

**Via Electronic mail**

November 21, 2013

Ms. Melissa Jurgens  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**RE: Changes to LCH.Clearnet Limited's Rules and Regulations –Backloading**

Dear Ms. Jurgens:

Pursuant to §40.6(a) of the Commission Regulations, LCH.Clearnet Limited (“LCH.Clearnet”), a Derivatives Clearing Organization registered with the Commodity Futures Trading Commission (“CFTC”), hereby submits proposed changes to its rules pursuant to Commission Regulation §40.6. As detailed more fully below, LCH.Clearnet proposes to implement the changes to its rulebook.

LCH.Clearnet's SwapClear service is planning to implement changes to the registration process of backloaded trades with effect from December 9, 2013.

**Part I: Explanation and Rationale for the Amendments**

**(i) Backloading**

With effect from 20 May 2013, LCH.Clearnet amended the registration process for backloaded trades (i.e. trades executed more than ten days in the past) and began to register them in the same manner as new trades for the purposes of CFTC Regulation 39.12(b)(7), i.e., to accept or reject them within 60 seconds.

On or before December 9, 2013, LCH.Clearnet is planning to process backloaded trades as a batch, which means that backloaded trades will continue to be accepted or rejected within 60 seconds of the trade submission, however, backloaded trades will only be deemed submitted once funded.

In summary, backloaded trades will be processed intra-day in one backload trade run. Initially one run is proposed which will begin approximately at 15:00 UK time. Trades submitted by the trade source after the initiation of the backload trade run will be held over and included in the next run the following business day, subject to the eligibility criteria.

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

The changes described above are reflected in changes each of the following Rulebook Sections:

- Section 2C of the Clearing House Procedures at Appendix A-1
- General Regulations at Appendix A-2
- FCM Procedures at Appendix A-3
- FCM Regulations at Appendix A-4

The rule changes can be summarised as follows:

Section 2C.3.5 of the Clearing House Procedures has been updated to state that backloaded trades are treated differently from new trades.

At Section 2C.3.6 new procedures have been added to address how backloaded trades are cleared:

- Post Clearing Member acceptance of a SwapClear Transaction, LCH.Clearnet will calculate the incremental margin increase and notify Clearing Members of the increase.
- LCH.Clearnet then calls this from the Clearing Members participating in the Backload Registration Cycle. SwapClear Tolerance, MER Cover and other excess collateral is not available to cover this margin call unless excess is lodged solely for that purpose (as described below).
- Once cover has been delivered, LCH.Clearnet will make an additional margin call to cover any SwapClear Tolerance usage since the original margin call described above was issued (although such usage is unrelated to the registration of the Backloaded trades).
- The third paragraph provides that where a Clearing Member determines that the VM payments associated with a portfolio of backloaded trades will be in excess of a published threshold then the Clearing Member must notify LCH.Clearnet. Where such a notification is not received, and a VM payment is excess of the published amount is called' then LCH.Clearnet may exclude the relevant Clearing Member from the Backload registration cycle. Where a Clearing Member does notify LCH.Clearnet, instructions will be given to pre-fund the cover in respect of the change in NPV.
- Where the aggregate change in total margin required associated with all trades that form part of the Backload registration cycle is in excess of a pre-published amount then LCH.Clearnet may cancel the Backload registration cycle.
- Cover must be received from all members involved in a Backload registration cycle in order for the associated trades to register.

The General Regulations have been updated with the insertion of new definitions (backload trade and backload registration cycle. Equivalent changes have been made to the FCM Rulebook (FCM Procedures and FCM Regulations).

In addition to these changes, LCH.Clearnet intends to issue a SwapClear circular with the following information to SwapClear Clearing Members (SCM and FCM):

- (i) Dates on which LCH.Clearnet will not process backload requests;
- (ii) The "Aggregate Backload Margin Threshold" will be set at \$500m;
- (iii) The "Individual Backload Value Threshold" will be set at \$100m or equivalent.

The draft circular is attached at Appendix A-5.

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

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the planned changes comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. LCH.Clearnet further certifies that, upon the submission of this material, in compliance with §39.21 of the Commission's regulations, LCH.Clearnet will post a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at

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

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

The rule amendments and other changes described above relate primarily to LCH.Clearnet's compliance with Core Principles D (Risk Management), and E (Settlement Procedures). LCH.Clearnet has concluded that its compliance with Core Principles would not be adversely affected by these changes. The changes reflected herein will ensure continued compliance with the Core Principles.

Specifically, the introduction of the Backloading proposal for LCH.Clearnet's SwapClear service complies with CFTC Regulation 39.12(b)(7).

### **Part V: Opposing Views**

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

#### **Certification**

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

Should you have any questions regarding this submission please contact me at [jay.iyer@lchclearnet.com](mailto:jay.iyer@lchclearnet.com)

Sincerely yours,



Jay Iyer, Chief Compliance Officer  
LCH.Clearnet Limited

**cc:** Shawn Durrani, CFTC  
Adam Cohen, CFTC  
Julie Mohr, CFTC  
Susan Milligan, LCH.Clearnet  
Julian Oliver, LCH.Clearnet

Exhibit A-1  
Section 2C of the Clearing House Procedures

At each end of day margin run, the Clearing House will recalculate and call, on an account by account basis, required margin in respect of the MER requirements of each SwapClear Clearing Member currently participating in the MER Arrangements.

#### 2C.3.4 **Approved Trade Source Systems**

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

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

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

The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis and, subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and approved by the relevant SwapClear 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 Approved Trade Source System to the Clearing House or to a SwapClear 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 SwapClear Contract on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System and consented to (where applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

SwapClear Clearing Members shall ensure that Necessary Consents are provided by appropriately authorised personnel. Apart from in respect of Necessary Consents, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any SwapClear Clearing Member suffers any loss through the unauthorised granting of a Necessary Consent.

#### 2C.3.5 **Registration of New Trades**

The following section does not apply to Backloaded Trades, which are dealt with in section 2C.3.6 below.

Prior to it registering a SwapClear Contract, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to provide it with cover for initial and variation margin in respect of such contract as a precondition to registration (taking into account any MER and/or SwapClear Tolerance, if any). In accordance with Regulation 47(d)(iv), a SwapClear Clearing Member becomes obligated to provide such cover (taking into account MER and/or SwapClear Tolerance, if any) to the

Clearing House at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable) by the relevant SwapClear Clearing Member(s) or the relevant SwapClear Clearing Member and FCM Clearing Member (as the case may be) and such SwapClear Clearing Member(s) or such SwapClear Clearing Member and such FCM Clearing Member shall provide such cover prior to registration upon request of the Clearing House. ~~Variation margin can be covered intra-day in non-cash collateral.~~

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation 47 having been satisfied in respect of the related SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see section 2C.1.3) on the SwapClear Clearing Member reporting account.

### 2C.3.6 Backloading of Existing Trades

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

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

Where an individual SwapClear Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change (be it either an increase or decrease) in the net present value of its portfolio of SwapClear Contracts in excess of a threshold amount (the "**Individual Backload Value Threshold**") as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the Backload Registration Cycle. In the event that the

Clearing House does not receive such notification and the change in net present value of the SwapClear Clearing Member's portfolio of SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that SwapClear Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

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

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

Where the Clearing House postpones or cancels a Backload Registration Cycle it shall notify those SwapClear Clearing Members that were intending to participate in the Backload Registration Cycle.

Backloaded Trades received by the Clearing House in advance of a Backload Registration Cycle will be 'parked' until the next Backload Registration Cycle (whether that Backload Registration Cycle is on the same Business Day or the following Business Day).

In order for the registration of the Backloaded Trades included in a Backload Registration Cycle to complete, cover for margin from each SwapClear Clearing Member (and each FCM Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must be provided as required to the Clearing House in advance.

A Backloaded Trade which has been presented for clearing (or with respect to which the Clearing House has received the one or more Necessary Consents, if any) shall be deemed to have been submitted by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) for registration by the Clearing House. ~~In any backloading of a SwapClear Transaction where one leg is to be registered as an FCM SwapClear Contract, the FCM Regulations will apply with respect to such registration of an FCM SwapClear Contract. at such time that the Clearing House determines that sufficient cover has been provided to register that Backloaded Trade.~~

~~It is a pre-condition for registration of any backloaded trades that sufficient cover (taking into account any MER and/or SwapClear Tolerance, if any) for initial and variation margin be provided.~~

For any SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as an FCM SwapClear Contract, the FCM Rulebook will apply with respect to such registration of an FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- i. times of Backload Registration Cycles;
- ii. the Individual Backload Value Threshold; and
- iii. the Aggregate Backload Margin Threshold.

### 2C.3.7 Notification



Exhibit A-2  
General Regulations

<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 Account Assets</i>	- The cover to be transferred to the Receiving Clearing Member in respect of the Account Assets of (i) an Individual Segregated Account Client or (ii) all of the Omnibus Net Segregated Clearing Clients within an Omnibus Net Segregated Account (as applicable).
<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.
<u><i>Backload Registration Cycle</i></u>	= <u><a href="#">Has the meaning assigned to such term in the Procedures.</a></u>
<u><i>Backloaded Trade</i></u>	= <u><a href="#">Has the meaning assigned to such term in the Procedures.</a></u>
<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

Exhibit A-3  
FCM Procedures

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.

## 2A.3.5 Registration of New Trades and Backloaded Trades

### 2A.3.5.1 New Trades:

The following section does not apply to Backloaded Trades, which are dealt with in Section 2A.3.5.2 below.

As a precondition of registering an FCM SwapClear Contract, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to provide no later than the Clearing House’s receipt of the relevant FCM Acceptance (and thereafter maintain) sufficient cover for initial and variation margin in respect of such contract. In determining whether sufficient cover for registration is available, the Clearing House will take into account any available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.

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.A.3.5.2 Backloaded Trades

An FCM SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade ~~Backloaded Trade~~ by the Clearing House (a "backloaded trade ~~Backloaded Trade~~"). Due to the nature of backloaded trades ~~Backloaded Trades~~, FCM Clearing Members should note that a relatively large amount of cover is required in order to register such trades. The Clearing House provides the facility for FCM Clearing Members to load such eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System (currently only MarkitWire). Where the Clearing House approves additional FCM Approved Trade Source Systems for these purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear 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 a Non-FCM SwapClear Contract, the UK General Regulations will apply with respect to such registration of a Non-FCM SwapClear Contract~~ Transaction.

~~It is a pre-condition for registration of any backloaded trades that sufficient cover for initial and variation margin is provided. In determining whether sufficient cover for registration is available, the Clearing House will take into account any available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.~~

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

Where an individual FCM Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change in the net present value of its portfolio of FCM SwapClear Contracts in excess of a threshold amount (the "Individual Backload Value Threshold") as published by the Clearing House from time to time, it shall notify the Clearing House before the

end of the Business Day preceding the Backload Registration Cycle. In the event that the Clearing House does not receive such notification and the change in net present value of the FCM Clearing Member's portfolio of FCM SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that FCM Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

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

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

Where the Clearing House postpones or cancels a Backload Registration Cycle it shall notify those FCM Clearing Members that were intending to participate in the Backload Registration Cycle.

Backloaded Trades received by the Clearing House in advance of a Backload Registration Cycle will be 'parked' until the next Backload Registration Cycle (whether that Backload Registration Cycle is on the same Business Day or the following Business Day).

In order for the registration of the Backloaded Trades included in a Backload Registration Cycle to complete, Margin from each FCM Clearing Member (and each SwapClear Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must be furnished as required to the Clearing House in advance.

A Backloaded Trade which has been submitted for clearing (or with respect to which the Clearing House has received the one or more FCM Acceptance, if any) shall be deemed to have been submitted by the FCM Clearing Member(s) or the FCM Clearing Member and the SwapClear Clearing Member (as the case may be) for registration by the Clearing House at such time that the Clearing House determines that sufficient Margin has been furnished to register that Backloaded Trade.

For any FCM SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as a Non-FCM SwapClear Contract, the UK General Regulations and UK General Procedures will apply with respect to such registration of the Non-FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- i. times of Backload Registration Cycles;
- ii. the Individual Backload Value Threshold; and
- iii. the Aggregate Backload Margin Threshold.

Exhibit A-4  
FCM Regulations

## 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 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 the accounts carried by such FCM Clearing Member on behalf of its FCM Clients, as margin and security for and in respect of the clearing of FCM 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(h)(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 30(p)(iii).
- Applied FCM Buffer* - Has the meaning assigned to such term in FCM Regulation 9(h)(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.

*Backload Registration Cycle* = Has the meaning assigned to such term in the FCM Procedures.

*Backloaded Trade* = Has the meaning assigned to such term in the FCM Procedures.





Exhibit A-5  
Circular

Company Circular No: LCH.Clearnet Limited Circular No [ ]  
Date: [ ] November 2013  
To: All LCH.Clearnet Ltd Members

## Backloading of SwapClear Transactions

LCH.Clearnet Limited currently treats Backloaded Trades in the same manner as any other new SwapClear Transaction. With effect from 9 December 2013, LCH.Clearnet Limited will commence Backload Registration Cycles for the registration and clearing of Backloaded Trades. Under the revised model, Backloaded Trades that are presented to the Clearing House for clearing will be 'parked' until the next Backload Registration Cycle.

A Backloaded Trade is a SwapClear Transaction or FCM SwapClear Transaction that has a trade date of greater than ten calendar prior to the date of presentation for clearing.

Backload Registration Cycles will normally be carried out at or around 15:00 (London time) on each day that the SwapClear service is open. However, in addition Backload Registration Cycles will not be carried out on the following dates:

- Tuesday, December 24, 2013
- Tuesday, December 31, 2013
- Monday, January 20, 2014
- Monday, February 17, 2014
- Thursday, April 17, 2014
- Friday, May 23, 2014
- Monday, May 26, 2014
- Friday, July 4, 2014
- Monday, September 1, 2014
- Monday, October 13, 2014
- Thursday, November 27, 2014
- Friday, November 28, 2014
- Wednesday, December 24, 2014
- Wednesday, December 31, 2014

The Clearing House reserves the right not to carry out a Backload Registration Cycle in the event of market instability or where it otherwise determines that it is prudent not to do so.

The clearing of Backloaded Trades is governed by section 2C.3.6 of the SwapClear Procedures and section 2A.3.5.2 of the FCM Procedures.

Until further notice and in connection with a Backload Registration Cycle:

- (i) the Individual Backload Value Threshold shall be \$100 million (or equivalent); and
- (ii) the Aggregate Backload Margin Threshold shall be \$500 million (or equivalent).

Where a SwapClear Clearing Member determines that the registration of Backloaded Trade(s) in a Backload Registration Cycle will lead to a margin call in excess of the Individual Backload Value Threshold it is required to notify the Clearing House. Such notification must be in the form of the template available on the LCH.Clearnet secure website:

[http://www.lchclearnet.com/secure\\_area/secure/document.asp?file=13213](http://www.lchclearnet.com/secure_area/secure/document.asp?file=13213).

The template is available in the following folder:

[http://www.lchclearnet.com/secure\\_area/secure/document.asp?file=13213](http://www.lchclearnet.com/secure_area/secure/document.asp?file=13213)

Terms used in this circular and not defined herein shall have the meaning assigned in the Clearing House Rulebook or FCM Rulebook, as applicable. References to SwapClear Clearing Member in this circular also include FCM Clearing Members.

**Further information**

If you have any queries or require access to the secure website please contact Client Services at [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)