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3.2.2 PPS Mandate

Each Clearing Member is required to complete a standard form PPS Mandate (see Appendix 3A) 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 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.

3.2.3 Morning PPS Calls

Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see Section 3.3), any shortfall is called through PPS with separate calls made for each currency. It is the responsibility of each Clearing Member to ensure that its 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 hours, 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.

3.2.4 Payments Due to Clearing Members

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

3.2.5 Intraday PPS Calls

The intraday margin call by the Clearing House is for intraday Margin payments. The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intraday margin call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the Clearing Member being declared in Default. Late confirmation of PPS calls may be reported to the regulators of the Clearing House.

3.2.6 Auto repay

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts at collateral.ops.us@lchclearnet.com or +1 (212) 513-5642.

In certain circumstances and following notification to one or more Regulatory Bodies, the Clearing House may disable the auto-repay functionality for one or more Clearing Members. The Clearing House will notify affected Clearing Members in the event that the functionality is disabled.

This paragraph 3.2.6 only applies to Proprietary Accounts of FCM Clearing Members.

3.2.7 Value Date

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Section 3.2.3 and 3.2.5, subject to Section 3.2.9, 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.

3.2.8 Foreign Bank Holidays

The Clearing House has made arrangements with its PPS banks to operate the PPS on all US banking days, including foreign bank holidays.

Confirmation that PPS payments will be made must still be received within the deadlines set out in Sections 3.2.3, 3.2.5 and 3.2.6. 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.

Example: July 4 is a public holiday in the US but not in the UK. July 5 is a normal banking day in the US.

On July 4 the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value July 5.

Please refer to the Clearing Member Circulars for details of the Clearing House opening days and currency holidays at the following link:

http://www.lchclearnet.com/risk_management/lc/benefits_of_the_collateral_management_system.asp

3.2.9 US Bank Holidays

The Clearing House will not register trades on US bank holidays but will provide settlement and payments in non-USD currencies to the extent that it is a good business day in the country of the particular non-USD currency; provided, that if it is not a good business day in any of the US, the UK or Europe, then the Clearing House will not provide settlement or payments in any currencies. PPS Calls in respect of all outstanding intra-day credit tolerances will be made on the Business Day prior to any US bank holiday. PPS Calls in respect of trades submitted for registration on US bank holidays will be made on the next following Business Day.

http://www.lchclearnet.com/risk_management/lhc/acceptable_collateral.asp

3.3.3 **Securities Value Notification**

Clearing Members may obtain details on the value of securities in their account by viewing the relevant reports available on the Member Reporting Website and Member Intranet Report 000036 on the Collateral Management system.

3.3.4 **Collateral Application**

The Clearing House is entitled to realize and/or apply Collateral in whatever order it deems appropriate and may therefore, in its sole discretion, apply cash Collateral to a Clearing Member's liabilities before applying non-cash Collateral.

3.4 **Interest and Accommodation Charge Structure**

3.4.1 **Interest on Cash Balances**

The Clearing House applies interest to Clearing Members' cleared cash balances.

The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay interest on credit cash balances (excluding credit cash balances on SwapClear Client financial accounts); and
- (b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay interest on credit cash balances on SwapClear Client financial accounts.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating interest rates. Any alteration will be effective on the date notified.

3.4.2 **Interest Payable in Respect of Contributions**

The "Default Fund Rate" is the rate at which the Clearing House pays interest to a Clearing Member in respect of the amount equal to the Clearing House's contingent obligation to repay an amount equal to a Clearing Member's Contribution, in accordance with Regulation 306.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating interest rates. Any alteration will be effective on the date notified.

3.4.3 **Price Alignment Interest (PAI) Rate**

To minimize the impact of daily cash 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 and pay interest on cumulative Variation

under its Default Regulations and related Regulations or in relation to the rules of an Approved Trade Source System.

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

Excess Margin Maintained in Proprietary Account

In accordance with Regulation 106A(c), FCM Clearing Members are permitted to maintain Excess Margin in their Proprietary Accounts (regardless of whether any such FCM Clearing Member has elected to have one or more of its Omnibus Client Swaps Account with LCH subject to the With Excess Client Model), but subject to the right of the Clearing House, in its sole discretion, to return such Excess Margin to the FCM Clearing Member. Alternatively, the Clearing House may notify such Clearing Member of the intention to levy a charge in respect of Excess Margin with effect from such date as is notified to the Clearing Member. In the event that the Clearing Member does not remove Excess Margin before the date so notified, the Clearing House may, in its discretion, charge such Clearing Member at the rate of 1 basis point per day until Excess Margin is removed by the Clearing Member through use of a release instruction. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS account. This charge applies only to Collateral lodged with respect to Contracts registered to the FCM Clearing Member's Proprietary 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 Clearing Member. The Clearing House shall have absolute discretion to decide whether and to what extent it is holding Excess Margin at any time.

The ability of FCM Clearing Members to maintain Excess Margin in its Client Sub-Accounts is governed by the provisions of the Rulebook, including Regulation 106A.

4.1.4 Lodgment of Non-Cash Collateral as Replacement for Cash Collateral

This Section 4.1.4 applies only to Proprietary Accounts of Clearing Members. Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days notice of their intention to lodge non-cash Collateral with a value of \$75 million or more, and which is reasonably likely to have the effect that cash of a similar value is repayable by the Clearing House to that Clearing Member as a result of such lodgment. In the event that a Clearing Member seeks to withdraw such non-cash Collateral without giving such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. Clearing Members should contact Treasury Operations for further information (collateral.ops.us@lchclearnet.com). The Clearing House may extend the notice period or vary the minimum Collateral value by written notice to Clearing Members.