a NODAL Trading System by NODAL Service CMs, or by NODAL NCPs.~~

~~(i) The NODAL Transaction may have been entered into by two NODAL Service CMs, each acting as principal.~~

~~(ii) One side (or both sides) of the NODAL Transaction may arise through a NODAL NCP executing or registering a trade on the NODAL Trading System. In such case, the trade will immediately be replaced with:~~

- ~~• a trade between the NODAL NCP and its NODAL Service CM, and~~
- ~~• a NODAL Transaction between its NODAL Service CM and the counterparty NODAL Service CM.~~

~~(b)~~ ~~**Presentation for Registration**~~

~~Under A (1) or (2) above, the NODAL Transaction will be presented to the Clearing House for registration as two NODAL Contracts, with the Clearing House as seller to the buying NODAL Service CM and as buyer to the selling NODAL Service CM.~~

~~(Where two NODAL NCPs both have the same NODAL Service CM, then each side of the trade will be presented to the Clearing House for registration as a separate NODAL Contract:~~

- ~~• with one in which that NODAL Service CM is buyer and the Clearing House is the seller;~~
- ~~• and the other in which that NODAL Service CM is the seller and the Clearing House is the buyer.)~~

2G.4.2 NODAL Contracts – Eligibility Criteria

It is part of the eligibility criteria for registration as a NODAL Contract that the particulars of a 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 NODAL Transaction (this should be changed to a relevant contract for Nodal) and
- (c) the transaction specific information in respect of the NODAL Eligible Derivative Product.

2G.5 CLEARING FOR NODAL NON-CLEARING PARTICIPANTS

2G.5.1 NODAL NCPs

Certain NODAL Service CMs may clear for one or more NCPs (“NODAL NCPs”). In order to do so, the following conditions must be satisfied at all times:

- (a) the NODAL NCP is a participant of the NODAL Exchange; and
- (b) the NODAL Service CM and the NODAL NCP are party to a valid and enforceable agreement under which the NODAL Service CM agrees to clear NODAL Transactions on behalf of such person. Such agreement must confer rights on the NODAL Service CM and the NODAL Service CM must lawfully be entitled at all times to pass to the Clearing House, in accordance with Regulation 30, 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 NODAL Service CM shall be definitive proof of the NODAL Service CM clearing for a NODAL NCP.

The Clearing House contracts with the NODAL Service CM alone and, to the fullest extent permitted by law, disclaims any duties or obligations to a NODAL NCP.

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

2G.5.2 Termination

The NODAL Service CM 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, the Clearing House need not receive any notice of or any confirmation of such termination from the NODAL NCP.

For the avoidance of doubt, termination by the NODAL Service CM of its agreement with a NODAL NCP will be without prejudice to the NODAL Service CM's obligations arising from or in relation to any NODAL Transaction or NODAL Contracts arising prior to such termination.

2G.6 — REGISTRATION OF NODAL TRANSACTIONS

2G.6.1 — General

~~The Clearing House may require a NODAL Service CM in whose name a NODAL Transaction is to be registered to provide it with cover for initial and variation margin as a condition of registration as a NODAL Contract.~~

2G.6.2 — Registration

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

2G.6.3 — Novation

~~With effect from registration, novation operates to replace each NODAL Transaction with two separate NODAL Contracts, one between the selling NODAL Service CM and the Clearing House and the other between the buying NODAL Service CM and the Clearing House. Novation is described in more detail in the NODAL Regulations.~~

2G.6.4 — Notification

~~All NODAL Contracts arising from registered NODAL Transactions are listed on the NODAL Service CM Report available through TRS.~~

2G.7 — POSITION AND FINANCIAL ACCOUNTS

2G.7.1 — Position-Keeping Accounts

2G.7.1.1 — Types of Account

~~Positions with regard to NODAL Contracts are recorded within CPS in position-keeping accounts at Individual Trader Mnemonic (ITM) level, which are not CM accounts as described in Regulation 5. The account types are as follows:~~

~~H — House [excluding Clients]¹~~

~~N — Non-segregated client~~

~~S — Segregated client~~

~~Z — Default account, only to be used in the event of a CM default~~

~~D — Default “transactions” which have not been assigned to one of the above account codes~~

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

¹ ~~The “house position-keeping account” represents a Member’s principal business; the “house financial account” (see 2G.8.2.1 below) also includes non-segregated clients’ positions.~~

2G.7.1.2 Basis of Position Keeping**(a) Net Accounts**

The following position-keeping accounts are held net at ITM level, e.g. a position of bought one lot and sold two lots will be reported as sold one:-

H — House

N — Non-segregated client

S — Segregated client

(b) Gross Accounts

The following position-keeping accounts are held gross at ITM level e.g. a position of bought one lot and sold two lots will show both bought and sold positions:-

D — Default “transactions” which have not been assigned to one of the above account codes

2G.7.2 Financial Accounts

NODAL Service CM position-keeping accounts have financial accounts associated with them. These are, amongst other things, used to record cash balances, securities/documentary credits and non-realised margin.

Where appropriate, a NODAL Service CM’s financial accounts are identified by a single character code: G for segregated client business (recorded as S within CPS); H for house and non-segregated business (recorded as H within CPS). Only the H financial account is obligatory.

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

2G.7.2.1 Relationship with Position-keeping accounts

Position-keeping accounts	Financial account
H House	H
N Non-segregated client	H
S Segregated client	G
D Default “transactions” which have not been assigned to one of the above account codes	H

By permitting a transaction to be allocated to a position-keeping account, a NODAL Service CM is also deemed to be designating that transaction for the associated financial account.

2G.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:

	Code
Buffer account (House), used for holding additional cash in relation to House business	B
Buffer account (Client), used for holding additional cash in relation to Client business	E
Resources account, used for holding supplementary financial resources	Q
Buyers' and Sellers' security account (segregated business) used for certain delivery contracts	X

2G.7.2.3 Default Fund (DF) Account

Each NODAL Service CM's Default Fund Contribution is held on a separate financial account. In accordance with the Default Fund Rules this account attracts a rate of interest at 3 month LIBOR +1%. The Default Fund account code is F.

2G.8 FEES**2G.8.1 General**

Fees arising for the provision of NODAL Services will be collected monthly from the NODAL Service CMs' financial accounts.

Details of tariffs and any changes thereto will be notified to NODAL Service CMs by means of Clearing Member circular.

For further details (including details of how information regarding charges made for NODAL Contracts registered by the Clearing House is communicated to NODAL Service CMs) please see Section 3.6 ("Fees") of these Procedures.

2G.8.2 Execution Fees

Members are asked to note that, in respect of NODAL Contracts, fees charged to NODAL Service CMs 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 System.

Details of execution fees and any changes thereto will be notified to NODAL Service CMs by NODAL.

2G.9 MARGIN

For the purposes of the NODAL Service only, a "Reference Price" includes daily Settlement Price and final Settlement Price as used in the NODAL Rules.

2G.9.1—Variation Margin

~~Certain NODAL Contracts are settled to market daily by the Clearing House. Profits or losses are either credited to or debited from NODAL Service CMs' relevant financial accounts (realised margin).~~

2G.9.1.1—Realised Margin

~~Realised 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.~~

2G.9.2—Initial Margin

~~Separate initial margin calculations are performed for a NODAL Service CM's house "H" and client "C" accounts; **no offset between these accounts is allowed.** 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. Initial Margin need not be in the same currency as the contracts traded. 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~~

2G.9.2.1—Initial Margin Parameters

~~Initial margin parameters are set by the Clearing House. However, in accordance with the NODAL Regulations, the Clearing House retains the discretion to vary the rates for the whole market or for a NODAL Service CM's house and/or client accounts.~~

~~NODAL Service CMs 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.~~

2G.9.2.2—Intra-day Margin Calls

~~In accordance with the 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 Procedures – "Protected Payments System").~~

2G.9.2.3—Calculation of Initial Margin

VaR

~~Initial margins are 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 on +44 (0)20 7426 7520~~

2G.10 — TAX

~~NODAL Service CMs should take their own advice 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 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 NODAL Service CM who is or was party to that NODAL Contract, and whom, 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.~~

2G.11 — SETTLEMENT OF NODAL CONTRACTS

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

2G.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 is debited from or credited to the NODAL Service CMs' financial accounts.~~

2G.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.~~

2G.12 — POSITION TRANSFERS

~~NODAL Service CMs will not have the functionality to affect a position transfer to another NODAL Service CM or between internal accounts.~~

Exhibit A- 8
Section 2K of the Clearing House Procedures

See Attached

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position-keeping purposes) within that FXCCM's house position-keeping account. The ForexClear Dealer Clearing Agreement enables an FXD to nominate the "Designated Offices" (i.e. BICs) through which it may submit ForexClear Transactions.

- (b) Submission of a static data form to LCH's membership department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that FXCCM's house position-keeping account.
- (c) Because the single financial account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs ~~(if applicable)~~ and/or per branch ~~(if applicable)~~ will be provided as an estimate (if applicable).

2K.2.3.3 Novation and Registration

- (a) An NDF is a ForexClear Transaction (i.e. eligible for registration as a ForexClear Contract) if it satisfies the ForexClear Eligibility Criteria (set out at Part B of the Schedule to the ForexClear Regulations) at the Registration Time.
- (b) The ForexClear Service will register ForexClear Transactions submitted during the Opening Hours, provided that all FXCCMs have sufficient cover for their Liabilities (as defined in Section 6.2) at the time of the relevant Margin Run.
- (c) If any FXCCM does not have sufficient cover for its Liabilities at the time of the relevant Margin Run, then the registration of ForexClear Transactions to which it is party will be suspended until (1) sufficient cover is provided by that FXCCM or (2) until the FXCCM's portfolio risk is reduced by the FXCCM submitting for registration risk reducing ForexClear Transactions or (3) until the FXCCM's portfolio risk is sufficiently reduced as a result of the application of updated market data, at the Clearing House's discretion.
- (d) Once the ForexClear Transaction has passed the Validation Checks (as defined in Section 3.3.1) and the required cover has been provided by the relevant FXCCMs, the Clearing House will send, via the ForexClear Matcher, a message confirming the registration of the ForexClear Transaction as a ForexClear Contract and including a timestamp of the relevant registration time. For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "**Registration Time**" of that ForexClear Contract.
- (e) The definitive report of the registered ForexClear Contract will be shown on the "All Open Contracts" report issued by ForexClear Reporting (as defined in Section 7).
- (f) If an FXCCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FXCCMs will continue to be registered (assuming sufficient cover for their Liabilities has been provided).

- (c) The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) a ForexClear Transaction or ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of a ForexClear Contract only, a ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.
- (d) Where a trade has already been rejected (as a result of having failed a Validation Check), the ForexClear Service sends a "CANCEL REJECTED" message to the ForexClear Matcher for the relevant FXPs.
- ~~(e) If the ForexClear Transaction is "PARKED" but has not been included in a Margin Run, it is cancelled and a "CANCELLED" message is sent to the ForexClear Matcher to confirm to the relevant FXPs that the ForexClear Transaction has been cancelled. The ForexClear Transaction is excluded from the next and future Margin Runs. In accordance with Regulation 106(h), the date and time of the cancellation shall be as reported by the Clearing House via the ForexClear Matcher.~~
- ~~(f)~~(e) If a Margin Run is currently in progress, the request to cancel is routed to a temporary queue for later manual action. Once the Margin Run has finished, the Clearing House will re-submit or reject the request to cancel.
- ~~(g)~~(f) If the ForexClear Contract is "NOVATED", the Clearing House amends the status of the relevant ForexClear Contract to "PARKED PENDING CANCELLATION" and sends this information in a message to the ForexClear Matcher for the relevant FXPs. The effect of the "PARKED PENDING CANCELLATION" ForexClear Contract is included in the next Margin Run.
- ~~(h)~~(g) The ForexClear Contract under sub-paragraph 7-(f) is cancelled if all FXCCMs across the ForexClear Service have pledged sufficient collateral with the Clearing House to cover the margin requirement of the ForexClear Service without that particular ForexClear Contract. If an FXCCM has insufficient collateral pledged, the Clearing House makes a cash margin call via PPS. When confirmation of receipt of the margin call is received, the ForexClear Contract is cancelled. The ForexClear Contract is excluded from future Margin Runs and a "CANCELLED" message is sent to the ForexClear Matcher for the benefit of the relevant FXPs to the now excluded ForexClear Contract. In accordance with Regulation 106(h), the time of dispatch of such message shall be the cancellation date and time in respect of that ForexClear Contract. If an FXCCM is declared a defaulter, the Clearing House will not process any cancellation of a ForexClear Contract to which the defaulter is a party, nor the corresponding ForexClear Contract that arose from the same underlying ForexClear Transaction. All ForexClear Contracts between non-defaulting FXCCMs for cancellation (assuming sufficient cover for their Liabilities has been provided) will be cancelled.

2K.3.6 Backloading of Trades

The Clearing House applies the Settlement Rate to all relevant ForexClear Contracts at a predefined time (see Section 4.3 below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear Contract. FXCCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting (as defined in Section 7) on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FXCCMs.

2K.3.7.2 Process Flow Description

- (a) After the Registration Time for a ForexClear Contract, the ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.
- (b) On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.
- (c) If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

2K.3.8 Settlement

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

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open ForexClear Contracts will have resulted in variation margin (“VM”) credits and debits between the parties (as set out at Section 5.2). With respect to each ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the ForexClear Contract, the result of which is a Net Settlement Amount (“NSA”), which will be reflected in the FXCCMs’ cash accounts with the Clearing House on the Settlement Date. As such, with respect to each ForexClear Contract, the payment in full of all the VM required during the term of such ForexClear Contract shall satisfy the relevant party’s obligation to pay the Settlement Currency Amount on the Settlement Date of such ForexClear Contract. For the purpose of providing Nostro reconciliations, to the relevant parties, the Clearing House will provide Reporting (as defined in Section 7) which will reflect an entry for the “Settlement Currency Amount” and a separate entry for the reversal of the aggregate net VM which has been paid/received through the term of the ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the ForexClear Contract Terms.

2K.3.9 Portfolio Management

Each FXCCMs shall provide pricing data to the Clearing House in accordance with the ForexClear Market Data Interface (a document issued by LCH and as amended from time to time) as amended from time to time (save in the case of there being more than one FXCCM in the same corporate group, in which case each such FXCCM shall ensure that one of those FXCCMs complies with this requirement).

This data is used to calculate the NPV (as defined in Section 5.1.2 below) of ForexClear Contracts.

2K.5.1.2 Net Present Value (“NPV”)

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Sections 4.2 and 5.1.1).

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

If Valuation Postponement applies, the ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs, in accordance with Sections 4.2 and 5.1.1) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

2K.5.2 Variation Margin (“VM”)

VM for each ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FXCCM, the net sum of the VM for all open ForexClear Contracts is credited to or debited from such FXCCM once a day, following the EOD Margin Run.

Cover for VM (adjusted by PAI, as set out below) will be paid each business day by or to each FXCCM in respect of all of its open ForexClear Contracts. The VM will be calculated in, and must be paid in, USD.

With respect to each ForexClear Contract, VM is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

2K.5.3 Reporting Breakdown

ForexClear margin reports show the portfolio of open ForexClear Contracts of each FXCCM and of each FXD by Currency Pairs and in the Settlement Currency (i.e. USD).

2K.5.4 Price Alignment Interest (“PAI”)

The effect of daily cash VM movements results in the need for PAI. Without this adjustment, the pricing of ForexClear Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.

2K.5.4.1 PAI Calculation Methodology

- (b) A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.
- (c) On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the "**IMMES Trades**").
- (d) The Clearing House then analyses the relevant FXCCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.
- (e) The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.
- (f) If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the ForexClear Matcher for registration.

2K.6 GENERAL MARGINING PROCESS

A "**Margin Run**" is the process by which the Clearing House calculates an FXCCM's IM requirement (if any) and, during an EOD Margin Run, its VM requirement and PAI adjustment (if required) (together its "**Margin Requirements**"); and (a) applies that FXCCM's cover to satisfy the Margin Requirements for that FXCCM in respect of the ForexClear Contracts within that FXCCM's portfolio; and/or (b) calls for additional cover (if required) to cover the relevant Margin Requirement.

2K.6.1 Types of Margin Runs

There are ~~three~~four types of Margin Run:

2K.6.1.1 ITD/Ad Hoc - Day Margin Run

- (a) ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FXCCMs from time to time (the "**Schedule**") or as necessary, and are performed in the time period during which a PPS call can be made (the "**ITD/Ad-hoc Day Margin Run**"). PPS times are published on the Clearing House's website at: http://www.lchclearnet.com/risk_management/itd/pps/.
- (b) ITD/Ad-hoc Margin Runs are calls in respect of IM only. VM and PAI are not included in ITD/Ad-hoc Margin Runs.

2K.6.1.2 EOD Margin Run

- (a) The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 22:00 local London time on that business day (the "**EOD Margin Run**").

- (b) EOD Margin Runs are calls in respect of IM as well as VM and PAI.

2K.6.1.3 ITD / Ad Hoc - Night Margin Run

- (a) ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “**ITD/Ad-hoc Night Margin Run**”).

- (b) ITD/Ad-hoc Night Margin Runs are calls in respect of IM only. VM and PAI are not included in ITD/Ad-hoc Night Margin Runs.

2K 6.1.4 Mini Margin Run

- (a) Mini Margin Run’s (MMRs) will run continuously during the “Service Operating Hours” when ITD/Ad Hoc or EOD Margin Runs are not running or other key daily processes (such as banking opening / closure and date roll) are not running.

- (b) Mini Margin Run’s can take place in (1) MMR-Day Margin Run Mode where they follow the same principles as the “ITD – Day Margin Run” or (2) MMR-Night Margin Run Mode where they follow the same principles as the “ITD – Night Margin Run”.

2K.6.2 Margin Run Process

- (a) Margin Runs cover all registered ForexClear Contracts with the status “NOVATED”, ForexClear Transactions with the status “PARKED” and ForexClear Contracts in respect of which the Clearing House has received a request for cancellation with the status “PARKED PENDING CANCELLATION”. Margins Runs will not cover ForexClear Transactions for which registration has been suspended pursuant to the application of Section 2.3.3.
- (b) Margin runs will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:
 - (i) EOD Margin Run on the Settlement Date; or
 - (ii) EOD Margin Run after the Settlement Rate is published.
- (c) During every Margin Run the Clearing House calculates the IM required and (where applicable) the VM and PAI required to cover each FXCCM’s relevant open ForexClear Contracts and ForexClear Transactions (each a “**Liability**” and together the “**Liabilities**”).
- (d) Each FXCCM’s Liability is offset against that FXCCM’s non-cash collateral account (being a sub-account of the FXCCM’s financial account) (for IM only) or funds in that FXCCM’s cash account (being a sub-account of the FXCCM’s financial account) (for VM/PAI/IM). IM will always be a Liability (payable to the Clearing House) and VM and PAI

may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the “**ForexClear Service Portal**”) which provides reports (at the times specified in Section 7.1) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

~~(f)~~ If following a Margin Run an FXCCM is required to provide additional collateral, this is also indicated ~~in the~~by email and via the ForexClear Service Portal. Registration of ForexClear Transactions and cancellations of ForexClear Contracts to which that FXCCM is a party will be suspended pursuant to Section 2.3.3. cease until all FXCCMs have provided sufficient cover.

~~(g)~~(f) Once it is confirmed that all FXCCMs have sufficient cover, the Clearing House:

- (i) registers each ForexClear Transaction as two ForexClear Contracts and changes the status for each ForexClear Transaction from “PARKED” to “NOVATED” and informs the ForexClear Matcher; and
- (ii) in respect of relevant ForexClear Contracts being cancelled, cancels the relevant ForexClear Contracts and changes the ForexClear Contract status of each relevant ForexClear Contract from “PARKED” to “CANCELLED”.

~~(h)~~(g) The Clearing House acknowledges the ForexClear Contract status and sends a message to the ForexClear Matcher that the ForexClear Transaction/ForexClear Contract (as the case may be) is either “NOVATED” or “CANCELLED” as appropriate.

2K.7 FOREXCLEAR REPORTING

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service, thus an FXCCM will receive reports in respect of ForexClear and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](http://www.lchclearnet.com/images/banking_report_tcm6-48011.pdf).²

In respect of the ForexClear Service, on each business day the Clearing House will provide two sets of reports to FXCCMs: (1) Banking Reports; and (2) reports direct from the ForexClear Service (together “**ForexClear Reporting**”).

² http://www.lchclearnet.com/images/banking_report_tcm6-48011.pdf

These Procedures reference the ForexClear Service specific reports. Each day's report will remain available for download by FXCCMs from the ForexClear Service Portal for five days.

2K.7.1 **Margin Liability Reports**

Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin Run in accordance with Section 6.2 and where additional collateral cover has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that not all the Liabilities of all FXCCMs as covered by collateral by 22:00 local London time.

2K.7.2 **Market Data Reports**

Reports detailing Market Data are provided to FXCCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

2K.7.3 **Trade Reports**

Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.

2K.7.4 **Trade Fixing and Settlement Reports**

Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "NDF Fixings" report), ForexClear Contracts that have been settled during that current business day (the "Settlements Today" report) and ForexClear Contracts that will settle the next business day (the "NDF's Fixed with Settlement Tomorrow" report).

2K.7.5 **Fees Reports**

Reports on trading volumes on a daily and monthly basis are provided to FXCCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FXCCMs choosing to have tariffs levied per transaction.

2K.7.6 **Banking Reports**

[Follow this link for a full list of Banking reports.](#)³

2K.8 **TREASURY OPERATIONS & COLLATERAL MANAGEMENT**

³ http://www.lchclearnet.com/membership/itd/training_and_education/banking_reports_reference_pack.asp

2K.8.1 Cover Distribution

The Clearing House nets each FXCCM's Liabilities (i.e. margins and multipliers) and then the total of cash collateral and non-cash collateral are applied to offset those net Liabilities. This process is known as cover distribution ("**Cover Distribution**"). FXCCMs can choose whether cash or non-cash collateral should be applied first. At the end of this process, if an FXCCM has a shortfall, a PPS (as defined in Section 8.2 below) call for additional collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 local London time, be repaid to the FXCCM.

2K.8.1.1 Cover Distribution Notification

- (a) FXCCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 7.1) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).
- (b) The reports accessed via the ForexClear Service Portal will enable FXCCMs to log in and examine the underlying data.

2K.8.2 Protected Payment System

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

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

Follow the link below for a list of PPS banks operating in the UK and US:

[List of PPS Banks](#)⁴.

2K.8.3 Acceptable Forms of Collateral Cover

Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:

[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral](#)⁵.

2K.8.4 Interest and Accommodation

⁴ http://www.lchclearnet.com/risk_management/ltd/pps/

⁵ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

Interest is paid to FXCCMs on cash collateral held by the Clearing House. The London Deposit Rate (“LDR”) is applied. This rate is set daily at 10.00 local London time.

A utilisation fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House’s Treasury Operations or follow the link below:

[Overview of interest and charges](#)⁶.

2K.9 PAYMENT OF STAMP TAX

Each FXCCM shall pay any Stamp Tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (“**Stamp Tax Jurisdiction**”) or by any other jurisdiction and shall indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House’s execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by any such Stamp Tax Jurisdiction or by any other jurisdiction.

2K.10 DEFAULT MANAGEMENT

2K.10.1 Portfolio Splitting:

As part of the ForexClear Default Management Process, the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear Default Management Group, seek to create:

- (a) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (b) one or more individual Auction Portfolios which are more risk neutral.

2K.10.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;

⁶ http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

**Exhibit B
Certification**

See Attached



AMENDED RULES SELF CERTIFICATION

LCH.Clearnet Limited ("LCH.Clearnet") hereby certifies to the Commodity Futures Trading Commission ("CFTC"), pursuant to the procedures set forth in the Commission Regulations 40.6, that the following:

- Amendments to the rules in LCH.Clearnet's FCM Regulations, FCM Procedures, Default Rules, Default Fund Rules, General Regulations and Section 1, Section 2G and Section 2K of the Clearing House Procedures in relation to the introduction of the LSOC model for the EnClear and ForexClear services and with regards to the introduction of an FCM model for LCH.Clearnet's Nodal service comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of October 19, 2012

By:  _____

Name: Jay Iyer

Title: Chief Compliance Officer

LCH.Clearnet Limited