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FCM PROCEDURES

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

1. FCM CLEARING MEMBER STATUS

1.1 FCM Clearing Member Application Procedure

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

Applicants approved by the Clearing House for FCM Clearing Member status ("**Approved Applicants**") must, within three months of notification of their approval as an applicant, fulfill all conditions attached to their approval. If an Approved Applicant does not fulfill all such conditions within this three-month period, the Clearing House may, at its sole discretion, require that an Approved Applicant re-apply for FCM Clearing Member status.

Approved Applicants will become FCM Clearing Members with the right to clear one or more Products (categories of FCM Contracts as defined in the FCM Regulations). Separate approval from the Clearing House is required in order to clear each Product. An existing FCM Clearing Member may apply to clear additional Products that it does not currently clear. Please note that FCM Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

- (b) FCM Clearing Member Status: The terms and conditions binding on each FCM Clearing Member are set out in the FCM Rulebook (which includes these FCM Procedures), the FCM Clearing Membership Agreement, the FCM Default Management Process Agreement and the FCM Default Fund Agreement, each as amended from time to time. Two copies of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement will be provided to the applicant who must sign both copies of each (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

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

If and when FCM Clearing Member status is granted, new FCM Clearing Members will receive a duly executed (and dated) copy of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement together with the notification of acceptance and details of any condition(s) attached to FCM Clearing Member status. If granted, FCM Clearing Member status

is subject to a Contribution to the Default Fund of the Clearing House (DF), as determined by the Clearing House under the Default Fund Rules.

- (c) Conditions of Application: An applicant for FCM Clearing Member status must accept that the Clearing House:
- (i) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;
 - (ii) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;
 - (iii) is entitled to provide and/or disclose information to an 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 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 endeavor to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

1.1.1 **General**

- (a) An applicant must, in accordance with the FCM Regulations satisfy the criteria set out in the FCM Regulations and these FCM Procedures in order to be considered for FCM Clearing Member status. These requirements are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

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

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

The applicant and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the market they wish to clear.

The applicant must satisfy the minimum Net Capital requirements, as set out in the FCM Regulations or such greater amounts as may be required by the Clearing House.

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

- (i) in London in each currency including in US dollars and GBP;
- (ii) in the USA in US dollars,

and must execute all necessary PPS mandates for House and Client accounts.

The applicant must maintain a back office:

- (i) remote from the trading desk;
- (ii) with adequate systems (including but not limited to computer and communications systems) and records;
- (iii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the contracts cleared by the Clearing House in which the applicant participates; and
- (iv) with such technology and connectivity as may be stipulated by the Clearing House or by any relevant Exchange.

Applicants for FCM Clearing Member status and FCM Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require FCM Clearing Members to demonstrate compliance with the applicable FCM clearing membership criteria and/or applicable laws and regulations.

- (b) Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to terminate its FCM Clearing Member status, it may do so by giving notice of not less than three months ahead of its proposed termination date. By the close of business on the termination date, the FCM Clearing Member shall ensure that all registered FCM Contracts in its name have been closed-out or transferred so as to ensure that there are no Open Contracts to which it is party to at the termination date. A resigning FCM Clearing Member should note that any and all Executing Parties for which it clears FCM Transactions will be required to find alternative clearing arrangements by this date or will be unable to enter into FCM Transactions unless such Executing Party already has other clearing arrangements in place. For further information on the resignation process, FCM Clearing Members should contact the Clearing House's Membership Department.

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

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 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 capitalized to support the level of risk associated with the FCM Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalized, the Clearing House may also consider:

1. the ratio of FCM Contracts entered into on behalf of an FCM Client compared to those entered for its own account or that of an Affiliate;
2. the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
3. the total amount of Margin and Collateral 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 capitalized to support the level of risk associated with its open FCM 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 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

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

1.4 Reporting

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

1.4.1 Provision of Information

- (a) Each FCM Clearing Member must, within six months from the date on which its annual accounts are made up, provide the Clearing House with an English-language copy of its income statement (or profit and loss statement) and balance sheet, together with a statement that its auditors have reviewed and approved them, in accordance with applicable law in the relevant jurisdiction and in accordance with the requirements of CFTC Regulation 1.16 or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.
- (b) Each FCM Clearing Member must provide the Clearing House in a prompt and timely manner with:
 - (i) copies of all financial returns/reports made to its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC Regulations (including CFTC Regulation 1.12);
 - (ii) those financial reports detailed in CFTC Regulation 1.10;
 - (iii) any information concerning any financial or business development that that the FCM Clearing Member reasonably considers may materially affect the clearing member's ability to comply with the FCM clearing membership criteria or applicable laws or regulations;
 - (iv) copies of all reports that are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations;
 - (v) information and documents regarding the FCM Clearing Member's risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that FCM Clearing Member's financial resources and their settlement procedures;
 - (vi) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an on-going basis; and
 - (vii) notice if the FCM Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or

any other event to which it is required to notify the Clearing House under the FCM Clearing Membership Agreement or the FCM Rulebook.

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

1.4.2 Reduction in Net Capital

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

- (a) shareholders' funds;
- (b) net capital.

1.5 Additional Requirements

1.5.1 Notification of Changes of Ownership

FCM Clearing Members are required to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). In cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not known to the Clearing House, FCM Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House (LCH.Clearnet Limited).

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

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

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

For the avoidance of doubt, this Section 1.5.3 and FCM Regulation 9(n) do not require that FCM Clearing Members furnish the Clearing House with Excess 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 furnish additional security in cash or other Collateral as determined by the Clearing House.

2. PRODUCT-SPECIFIC PROCEDURES

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

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.

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 MER amounts and SwapClear Tolerance Limits;
- (e) calculation of Price Alignment Interest;
- (f) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- (g) allocation and designation of trades to a position-keeping account; and
- (h) 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 Section 2A.3.5) 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 2A.1.3).

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.

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 at +44 (0)20 7426 7200.

2A.2 Operating Times And Calendars

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.

2A.2.2 Opening Hours

Unless notified otherwise, the FCM SwapClear clearing system will be operational during the following hours:

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

However, FCM Clearing Members should note that FCM Acceptances of an FCM Notification submitted during a Business Day shall be accepted by the Clearing House until 00:01 on the following day. The Clearing House will notify FCM Clearing Members in the event that the FCM SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

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 2A.1.3).

2A.3 Registration

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, or otherwise executed by or on behalf of two Executing Parties on an FCM US Trading Venue or other similar venue or facility, and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

2A.3.2 Conditions to Registration

2A.3.2.1 Non-FCM US Trading Venue Transactions

In respect of an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction 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, (such acceptance, the “**FCM Acceptance**”), the FCM Clearing Member shall, pursuant to FCM Regulation 30(b), be deemed to have presented the FCM SwapClear Transaction for clearing.

It is a condition for registration of an FCM SwapClear Transaction that is not an FCM US Trading Venue 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.3.5 of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction that, no later than the Clearing House’s receipt of an FCM Acceptance, the applicable FCM Clearing Member has complied with all requirements to furnish sufficient Margin (taking into account available SwapClear Tolerance, if any) in respect of such FCM SwapClear Contract, except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Block IRS Trade. For the avoidance of doubt, in respect of the registration of such an FCM SwapClear Transaction that is a Block IRS Trade, both FCM Clearing Members must have complied with all requirements to furnish sufficient Margin (taking into account available SwapClear Tolerance, if any) at the time of the Clearing House’s receipt of the second FCM Acceptance in accordance with the foregoing.

2A.3.2.2 FCM US Trading Venue Transactions

In respect of an FCM US Trading Venue Transaction, the relevant FCM Clearing Member shall, pursuant to FCM Regulation 30(b), be deemed to have presented the FCM SwapClear Transaction for clearing when the Clearing House receives details of the FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to Section 2A.3.1 of these FCM Procedures.

In accordance with Section 2A.3.5 of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract resulting from an FCM US Trading Venue Transaction that, no later than the Clearing House’s receipt of the relevant details of the FCM SwapClear Transaction pursuant to Section 2A.3.1, both the

FCM Clearing Members have complied with all requirements to furnish sufficient Margin (taking into account available SwapClear Tolerance, if any) in respect of such FCM SwapClear Contract, except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Block IRS Trade.

2A.3.3 Trade Registration Facilitation: SwapClear Tolerance and Minimum Excess Requirement (“MER”)

In order to facilitate the registration of new FCM SwapClear Transactions by FCM Clearing Members, the Clearing House may require the furnishing of additional Margin from those FCM Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may offer SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including an FCM Clearing Member’s credit rating and risk profile, an analysis of the incremental risk registered by an FCM Clearing Member during an historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to an FCM Clearing Member, whether the FCM Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different FCM Clearing Members.

SwapClear Tolerance:

If an FCM Clearing Member has not furnished sufficient Margin to enable the registration of an FCM SwapClear Contract, then the Clearing House may provide such FCM Clearing Member with temporary “tolerance” in the form of Initial Margin forbearance (“**SwapClear Tolerance**”) to enable such registration. An FCM Clearing Member may utilize SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the Initial Margin that would have been required to cover that FCM Clearing Member’s Initial Margin requirements for newly registered FCM SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary Initial Margin forbearance and an FCM Clearing Member’s utilization of SwapClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of Default Fund resources (except following a default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the “**SwapClear Tolerance Limit**”) which it will make available to an FCM Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to an FCM Clearing Member at the Clearing House’s sole discretion. The Clearing House may adjust the value of an FCM Clearing Member’s SwapClear Tolerance Limit, and/or require an FCM Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant FCM Clearing Member. The Clearing House will provide each FCM Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, an FCM Clearing Member will typically be required to furnish Initial Margin in respect of any SwapClear Tolerance utilized by it in the margin run immediately following the time of the relevant

registration of an FCM SwapClear Contract where SwapClear Tolerance was utilized.

Any failure of an FCM Clearing Member to satisfy an Initial Margin call relating to utilized SwapClear Tolerance may give rise to a default by such FCM Clearing Member — just as any failure by an FCM Clearing Member to satisfy any other type of Initial Margin call may give rise to a default.

Minimum Excess Requirement (“MER”):

The Clearing House has put in place arrangements (the “**MER Arrangements**”) (which will be optional for FCM Clearing Members) under which it will be able to call from each relevant FCM Clearing Member an amount of Margin (the “**MER Cover**”), in respect of that FCM Clearing Member’s potential Margin requirements (with respect to the registration of FCM SwapClear Contracts) for the following day.

The Clearing House will calculate MER for each participating FCM Clearing Member using the same methodology and will publish such methodology to FCM Clearing Members. The Clearing House will provide 30 days’ notice before implementing any changes to the methodology used for calculating MER.

FCM SwapClear Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that an FCM Clearing Member wishes to change its participation status (the “**Participation Status**”) from opting in to the MER Arrangements to opting out, or vice versa, it should contact the Clearing House to request applicable documentation (swapclear.clientservices@lchclearnet.com). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. An FCM Clearing Member’s Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of an FCM Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such FCM Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each FCM Clearing Member participating in the MER Arrangements will be called for MER Cover separately in respect of its Proprietary Account and/or its FCM Omnibus SwapClear Client Account with LCH. MER Cover is part of an FCM Clearing Member’s required Initial Margin. Hence, for the avoidance of doubt, failure to furnish MER Cover when required by the Clearing House will constitute a breach of these FCM Procedures and the FCM Regulations. MER Cover deposited to an FCM Omnibus SwapClear Client Account with LCH is credited to its FCM Buffer Sub-Account, and treated as FCM Buffer. Any FCM Buffer (but not including Encumbered FCM Buffer) maintained in an FCM Omnibus SwapClear Client Account with LCH at End of Day is credited towards the satisfaction of any MER requirements applicable to such account during the End of Day margin run.

As FCM SwapClear Contracts are registered to an FCM Clearing Member’s relevant accounts, the Clearing House will apply any available MER Cover (which is treated as FCM Buffer when held in an FCM Omnibus SwapClear Client Account with LCH) as Initial Margin in respect of such newly registered FCM SwapClear Contracts prior to utilizing any available SwapClear Tolerance (if any).

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 applicable to each FCM Clearing Member participating in the MER Arrangements on such day.

2A.3.4 SwapClear FCM Approved Trade Source Systems and FCM US Trading Venues

2A.3.4.1 FCM Approved Trade Source Systems

Currently the FCM Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg, Tradeweb and TrueEx. 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.

2A.3.4.2 FCM US Trading Venues

While the Clearing House receives details of an FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to Section 2A.3.1 of these FCM Procedures, such FCM Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by an FCM US Trading Venue (where such FCM SwapClear Transaction is executed on such FCM US Trading Venue). Additionally, the Clearing House may rely on details relating to an FCM SwapClear Transaction obtained from an FCM US Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 30. In this regard, the Clearing House may direct the FCM US Trading Venues to use prescribed format messages or classifications.

Notwithstanding the approval by the Clearing House of any FCM US Trading Venues, 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 US Trading Venue or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM US Trading Venue. Such matters form part of the relationship between the FCM Clearing Members and that FCM US Trading Venue.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM US Trading Venue on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, may register any FCM SwapClear Contract arising from such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and the relevant FCM US Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the FCM US Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM US Trading Venue to the Clearing House 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 recorded by it or sent to it by an FCM US Trading Venue, 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.

2A.3.5 Registration of New 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 resulting from an FCM SwapClear Transaction that is a Block IRS Trade, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to furnish to the Clearing House no later than the Clearing House's receipt of the relevant FCM Acceptance or, where such FCM SwapClear Contract results from an FCM US Trading Venue Transaction, no later than the Clearing House's receipt of the relevant FCM SwapClear Transaction details (and thereafter maintain) sufficient Margin in respect of such FCM Contract. In determining whether sufficient Margin 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. In respect of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not a Block IRS Trade, the FCM Clearing Member in whose name such FCM SwapClear Contract is registered shall furnish the Clearing House with sufficient Margin in respect of such FCM SwapClear Contract at such time after the registration of such FCM SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a Block IRS Trade where one or both of the relevant FCM Clearing Members has not furnished sufficient Margin prior to registration, the FCM Clearing Members shall be bound by the terms of the FCM SwapClear Contract relating thereto arising under FCM Regulation 30 (and in particular by paragraphs (c), (i) and (j) thereof) and any other applicable provision of the FCM Rulebook; and (ii) if the Clearing House rejects an FCM SwapClear Transaction that is not a Block IRS Trade for insufficient Margin, the Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the FCM SwapClear Transaction on the correct basis but the Clearing House shall not be liable to any FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Transaction.

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.

2A.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 by the Clearing House (a "**Backloaded trade**"). Due to the nature of 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 Transaction.

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.

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 2A.1.3) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

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 (including a trade submitted by or on behalf of an FCM Clearing Member that was executed on a (i) US Trading Venue that was not at the time of execution of such trade an FCM Eligible US Trading Venue in respect of such FCM Clearing Member or (ii) trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as an FCM US Trading Venue) or which contain invalid or incomplete message data, or with respect to which the Clearing House has not been furnished with sufficient Margin (taking into account available SwapClear Tolerance, if any), will be rejected, except that such Margin shall be required to be furnished prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade. 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.

2A.4 Position Accounts

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.

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 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 accounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via SwapClear FCM Clearing Member Reporting (see 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 its name.

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:

2A.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH SwapClear Client Segregated Depository Account used for Initial Margin Flows
	Client	L	LCH SwapClear Client Segregated Depository Account used for Variation Margin Flows

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

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
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

The E Account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

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

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

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

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 Margin, as determined by the Clearing House, is furnished to the Clearing House to cover the Clearing House's Margin requirements for each FCM SwapClear Transaction (taking into account, for these purposes, available SwapClear Tolerance, if any), except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such FCM SwapClear Transaction is a Block IRS Trade.

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 31. The NPV so determined must, subject to Intra-day Registration (see Section 2A.3.5), 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.

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.

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
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CAD	20:00
CHF LIBOR & OIS	16:15
CZK	16:15
DKK	16:15
EURO LIBOR	16:15
GBP LIBOR	16:15
HKD	12:00
HUF	16:15
JPY	12:00
NOK	16:15
NKD	12:00
PLN	16:15
SEK	16:15
SGD	12:00
USD	
LIBOR & OIS	20:00
ZAR	16:15
EURO OIS	18:15
GBP OIS	17:15

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website after the end of each Business Day.

2A.6.4 Variation Margin

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be credited to or debited from the applicable FCM Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be credited to or debited from such FCM Clearing Member's financial accounts in cash in denomination currency.

2A.6.5 Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for FCM SwapClear Transactions cleared through the Clearing House, the Clearing House will for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see Section 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

2A.7 Coupon Payments

2A.7.1 Calendars and Coupons

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see 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.

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:

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

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:

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

2A.7.4 OIS Coupon Calculation

Compounding Rate Calculations

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

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

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

Where:

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

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

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

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

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

CHF-TOIS-OIS-COMPOUND

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

Where:

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

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

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

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

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

GBP-WMBA-SONIA-COMPOUND

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

Where:

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

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

“SONIA_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

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

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.

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 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:

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

Where:

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

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.

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.

2A.7.9 Calculation Periods

In respect of any Calculation Period that is not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period

shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

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);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) if "30/360", "360/360", "Bond Basis", "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

$$((Y2 - Y1) * 360) + ((M2 - M1) * 30) + (D2 - D1)$$

where D1, M1 and Y1 are the day, month and year respectively on which the period begins and D2, M2 and Y2 are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

- (i) if "30/360", "360/360" or "Bond Basis" is specified the Clearing House will
 - if D1 is 31 amend it to 30,
 - if D2 is 31 amend it to 30 only if D1 is 30 or 31; or
- (ii) if "30E/360" or "Eurobond Basis" is specified the Clearing House will
 - if D1 is 31 then amend it to 30
 - if D2 is 31 then amend it to 30.
- (e) For Actual/Actual (ISMA): "The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as

published in April 1999, as applied to straight and convertible bonds issued after December 31, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond”.

2A.7.11 Day Count Fractions: ISDA 2006

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

Where the FCM SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if “Actual/Actual”, “Actual/Actual (ISDA)”, “Act/Act”, or “Act/Act-(ISDA)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if “Actual/360” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) “30/360”, “360/360” or “Bond Basis” is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (e) if “30/E60” or “Eurobond basis is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: “Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

- (f) if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: “Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

- (g) If “Actual/Actual” (ICMA) or “Act/Act” (ICMA) is specified, a fraction equal to “number of days accrued/number of days in year”, as such terms are used

in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the “**ICMA Rule Book**”), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US Dollar denominated straight and convertible bonds issued after December 21, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

2A.7.12 **Reset Rates**

Reset Rates will be published by the Clearing House via the Rate Reset reports.

The Clearing House will apply the following principles in calculating Reset Rates:

- (a) “GBP-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.
- (b) “USD--LIBOR-BBA” the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (c) “Euro-LIBOR-BBA” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (d) “Euro-EURIBOR-Telerate (ISDA2000)” / “Euro-EURIBOR-Reuters” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours, Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (e) “JPY-LIBOR-BBA” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (f) “CHF-LIBOR-BBA” means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (g) “AUD-BBR-BBSW” means that the rate for a Reset Date will be the average mid-rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.
- (h) “AUD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

- (i) “CAD-BA-CDOR” means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.
- (j) “CAD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (k) “CZK-PRIBOR-PRBO” means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.
- (l) “DKK-CIBOR-DKNA13” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.
- (m) “DKK-CIBOR2-DKNA13” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.
- (n) “HKD-HIBOR-HIBOR=” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption “FIXING@11:00” as of 11:00 hours, Hong Kong time, on that Reset Date.
- (o) “HKD-HIBOR-HKAB” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.
- (p) “HKD-HIBOR-ISDC” (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.
- (q) “HUF-BUBOR-Reuters” means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.
- (r) “NOK-NIBOR-NIBR” means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.

- (s) “NZD-BBR-Telerate” (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.
- (t) “NZD-BBR-FRA” means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of “FRA” as of 11:00 hours, Wellington time, on that Reset Date.
- (u) “SEK-STIBOR-SIDE” means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption “FIXINGS” as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.
- (v) “SGD-SOR-VWAP” means that the rate for a Reset Date will be the synthetic rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSFIX01 Page under the heading “SGD SOR rates” as of 11:00 a.m., London time, on the day that is two Singapore and London Banking Days preceding that Reset Date.
- (w) “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.
- (x) “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.
- (y) “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.
- (z) “CHF-TOIS-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in 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).
- (aa) “GBP-WMBA-SONIA-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in 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).

- (bb) “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 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).
- (cc) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in 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.

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.

2A.7.14 Negative Interest Rate Method

FCM Clearing Member should note the provisions of Section 3.3 of Part A of 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.

2A.8 Initial Margin

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

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

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

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 on-going basis. FCM Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

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. Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 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 Section 3.2.1). 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.

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

2A.8.4. **Tenor Basis Risk Margin Add-on**

A margin add-on will be applied in respect of tenor basis risk.

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

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 the Margin needed to meet that intra-day margin call.

Cash payments in respect of intra-day Margin requirements 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.

2A.10 Declearing and Compression

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

- (a) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member by 19:00 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 30(n), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2A.11 Affiliate Clearing

Under FCM Regulation 5, FCM Clearing Members are permitted to clear for Affiliates through their Proprietary accounts.

2A.12 Transfers of FCM Clients; Defaulting FCM Clients and Affiliates

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one FCM Clearing Member to another FCM Clearing Member, pursuant to and in accordance with FCM Regulation 8 and these FCM Procedures.

2A.12.1 Partial Transfers of FCM Clients

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 2A.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 Section 2A.12.4.

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 SwapClear Contracts.

2A.12.2 Full Transfers of FCM Clients

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 2A.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 Collateral furnished to 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 Section 2A.12.4.

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 the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Collateral (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 Collateral, if applicable) is actually effected or is rejected.

2A.12.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer Collateral 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 2A.D) which Collateral 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 Collateral from the FCM Clearing Member's FCM Omnibus SwapClear Client Account with LCH (such Collateral as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the Collateral that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the Collateral 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 Collateral. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated Collateral 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 furnish to the Clearing House sufficient Collateral in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers Collateral 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.

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: 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 Collateral 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	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	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

<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>
	certain FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Contracts pursuant to a request from the Receiving FCM Clearing Member.	from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 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 to 10:00		LCH notifies the Receiving FCM Clearing Member of the Collateral that will be transferred or that Collateral will not be transferred. Where Collateral will not be transferred, transfer is treated as a full transfer (without Collateral).	

<u>Time</u> (all references below are to New York City time)	<u>Partial Transfer</u>	<u>Full Transfer (with Collateral)</u>	<u>Full Transfer (without Collateral)</u>
Day 2: 14:30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated Collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 03:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional Collateral 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 Collateral from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Collateral 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.

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via Member Circular.

2A.12.5 [Reserved]

2A.12.6 [Reserved]

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.

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.

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

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

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 House's requirements including under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

2A.14.1 **Trade Reference Amendment Request Form**

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any FCM Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the FCM Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the FCM Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days (the "**Trade Reference Amendment Notice Period**") after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House's records and FCM SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the FCM Clearing Member will be advised in due course of the date set by the Clearing House.

2A.14.2 **Multi-trade Amendments**

If an FCM Clearing Member requests amendment to several trades it must (in addition to providing the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +44 (0) 20 7426 7697). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the FCM Clearing Member will be advised accordingly.

2A.14.3 Processing

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- it is not made in accordance with these FCM Procedures;
- any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the FCM Clearing Member's trade reference which the Clearing House has recorded;
- the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the FCM SwapClear clearing system;
- any trade referred to in the Trade Reference Amendment Request Form is not already registered in the FCM SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment; or
- it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavors 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.

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.

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**").

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 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 an 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.

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 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.

2A.15.4 **Outsourcing**

Pursuant to FCM Regulation 3(c)(vii) and 3(c)(viii), an FCM Clearing Member may appoint a third party to fulfill one or both of 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
- Any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FCM Clearing Member wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

1. details of the third party entity that the FCM Clearing Member wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
2. evidence of the existence of a legally binding agreement between the FCM Clearing Member and the third party; and
3. such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FCM Clearing Member successfully appoints an LCH Approved outsourcing Agent, that FCM Clearing Member may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FCM Clearing Members should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FCM Clearing Members (*i.e.*, required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FCM Clearing Member, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FCM Clearing Member shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FCM Clearing Member of its obligations under the 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.

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 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 Appendix 2A.E covering confidentiality, non-disclosure and other terms.

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.

In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM SwapClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM SwapClear Contracts to be liquidated into an account at 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 relevant Collateral in respect of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations

and Part 22 thereof) in the relevant FCM Omnibus SwapClear Client Account with LCH 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 Client 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 Client 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 for the account of the 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 Required Margin with respect to its FCM SwapClear 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 Required Margin associated with the Hedged Account with respect to all positions (including all FCM SwapClear 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 SwapClear 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 Required Margin applicable to the transferred FCM SwapClear 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 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 "unit value" of each FCM SwapClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a "auction value adjustment". For purposes of this clause (v), (1) "**unit value**" means the value applied to each FCM SwapClear Contract, based on the net present value and outstanding notional value associated with each such FCM SwapClear Contract, and (2) "**auction value adjustment**" means a ratio applied to an FCM SwapClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM SwapClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) are without reference to any Risk Factor or 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 Sub-Account.

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.

2A.17 Section 696, Corporation Tax Act 2009

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs ("HMRC") raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable endeavours to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

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
21:00	Deadline for PPS calls in London
24:00	SwapClear Closes

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:

the request to transfer as detailed above;
 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;
 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;
 that the transfer detailed above may require that additional Margin be furnished 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 Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
 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 in respect of FCM SwapClear Contracts; and
 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
 17 State Street
 New York NY 10005

**APPENDIX 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 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 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 Collateral in accordance with FCM Regulation 8(d).

- The FCM Client wishes to transfer Collateral
- The FCM Client does NOT wish to transfer Collateral

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 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 Margin be furnished to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above) even where Collateral are transferred, and that LCH.Clearnet is not required to affect the transfer if it has not received adequate Margin 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 Collateral, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet to identify the correct Collateral to be transferred, and (y) while LCH.Clearnet will attempt to transfer the specified Collateral 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 in respect of FCM SwapClear Contracts; and
- 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 Client Services.
 Insert email: swapclearclientservices@lchclearnet.com

Insert telephone number: +44 (0) 207 426 7651

SwapClear Client Services
 Aldgate House
 33 Aldgate High Street
 London EC3N 1EA
 UNITED KINGDOM

SwapClear Client Services
 17 State Street
 New York NY 10005
 USA

Schedule of transferring FCM SwapClear Contracts:

****Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM SwapClear Contracts in order that LCH.Clearnet can determine the identity of the relevant Carrying FCM Clearing Member.**

APPENDIX 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 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 SwapClear 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 Collateral be transferred and the relevant Collateral are described in the schedule below.

Schedule of Collateral:

The Collateral of the FCM Client consists solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

The Collateral of the FCM Client consists 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 or +1 212 513 8265

Fax: +1 212 513 8290

SwapClear Client Services
 Aldgate House
 33 Aldgate High Street
 London
 EC3N 1EA
 UNITED KINGDOM

SwapClear Client Services
 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 2A.E
CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN
THE DEFAULT MANAGEMENT GROUP

1. Definitions

1.1 **"Confidential Material"** means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the 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 **"DMG Member"** means an individual appointed by a Nominating FCM Clearing Member.

1.3 **"Nominating FCM Clearing Member"** means a SwapClear Member who, through their obligations under the SwapClear DMP, makes available a representative to serve on the SwapClear DMG.

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 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 DMG Member is female.

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. Confidentiality

2.1 The FCM Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Appendix 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 FCM Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :

2.1.1 it comes into the public domain other than through a breach by the FCM Clearing Member of this Appendix; or

2.1.2 the FCM Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other

request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FCM Clearing Member.

2.2 The FCM Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FCM Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Appendix might result in the gaining of an unfair commercial advantage by the FCM Clearing Member over other members of the Clearing House SwapClear Service.

2.3 Subject to paragraph 2.5, the FCM Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

2.4 The FCM Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

2.5 This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FCM Clearing Member.

3. Secrecy

3.1 Except in accordance with the terms of this Annex, the FCM Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

3.1.1 Confidential Material;

3.1.2 the fact that it has received any Confidential Material;

3.1.3 the existence of any discussions or negotiations between the parties in this matter;

3.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the foregoing. Subject only to the FCM Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 2.1.1 and 2.1.2.

3.2 The Clearing House undertakes to ensure that the FCM Clearing Member is fully apprised of information on the SwapClear DMP that it makes public and which is accordingly of relevance to the FCM Clearing Member's obligations.

4. Property

4.1 The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FCM Clearing Member or any FCM Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the FCM Clearing Member or any FCM Clearing Member unless expressly so agreed by the Clearing House in writing.

5. Return of Confidential Material

5.1 Upon request by the Clearing House, and in any event upon 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. No Representations or Warranties; No Conflict of Interest

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 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. Liability

7.1 Subject to FCM 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 FCM Clearing Member or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or 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 Under no circumstances shall the Clearing House have any liability to the FCM Clearing Member for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

8. Remedies

8.1 Without affecting any other rights or remedies that the Clearing House may have, the FCM Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this 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 and General Terms of Participation in SwapClear DMG

9. Conflict of interest

9.1 The FCM Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the 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. Confidentiality

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 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 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 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. Warranty and Representation

11.1 The FCM Clearing Member represents and warrants that it will procure that:

11.1.1 the Nominating FCM Clearing Member and the SwapClear DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

11.1.2 nothing in this 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. Confidentiality and Non-Disclosure: General Obligations of the Clearing House

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Annex to the Agreement, confining use to the 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. Third Party Rights

13.1 A person who is not a party to this Annex shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

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 Collateral 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 5, 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 5, 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**

Trading Account	Financial Account		
C	Client	C	LCH ForexClear Client Segregated Depository Account used for Initial Margin Flows
	Client	L	LCH ForexClear Client Segregated Depository Account used for Variation Margin Flows
H	House	H	Proprietary Account

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations

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 B
additional cash in relation to Proprietary business

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

Unallocated Excess account (Client), used for holding U
excess cash and non-cash Collateral in relation to FCM
Client Business

The E and U accounts are Cleared Swaps Customer Accounts as defined in Part 22 of the CFTC Regulations.

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. The Clearing House will register (or reject) an FCM ForexClear Contract in respect of an FCM ForexClear Transaction presented for registration as quickly as would be technologically practicable if fully automated systems were used (i.e. the standard required in Part 39 of the CFTC Regulations).

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 furnish all Margin 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.

Prior to registering an FCM ForexClear Contract, the Clearing House will require the FX FCM in whose name such FCM ForexClear Contract is to be registered to provide and maintain sufficient Margin for its Liabilities (as defined in Section 2B.17) (or its estimated Liabilities) (taking into account any MER Buffer (as defined in Section 2B.12.2) and any MCE (as defined in Section 2B.12.3) made available by the Clearing House, if any) as a precondition to registration. This Margin check process is referred to as the "Incremental Risk Check" (as defined in Section 2B.8.2).

If any FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any submitted and unregistered FCM ForexClear Transaction to which it is a party and that is subject to such Incremental Risk Check will be rejected.

Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2B.8.1), the Clearing House will send, via the FCM Approved Trade Source System, a message confirming the registration of the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and including a date stamp 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 such FCM ForexClear Contract(s).

The definitive report of a 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 Margin for their Liabilities or estimated 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 are MarkitSERV and Traiana. 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, 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 Technical Validation Check (as defined below) and Incremental Risk Checks (as defined in Section 2B.8.2) 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 Technical 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

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	BRS & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	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-COP	USD & COP	New York and Bogata	USD	New York City
USD-IDR	IDR & SGD	Jakarta and Singapore	USD	New York City
USD-INR	INR	Mumbai	USD	New York City
USD-KRW	KRW	Seoul	USD	New York City
USD-MYR	MYR	Kuala Lumpur	USD	New York City
USD-PHP	PHP	Manila	USD	New York City
USD-RUB	USD & RUB	New York and Moscow	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 Margin, 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 Incremental Risk Checks

The Clearing House will apply an “Incremental Risk Check” to each individual FCM ForexClear Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FX FCM’s Liabilities (including the new FCM ForexClear Transaction) against available Margin (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any FCM ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FX FCM’s Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

Both FXCCMs to the FCM ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) in those FXCCM’s names.

If either (or both) FXCCM(s) to an FCM ForexClear Transaction fail(s) the Incremental Risk Check(s), then the FCM ForexClear Transaction will be rejected immediately, and a rejection message will be issued to the FCM Approved Trade Source System indicating which (or both) FXCCM(s) has failed the Incremental Risk Check(s).

2B.8.3 Registration

Once it is confirmed that the transaction has passed the Validation Checks for the relevant FXCCMs, the Clearing House:

- (a) registers the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and changes the status for the FCM ForexClear Transaction to “NOVATED” and informs the FCM Approved Trade Source System; and

- (b) 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 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.8.4 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.8.5 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 during the Opening Hours. The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

2B.8.6 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 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 Counterparty Technical Validation Check), the FCM ForexClear Service sends a "CANCEL REJECTED" message to the FCM Approved Trade Source System for the relevant FXPs.

All trade cancellation instructions must pass the Incremental Risk Check. If any FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FX FCM's Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

2B.8.7 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.8.8 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:

Currency Pair	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)
USD-BRL	BRL PTAX (BRL09)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR IVWAP (IDR03)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-MYR	MYR PPKM (MYR03)
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.8.9 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.8.10 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 in Section 2B.10.2). 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.8.11 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 is required.

The Valuation Date and/or the Settlement Date of the affected FCM ForexClear Contracts will automatically 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 – contributing FXCCMs (including FX FCMs).
- Frequency - every time updated by contributing FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.

FX Swap Points:

- Source - contributing FXCCMs (including FX FCMs).
- Frequency - every time updated by contributing 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 in 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

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 Paolo)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)
COP	COP TRM (COP02)	10:30 (Bogota)
IDR	IDR IVWAP (IDR03)	11:30 (Singapore)
INR	INR RBIB (INR01)	12:30 (Mumbai)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
MYR	MYR PPKM (MYR03)	11:10 (Kuala Lumpur)
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.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 **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).

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) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

2B.10.2 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.10.3 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.10.4 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.10.5 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.10.5, “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.10.2 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.10.6 **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 furnish it with 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 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 market data submitted by FXCCMs pursuant to Section 2B.9.

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 Margin 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, MER Buffer, MCE and Intraday Margin Calls

2B.12.1 Additional Margin

The Clearing House may require an FX FCM to furnish additional amounts of Margin (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.12.2 Minimum Excess Requirement Buffer (“MER Buffer”)

To facilitate the intraday registration of FCM ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FX FCM, separately in respect of its Proprietary Account and each of its FCM Client Sub-Accounts, an amount of IM referred to as “Minimum Excess Requirement Buffer” (“**MER Buffer**”) in respect of that FX FCM’s and its FCM Clients’ potential intraday Liabilities (as defined below in Section 2B.17) for the following day. MER Buffer is part of the FX FCM’s Required Margin. An FCM’s MER Buffer is calculated in respect of an FCM’s Proprietary Account and each of its FCM Client Sub-Accounts, and Margin furnished in respect of MER Buffer is credited to each account (as applicable) as IM.

The required amount of MER Buffer for each applicable account of an FX FCM is expressed as a percentage of start-of-day portfolio IM for such account. The MER Buffer for each account is calibrated daily based on recent activity within the relevant account such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative IM changes over a given number of historical business days.

The parameters of the MER Buffer model are: MER percentile, MER look-back period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FX FCM’s IM history across the ForexClear Service.

As FCM ForexClear Contracts are registered in an FX FCM’s relevant accounts, the Clearing House will, in accordance with the Margin Run process, calculate the FX FCM’s intraday Liabilities (or, in the case of an Incremental Risk Check, the FX FCM’s estimated Liabilities), taking into account any IM posted as MER Buffer in the applicable account.

At each EOD Margin Run, the Clearing House will recalculate and call the FCM’s Required Margin, which includes MER Buffer for all accounts.

2B.12.3 Mutualized Credit Extension (“MCE”)

If an FX FCM has insufficient Margin attributed to an account to enable the registration of further FCM ForexClear Contracts in such FCM Client Sub-Account or its Proprietary Account, then the Clearing House may make available to an FX FCM intraday credit (in the form of intraday Initial Margin forbearance) by way of a Mutualized Credit Extension (“**MCE**”) to enable the FX FCM to register further FCM ForexClear Contracts. An FX FCM may utilize MCE intraday on a one-to-one basis to the value of the IM that would have been required to cover that FX FCM’s Liabilities (or, in the case of Incremental Risk Checks, the FX FCM’s estimated Liabilities). The amount of the MCE made available to an FX FCM in aggregate during any one day must not exceed an amount that is the lesser of: (a) 50% of the ForexClear MCE Default Fund Buffer; or (b) the sum of the FX FCM’s IM and ForexClear Contribution. The amount of the “**ForexClear MCE Default Fund Buffer**” is currently zero and therefore the Clearing House will not provide MCE to any FX FCM until further notice.

For the avoidance of doubt, MCE is provided in the form of intraday Initial Margin forbearance and an FX FCM's utilization of MCE does not give rise to any payment or transfer of Collateral by the Clearing House nor does it result in any use of the ForexClear Fund Amount (except in events of default).

All MCE credit extended on any given day shall be revoked at the close of business on such day (unless revoked earlier in accordance with the following paragraph). As part of each EOD Margin Run, the Clearing House will call IM from each FX FCM to replace any utilized MCE and that FX FCM's MCE will be reset for the following day (assuming such FX FCM has satisfied any margin calls). Any failure of an FCM Clearing Member to satisfy an IM call relating to the replacement of MCE constitutes a default by such FCM Clearing Member—just as any failure by an FCM Clearing Member to satisfy any other type of IM call constitutes a default.

The MCE is made available at the Clearing House's sole discretion. In particular (but without limitation), the Clearing House may refuse to extend MCE to any or all FX FCMs on risk management grounds, and may at any time require an FXCCM to provide IM in place of any utilized MCE.

2B.12.4 **Intra-day Margin Calls**

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for furnishing of Margin on 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 Collateral 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 Margin 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 applies that FX FCM's Margin to satisfy the Margin Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio.

2B.16. Types of Margin Runs

There are three 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 24:00 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.17 Margin Run Process

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”.

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 the FCM ForexClear Service (including any MCE, if any); 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. In the case of ITD/Ad-hoc Margin Runs, where an FX FCM's Liabilities exceed its available cover and any MCE then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FX FCM's MER Buffer amount.

2B.18 Transfer of FCM Clients; Defaulting FCM Clients and Affiliates

In certain circumstance the Clearing House will transfer FCM ForexClear Contracts from one FCM Clearing Member to another FCM Clearing Member, pursuant to and in accordance with FCM Regulation 8 and these FCM Procedures.

2B.18.1 Partial Transfers of FCM Clients

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 of FCM Clients

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 Collateral 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 Collateral (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 Collateral, 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 Collateral 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 Collateral 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 Collateral attributed to the FCM Clearing Member's FCM Omnibus ForexClear Client Account with LCH (such Collateral as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the Collateral that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the Collateral 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 Collateral. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated Collateral 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 Margin in respect of the transferring FCM ForexClear Contracts.

In the event that the Clearing House transfers Collateral 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> (all references below are to New York time, 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	Deadline for receipt from Receiving FCM Clearing Member of FCM Full	Deadline for receipt from Receiving FCM Clearing Member of FCM Full

Time (all references below are to New York time, unless stated otherwise)	<u>Partial Transfer</u>	<u>Full Transfer (with Collateral)</u>	<u>Full Transfer (without Collateral)</u>
	FCM Client Partial Transfer Form.	Transfer Form and confirmation that Collateral is to be transferred.	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 ForexClear 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 ForexClear 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 ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 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: 11:00		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: 17:00	Deadline for receipt by the Clearing House of consent of transfer from	Deadline for receipt by the Clearing House of consent of transfer and	Deadline for receipt by the Clearing House of consent of transfer from the

Time (all references below are to New York time, unless stated otherwise)	<u>Partial Transfer</u>	<u>Full Transfer (with Collateral)</u>	<u>Full Transfer (without Collateral)</u>
	the Receiving FCM Clearing Member.	associated Collateral from the Receiving FCM Clearing Member.	Receiving FCM Clearing Member.
Day 3: 07:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.
Day 3: 08:00	Deadline for receipt by Clearing House of any additional Collateral 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 Collateral 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 Collateral from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 08:15	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralised to enable the transfer.	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralised to enable the transfer.	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralised to enable the transfer.
Day 3: 09:00	Clearing House transfers FCM ForexClear Contracts.	Clearing House transfers FCM ForexClear Contracts and associated Collateral.	Clearing House transfers FCM ForexClear Contracts.
Day 3: 10:00	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via Member Circular.

2B.18.5 [Reserved]

2B.18.6 [Reserved]**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.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FX FCM regarding any additional Collateral that may be required in order to complete the portfolio transfer. Transfers will only be effected once adequate Margin 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 Margin has been furnished 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 Margin 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 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. A report will also be provided detailing an FX FCM’s Margin utilization level. If an FX FCM’s Liabilities exceed its total available Margin, ForexClear will alert the FX FCM.

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 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.

² http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

2B.21.6 Banking Reports

[Follow this link for a full list of Banking reports.](#)³

2B.21.7 Real-time Reporting

A near real-time view of member liabilities, Collateral pledged, Margin and credit utilization will be available from the ForexClear Service Portal (referred to in Section 2B.17)

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.

Follow the link below for a list of PPS banks operating in the UK and US:

[List of PPS Banks](#)⁴

³ http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp

⁴ http://www.lchclearnet.com/risk_management/ltd/pps/

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.Clearent Ltd/Acceptable Collateral](#)⁵

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.

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.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;
- (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.

⁵ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

⁶ http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

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.

In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM ForexClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM ForexClear Contracts to be liquidated into an account at 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 shall establish a separate Hedged Account for each currency of FCM ForexClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM ForexClear Contracts in the applicable currency 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 relevant Collateral in respect of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in the relevant FCM Omnibus ForexClear Client Account with LCH of the defaulter 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 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 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 for the account of the 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 Required Margin 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 Required 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 Required Margin 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).

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 "unit value" of each FCM ForexClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a "auction value adjustment". For purposes of this clause (v), (1) "**unit value**" means the value applied to each FCM ForexClear Contract, based on the net present value and outstanding notional value associated with each such FCM ForexClear Contract, and (2) "**auction value adjustment**" means a ratio applied to an FCM ForexClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM ForexClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) are without reference to any Risk Factor or 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 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 696, Corporation Tax Act 2009

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs ("HMRC") raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable endeavours to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

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 Margin be furnished 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 Margin 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 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 Collateral in accordance with FCM Regulations 8(d).

- The FCM Client wishes to transfer Collateral
- The FCM Client does NOT wish to transfer Collateral

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 Margin be furnished to the Clearing House (and/or by us to the Receiving FCM Clearing Member listed above) even where Collateral is transferred, and that the Clearing House is not required to affect the transfer if it has not received adequate Margin 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 Collateral, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact the Clearing House to identify the correct Collateral to be transferred, and (y) while the Clearing House will attempt to transfer the specified Collateral 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 in respect of FCM ForexClear Contracts; and
- 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.com

Insert telephone number: [+44 (0) 207 426 3729]

ForexClear Business Operations
Aldgate House
33 Aldgate High Street
London EC3N 1EA
UNITED KINGDOM

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 Collateral be transferred and the relevant Collateral is described in the schedule below.

Schedule of Collateral:

- The Collateral of the FCM Client consists solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

- The Collateral of the FCM Client consists 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 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:

ECFCM	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.
ECS	The Extensible Clearing System, made available by the Clearing House for position management in the Freight Division of the FCM EnClear Clearing Services.
ClearWay	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.
Approved Broker	A broker that has entered into an FCM EnClear Clearing Services Approved Broker Agreement
OTP	OTC EnClear Trading Platform

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 there-from, 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 sufficient 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 or rejected 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 **Notification of 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.Clearnet 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.

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

Position accounts will map to either an ECFCM's "C" account or "H" account, as specified by that Member.

2C.1.13.5 Other Financial Accounts

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

	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 noncash Collateral in relation to FCM Client Business	U

The E and U accounts are Cleared Swaps Customer Accounts as defined in Part 22 of the CFTC Regulations.

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.

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.

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 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 Margin is available from both ECFCMs, the transfer will normally be authorized. Should insufficient Margin be available, the transfer may not be authorized until additional Margin 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 for 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 **[Reserved]**

2C.1.21 **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.

In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM EnClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM EnClear Contracts to be liquidated into an account at 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 shall establish a separate Hedged Account for

each currency of FCM EnClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM EnClear Contracts in the applicable currency 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 relevant Collateral of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in the relevant FCM Omnibus EnClear Client Account with LCH of the defaulter 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 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 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 for the account of the 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 Required Margin 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 Required 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 Required Margin 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 “unit value” of each FCM EnClear Contract of each Non-Porting

Client transferred into the Hedged Account, as adjusted by a "liquidation adjustment factor". For purposes of this clause (v), (1) "**unit value**" means the value applied to each FCM EnClear Contract, based on the net present value and outstanding notional value associated with each such FCM EnClear Contract, and (2) "**liquidation adjustment factor**" means a ratio applied to an FCM EnClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM EnClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) are without reference to any Risk Factor or 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 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 – 18:00 On expiry date – 07:00 – 17:00	07:00 – 18:30 On expiry date – 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.Clearnet 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.Clearnet 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 CLEARING SERVICE

2D.1 Introduction

2D.1.1 Background

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

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

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

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

2D.1.2 Interpretation

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

2D.2 Membership

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

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

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

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

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

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

2D.3 **GENERAL**

2D.3.1 **Operating Times**

2D.3.1.1 **Opening Days**

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

2D.3.1.2 **Opening Hours**

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

2D.4 **NODAL TRANSACTIONS**

2D.4.1 **Eligible Transactions**

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

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

Presentation for Registration.

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

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

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

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

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

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

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

2D.5.1 **NODAL NCPs**

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

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

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

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

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

2D.5.2 **Termination**

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

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

2D.6 REGISTRATION OF NODAL TRANSACTIONS

2D.6.1 General

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

2D.6.2 Registration

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

2D.6.3 Novation

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

2D.6.4 Notification

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

2D.7 POSITION AND FINANCIAL ACCOUNTS

2D.7.1 Position-Keeping Accounts

2D.7.1.1 Types of Account

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

H House (excluding FCM Clients)

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

S Segregated FCM Client

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

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

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

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

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

2D.7.2 **Financial Accounts**

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

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

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

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

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

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

2D.7.2.2 **Other Financial Accounts**

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

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

LCH client segregated account (used for Variation Margin flows) L

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

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

2D.8 **FEES**

2D.8.1 **General**

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

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

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

2D.8.2 **Execution Fees**

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

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

2D.9 **MARGIN**

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

2D.9.1 **Variation Margin**

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

2D.9.1.1 **Realized Margin**

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

2D.9.2 **Initial Margin**

Separate Initial Margin calculations are performed for a FCM Nodal Clearing Member's house "H" and client "C" accounts; **no offset between these accounts is allowed**. "H" accounts are margined net, meaning that if long and short positions are held in the same delivery month/prompt date, Initial Margin is charged on the net position. "C" accounts are margined gross on an FCM-Client-by-FCM-Client basis, meaning that if long and short positions with the same Delivery Month/Prompt Date are attributable to the same FCM Client, Initial Margin is charged on the net position, whereas no netting of positions may occur between positions attributable to distinct FCM Clients. A list of acceptable Collateral 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, the Clearing House retains the discretion to vary the rates for the whole market or for Nodal CM's "H" and/or "C" accounts.

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

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

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

2D.9.2.3 **Calculation of Initial Margin**

2D.9.2.3.1 **VaR**

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

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

2D.10 **TAX**

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

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

should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through PPS.

2D.11 SETTLEMENT OF FCM NODAL CONTRACTS

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

2D.11.1 Cash Settlement

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

2D.11.2 Reference Prices for daily settlement to market

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

2D.12 POSITION TRANSFERS

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

3. FINANCIAL TRANSACTIONS

3.1 Accounts

3.1.1 Overview

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

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

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

3.1.2 Margin Account Postings

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

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

3.1.3 Tender Account Postings

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

- **PPS payments and receipts; 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 monies 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 monies due to the Clearing House as required, *inter alia*, by the FCM Clearing Membership Agreement, clearing extension documentation and 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:

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 the ForexClear Service. For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Client Funds must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Furthermore, PPS accounts that contain FCM Client Funds held with respect to Futures/Options Contracts may not contain FCM Client Funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations.

(b) Morning PPS Calls

FCM 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 London PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its London PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00, or within one hour of a subsequent call, on the day on which the PPS Call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

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

(c) Intraday PPS Calls

The intra-day margin call by the Clearing House is for intra-day Margin payments. Only USD can be used to cover Margin requirements intraday. Between 14.30 and 16.00 hours (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.

Only USD will be called by default during the hours of London PPS for each mnemonic/sub-account. FCM Clearing Members may request a change to the default currency no later than 09.30 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 telephone +44 (0)20 7426 7505). This paragraph 3.2.1(d) only applies to Proprietary Accounts.

(e) Value Date

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(b) and 3.2.1(c), subject to Section 3.2.1(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 Sections 3.2.1(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 endeavors 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, should the Clearing House make a recovery from the estate of the PPS bank, it 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 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 Collateral

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form as Collateral against liabilities of the relevant FCM Clearing Member

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this 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 collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.

To view a list of acceptable Collateral, 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 Collateral and its replacement by the lodgment of non-cash Collateral. In the event that an FCM Clearing Member seeks to withdraw such cash Collateral without giving such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. This paragraph applies only to the Proprietary Account of an FCM Clearing Member.

3.3.2 Securities

Please refer to the following section of the Clearing House's website for both prevailing haircuts and notes on types of collateral acceptable as Collateral:

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

3.3.3 Securities Value Notification

FCM Clearing Members may obtain details on the Margin value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

3.4 Distribution Of Collateral

3.4.1 Overview

As different types of Collateral attract different utilization fees and different contracts are assessed for VAT in different ways (see Section 3.5.4), the Clearing House identifies the Collateral 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 Collateral and applying Collateral sequentially, such that Collateral type 1 is applied first to liability type 1, Collateral type 2 to liability type 1 if there is a deficiency when Collateral 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 Collateral 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 Collateral 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 Section 3.4.4 below.

An FCM Clearing Member may choose to have cash Collateral applied before securities Collateral to its liabilities or fees, or vice versa.

3.4.3 Order of Priority on Default

Post-default the Clearing House is entitled to realize and/or apply Collateral 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.

3.5.2 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 FCM Clearing Member and pay interest on cumulative Variation Margin paid in by the FCM Clearing Member in respect to 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 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 19(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.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page "EONIA" or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page "SONIA" or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page "TONAR" or on any successor page(s) thereto.
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.

Currency	PAI Rate
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" 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 "HUFONIA" 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 "SONAR" 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

3.5.3 Interest/Accommodation Structure

Application of Collateral	Type of Collateral					
	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 Collateral 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. This Section 3.5.3 only applies to Proprietary Accounts of FCM Clearing Members.

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 Collateral 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 Collateral account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

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

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

3.6 Fees

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

An invoice or credit note is produced detailing the fees to be furnished with respect to a Proprietary Account to which Margin is attributed.

The invoice/credit note displays the type of fee, contract, future or option type, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total Collateral in the relevant account.

Monthly postings are processed via the account to which Collateral is posted 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 Default Fund; SwapClear Contributions

SwapClear Contributions (as defined in the Default Fund Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the SwapClear Contribution under Rule S2(k) of the Default Fund Rules (each, a “**SwapClear Reset Day**”). SwapClear Contribution requirements will be notified to the applicable FCM Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.

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

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

3.8 Quantifying SwapClear Contributions

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from September 28, 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

3.9 Default Fund; ForexClear Contributions

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

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

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

3.10 Quantifying ForexClear Contributions

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

3.11 Default Fund Contributions and Loss Distribution Charges: EnClear Service and Nodal Service

For the EnClear Service and Nodal Service, Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the Contribution under the Commodities Default Fund Supplement (each a "Reset Day"). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named "Member Default Fund" (REP000032).

FCM Clearing Members will be repaid via PPS any excess Contribution amounts on the Reset Day immediately following the determination of the Contribution.

The Clearing House will, from time to time, notify FCM Clearing Members of the rate of interest that will apply to a Contribution. Interest on Contributions will be paid to FCM Clearing Members' PPS accounts on the first working day after the 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 Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

Loss Distribution Charges called under Rule C8 of the Commodities Default Fund Supplement shall be called via PPS in the same currency as a FCM Clearing Member's Contribution.

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

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

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.

HOUSE ACCOUNT		
TICK <input type="checkbox"/>	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

CLIENT ACCOUNT		
TICK <input type="checkbox"/>	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

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: Ichoperations-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

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

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.

HOUSE ACCOUNT		CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER	CURRENCY	ACCOUNT NUMBER
USD		USD	

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 to lodge securities (of the type permitted by the Clearing House) with the Clearing House as Collateral may do so. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (in respect of Collateral furnished on behalf of FCM Clients, the Clearing House shall hold such securities in the applicable LCH Client Segregated Depository Account).

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 4).

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.Cleernet 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 4).

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; provided that no Collateral furnished 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 9(c), where an FCM Clearing Member wishes to furnish Collateral on behalf of an FCM Client 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 Collateral furnished on behalf of an

FCM Client which has been passed to it by an FCM Clearing Member, before utilizing any other form of Collateral 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 Collateral may be required immediately from the FCM Clearing Member.

4.1.4 **Instructions**

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

- Email to: collateral.ops.uk@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 for contingency purposes.

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

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

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

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

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

4.1.5 **Excess Margin Maintained in Proprietary Accounts**

In accordance with FCM Regulation 9(v), 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 FCM Omnibus Swaps Client Accounts 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 that FCM Clearing Member of the intention to levy a charge in respect of Excess Margin 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 Margin before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point per day until Excess Margin 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. This charge applies only to Margin lodged with respect to FCM Contracts registered to the FCM Clearing Member's Proprietary Account.

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 FCM Client Sub-Accounts is governed by the provisions of the FCM Rulebook, including FCM Regulation 9A.

4.1.6 **Lodgment of Non-Cash Collateral as Replacement for Cash Collateral**

This Section 4.1.6 applies only to Proprietary Accounts of FCM Clearing Members. 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 lodgment. In the event that an FCM Clearing Member seeks to withdraw such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period.

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.

4.1.8 **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.

4.1.9 **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 **Settlement procedures – Securities**

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

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 Margin.

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).

4.3.1 Instruction deadlines

FCM Clearing Members may input security instructions via the Collateral Management system at any time. Instructions will only be auctioned 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
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.

4.3.2 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

4.3.3 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.

4.3.4 Releasing securities

(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.

(b) Release where sufficient cover is unavailable

Release instructions must be input via the Collateral Management system. 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.

4.3.5 Substitutions

Substitutions may be input via the Collateral Management system and will be carried out 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).

4.3.6 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.

4.3.7 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.

4.3.8 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

4.4.1 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, lodgments 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, lodgments 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) 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) a corporation resident in Italy; or
- (c) a supranational 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 with the Clearing House or submitting any tax documentation.

4.4.3 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.

4.5 References

These procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer the each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

4.6 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.

4.7 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 Encumbered 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 9A contains additional provisions relating to FCM Buffer, Encumbered FCM Buffer and Unallocated Excess.

4.8 Collateral Value Reports

In accordance with FCM Regulation 9A(d), an FCM Clearing Member that has elected to adopt the LSOC With Excess Model is required to provide the Clearing House with an eligible CVR (Collateral Value Report as defined in the FCM Regulations) at least once per Business Day.

4.8.1 Contents of the Collateral Value Report

The CVR should contain details of the following:

- (i) **FCM Client Sub-Account Balance:** The value of Margin delivered for and on behalf of each FCM Client and its respective FCM Client Sub-Account.
- (ii) **FCM Buffer:** The value of FCM Buffer lodged in the FCM Buffer Sub-Account.

All values provided in a CVR must be the post haircut value in USD (or such other currency as agreed in writing by the Clearing House).

Where the CVR does not contain information for all of the FCM Clients of an FCM Clearing Member, the Clearing House will assume that the FCM Client Sub-Account Balance for those FCM Clients that are not included have not changed from that which is reflected in its books and records (either through delivery of a previous CVR or as a result of an Assumed Allocation).

Unallocated Excess may be allocated to an FCM Client Sub-Account or to an FCM Buffer Sub-Account through the submission of a CVR. Any Margin that is furnished to the Clearing House but which is not allocated in a CVR will be treated as Unallocated Excess.

4.8.2 Eligibility of the Collateral Value Report

The CVR constitutes a notification to the Clearing House of the allocation of Margin that has been furnished by an FCM Clearing Member to one of its FCM Omnibus Swaps Client Accounts with LCH. Therefore, a CVR will be considered ineligible where the CVR details the aggregate value of the Margin lodged in each applicable FCM Client Sub-Account to exceed the total Margin currently available in respect of such FCM Omnibus Swaps Client Account with LCH.

Following determination of the value of Margin allocated to each FCM Client Sub-Account, the Clearing House will then assess whether the amount of FCM Buffer detailed in the CVR is correct based on the residual amount of Margin that it has received. In the event that the amount of FCM Buffer detailed in the CVR is greater than the amount of Margin (not including all Margin which has been allocated to the relevant FCM Client Sub-Account Balances, as set out in the CVR) delivered to that FCM Clearing Member's FCM Omnibus Swaps Client Account with LCH, the Clearing House will not reject the CVR but will reduce, in its books and records, the value of FCM Buffer held for that FCM Clearing Member. In such a case, the Clearing House will thereafter notify the FCM Clearing Member that such a modification to the balance of the FCM Buffer Sub-Account has been applied.

Any CVR that would generate, or is submitted in order to avoid, a margin call will be ineligible and will be rejected by the Clearing House. Where a CVR details a FCM Client Sub-Account Balance which is lower than the amount of Required Margin applicable to such FCM Client Sub-Account, the Clearing House will assume that the shortfall is covered by FCM Buffer (provided that sufficient FCM Buffer is available to be so applied) and will modify the applicable accounts appropriately. In such a case, the Clearing House will thereafter notify the FCM Clearing Member of the application of the relevant modifications.

CVRs will only be accepted by the Clearing House during the time when the relevant FCM Clearing Service is open. Any CVRs submitted when an FCM Clearing Service is closed will be rejected and will have to be re-submitted in order to be accepted by the Clearing House.

Ineligible CVRs will be rejected by the Clearing House. In the event that a CVR is deemed ineligible by the Clearing House, the Clearing House will notify the relevant FCM Clearing Member so that a replacement CVR can be delivered.

4.8.3 **Election of With Client Excess Model or Without Client Excess Model**

As described in FCM Regulation 9A, the Without Client Excess Model is the default model that applies to each FCM Omnibus Swaps Client Account with LCH.

In the event that an FCM Clearing Member wishes to adopt the With Client Excess Model with respect to one or more of its FCM Omnibus Swaps Client Accounts with LCH, it must notify the Clearing House's Client Services (swapclear.clientservices@lchclearnet.com). Following receipt of such notification the Clearing House will notify the FCM Clearing Member that such election has been accepted and such acceptance shall become effective from the time that the FCM Clearing Member delivers an eligible CVR.

In the event that an FCM Clearing Member no longer wishes to operate under the With Client Excess Model it must provide the Clearing House with written notice of its intention to use the Without Client Excess Model. On the morning of the third Business Day following receipt of the FCM Clearing Member's notice, the Clearing House will transfer any Excess Margin in the FCM Clearing Member's FCM Client Sub-Accounts to the Unallocated Excess Sub-Account. FCM Buffer will remain in the FCM Buffer Sub-Account. Once all Excess Margin has been transferred to the Unallocated Excess Sub-Account, the Without Client Excess Model will be put into effect with respect to the relevant FCM Omnibus Swaps Client Account with LCH, and the FCM Clearing Member will no longer be able to post or maintain Excess Margin in the FCM Client Sub-Accounts therein.

APPENDIX 4A

FCM Client Account Lodgment Form



CONTINGENCY FCM - CLIENT LODGMENT 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 FCM Regulations 9(l) and 9(m) 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	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 Lodgment Form



PROPRIETARY - COLLATERAL LODGMENT 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

		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 lodgment 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

Appendix 4D
Settlement Accounts

	Margin Collateral-FCM Client							Margin Collateral-FCM House							
	Bank of New York			Citibank			Euroclear Bank		Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
	735138	735139	874067	206203	207887	TBC	15211	25910	735136	735137	090401	090372	91205	91737	5165
Australia			X			X							X		
Austria			X			X	X						X		
Belgium			X			X	X						X		
Canada			X			X							X		
Denmark			X			X							X		
EUR Agencies			X			X	X						X		
Finland			X			X	X						X		
France			X			X	X						X		
Germany			X			X	X						X		
Italy			X			X		X						X	
Japan			X			X							X		
Luxembourg			X			X	X						X		
Netherlands			X			X	X						X		
Norway			X			X							X		
Spain			X			X	X						X		
Sweden			X			X							X		
United Kingdom			X			X									X
United States	X	X		X	X				X	X	X	X			
US Agencies	X	X		X	X				X	X	X	X			

†

BUSINESS CONTINUITY

5. **BUSINESS RECOVERY**

5.1 **Recovery Situations**

The FCM Procedures set out in this 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 at +44 (0)20 7426 7200.

5.2.2 **Outside Office Hours**

FCM Clearing Members should telephone the Clearing House 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.

5.3.3 **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 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 Section 5.3.3 below for advice on how FCM Clearing Members will be notified of an invocation of the recovery plan.

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.

5.3.5 **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.”

5.3.6 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 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 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.

5.3.8 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.

5.3.9 Registration of Contracts

The Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary. In the event that registration is to be delayed

the Clearing House will notify FCM Clearing Members as soon as practically possible.

5.3.10 **New Address for Document Delivery**

Following invocation of the business continuity plans the Clearing House will provide new address details for document delivery. Will arrange to have its mail forwarded to its office recovery site.

5.3.11 **Permanent Change of Address**

If an incident is so serious that the Clearing House is unable to reoccupy Aldgate House, FCM Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in Section 5.3.1.

FCM Clearing Members will be informed of the date when the new arrangements will take effect.

5.3.12 **Return to Normal**

When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in Section 5.3.1 above. Assuming that it has been possible to return to Aldgate House the following message will be broadcast.

“The Clearing House has returned to Aldgate House. Please revert to normal contact telephone numbers and procedures.”

If normal working is being resumed at a site other than Aldgate House FCM Clearing Members will already have been informed of the new office location and contact numbers see Section 5.3.10 above. The following message will be broadcast.

“The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied.”

5.4 **Clearing House Data Centre**

5.4.1 **Failure of LCH’s Data Centre**

If the Clearing House’s primary data center fails during business hours, those Clearing House IT systems that are used by FCM Clearing Members will be temporarily unavailable while processing is transferred to the secondary data center.

5.5 **Compliance with Business Continuity Testing**

FCM Clearing Members are required to participate in the Clearing House’s Business Continuity Planning (BCP) coordination and testing programs, as required by CFTC Regulation 39.18. The Clearing House will notify FCM Clearing Members when it intends to carry out any such test via an FCM Clearing Member circular and via a posting on www.lchclearnet.com at least 90 days in advance. The Clearing House will, prior to the date of any such test, provide FCM Clearing

Members with further details of the steps that will be required under the relevant program.

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 An 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 Section 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.

6.3.5 The Company Secretary shall acknowledge receipt of the APPEAL FORM no later than 7 days after receipt.

6.3.6 The Company Secretary may request further information or clarification relating to the subject matter or grounds of the appeal.

6.4 The First Tier Appeal

6.4.1 No later than 28 days from receipt of any APPEAL FORM the Company Secretary shall:

- (a) refer the appeal to an Appeal Committee comprising:
 - (i) the Chief Executive of LCH.Clearent Limited or the Deputy Chief Executive; and
 - (ii) two directors of the Clearing House with relevant market experience, nominated by the Chairman of the Clearing House; and
- (b) notify the appellant in writing of the identities of the persons constituting the Appeal Committee; and
- (c) provide to the appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.

6.4.2 Following notification to the appellant in accordance with 6.4.1 above, the appellant shall then have a period of 14 days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee. All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have a copy each.

6.4.3 The Appeal Committee shall decide upon its own procedure for considering and determining the appeal which will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate.

6.4.4 The Appeal Committee may request further or other documentation and information from the appellant.

6.4.5 No later than 21 days from the date upon which the appellant is notified of the composition of the Appeal Committee, or 21 days from the receipt by the Appeal Committee of any further or other documentation or pursuant to 6.4.4 above, whichever is the later, the Appeal Committee shall consider and determine the appeal before it.

6.4.6 An Appeal Committee constituted pursuant to this paragraph 6.4 shall promptly, and in any event, no later than 7 days after coming to its determination, give notice of its determination to an appellant in writing together with its reasons.

6.5 The Second Tier Appeal

- 6.5.1 If an appellant, having received notice of a determination of an appeal pursuant to paragraph 6.4.6 above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.
- 6.5.2 A second tier appeal may be commenced under this paragraph 6.5 by the submission of a NOTICE OF FURTHER APPEAL in the form set out in Appendix 6B hereto to the Company Secretary at its registered office, setting out the reasons for the appeal. Such NOTICE OF FURTHER APPEAL must be received by the Company Secretary no later than 14 days from the date upon which the notice of determination of the Appeal Committee was given to the appellant.
- 6.5.3 An appeal under this paragraph 6.5 shall be heard by an Appeal Tribunal within 3 months of the Notice of Appeal being received by the Company Secretary, or such longer time as the Chairman of the Appeal Tribunal shall determine in order to provide a full and fair determination of the appeal.
- 6.5.4 An Appeal Tribunal constituted under this paragraph 6.5 shall consist of 2 persons ("**Tribunal Members**"), with relevant knowledge and experience in the industry of matters in issue in the appeal, and a legally qualified Chairman. The appellant and the Clearing House may each select a Tribunal Member from a list of no less than 4 persons appropriately qualified persons nominated by The Centre for Dispute Resolution (CEDR), London, and the Chairman shall be nominated by CEDR. In the event that either the Clearing House or an appellant fails to nominate such a Tribunal Member before a date 2 weeks prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the appellant's first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that appellant's second tier appeal.
- 6.5.5 The Chairman of an Appeal Tribunal shall fix a date for the hearing of the appeal and shall give no less than 28 days' notice in writing to the appellant and the Company Secretary of the time and place in London where such appeal shall be heard.
- 6.5.6 The appellant shall provide the Appeal Tribunal, with a copy to the Company Secretary, no less than 14 days before the date fixed for the hearing of the appeal, with written submissions setting out such representations as it wishes to put forward in support of its appeal, together with copies of all documentation and other material upon which it wishes to rely.
- 6.5.7 The Clearing House will submit written submissions, documentation and information with regard to the matters and issues relevant to the decision which is the subject of the appeal and provide a copy thereof to the appellant.
- 6.5.8 An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or written opinion with regard to any matter which forms the subject matter of an appeal.
- 6.5.9 An Appeal Tribunal shall determine its own procedure for the hearing of an appeal and shall not be bound by the rules of evidence. It may adjourn a hearing to another date or dates if it so wishes. If prior to or at such hearing an appellant notifies the Appeal Tribunal that it wishes to make oral submissions an opportunity

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 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
 - (b) uphold the appeal.

- 6.5.18 An Appeal Tribunal shall deliver a written statement of its decision together its reasons to an appellant and the Clearing House within 28 days of the date of the hearing. Except in so far as an Appeal Tribunal may direct, information about proceedings before the Appeal Tribunal and the names of persons concerned in the proceedings shall not be made public.
- 6.5.19 In the event that an Appeal Tribunal determines to uphold the appeal then the Clearing House shall within 28 days of the receipt of the written decision, re-view and re-consider the decision upon which the appeal was based in the light of the conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.

6.6 Requests For Review

- 6.6.1 A Member who is aggrieved by any action taken by the Clearing House or decision of the Clearing House (other than any decision set out in 6.2 above or any decision taken under Regulation 13 in or under or in connection with the Clearing House's powers under the Default Rules and Procedures) may, no later than 14 days after the date of the decision or action, request a review of such action or decision by the Chief Executive of the Clearing House.
- 6.6.2 A Request for Review under this 6.6 shall be made in writing, addressed to the Chief Executive of the Clearing House at the registered office and shall set out details of the relevant decision or action, the reasons why the Member is aggrieved and details of such reasonable remedial or other action or monetary payment as that Member requests to be carried out in the circumstances.
- 6.6.3 The Chief Executive shall consider the Member's Request for Review and such further or other documents and information as he considers reasonably relevant and shall notify the Member in writing of the outcome of his review within a period of 28 days from receipt by him of the Request for Review. Where it is not possible to complete such review within such period of 28 days, the Chief Executive shall notify the Member accordingly and nominate a further period for the review, such period not to be longer than 3 months from the date of such notification to the Member.

6.7 Market Disorders etc. and Default

For the avoidance of doubt, the Clearing House shall be under no obligation to consider any Request for Review under 6.6 above or otherwise, or comply with the provisions of this Section 6, and no appeal or Request for Review may be lodged under this Section 11 or otherwise, in respect of any decision or action taken by the Clearing House under the provisions of Regulation 13 or in respect of any decision, action or other matter arising out of or connected to the operation of the Default Rules and Default Procedures and the Clearing House's powers thereunder.

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 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 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 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 FCM Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited at +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 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 FCM 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 FCM Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited at +44 (0)20 7426 7000.

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 behavior or other actions of an FCM Clearing Member with regard to that FCM Clearing Member’s clearing activities with LCH;
- (b) has a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House’s regulatory functions; or
- (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 behavior 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, behavior 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, behavior or other actions complained of, or, if the conduct, behavior 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.

7.2.3 Upon receipt of a written complaint pursuant to these FCM Procedures, the Company Secretary shall acknowledge in writing to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in accordance with the procedure set out in this Section, the Clearing House shall conduct an internal investigation and review of such complaint in accordance with the procedures set out in Section 7.3 below.

7.3 Internal Investigation And Review By The Clearing House

7.3.1 No later than 14 days from receipt of a complaint of the type referred to in Section 7.1.1 or 7.1.2 above, the Company Secretary shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.

7.3.2 An Investigation Committee shall consist of any 3 of the following persons:

- (a) the Deputy Chief Executive of LCH.Clearnet Limited;
- (b) the Managing Director, Operations;
- (c) the Managing Director, Finance;
- (d) the Managing Director, Business Development;
- (e) any person holding the position of Director at the Clearing House,

providing always that an Investigation Committee shall have at least one Managing Director or the Deputy Chief Executive among its number.

7.3.3 The Investigation Committee established pursuant to this Section 7 shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of LCH.Clearnet Limited within a period of 12 weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's decision.

7.3.4 The costs of the internal investigation and review shall be borne by LCH.

7.3.5 Where the Company Secretary receives a written complaint which is not a complaint regarding the conduct, behavior or other actions of an FCM Clearing Member in respect of its clearing activities with the Clearing House or is not a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding an FCM Clearing Member or regarding the conduct, behavior or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of LCH.Clearnet Limited to be dealt with in accordance with the REQUESTS FOR REVIEW procedure set out in Section 6.6 (Appeals Procedures) of these FCM Procedures.

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 Section 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 Sections 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 Section 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 Section 7.2.
- 7.4.3 Within 14 days of receipt of a written request, in accordance with Section 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);
 - (b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the FCM Rulebook (including the FCM Procedures), and other relevant documentation, regulation and applicable law; and
 - (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.

7.5 Procedure For Dealing With The Complaint

- 7.5.1 Upon appointment, an Independent Investigator nominated in accordance with these FCM Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.
- 7.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and, and may do, inter alia, any one or more of the following:
- (a) interview the Complainant;

- (b) interview a representative of the Clearing House;
- (c) seek further or other information from the Clearing House and/or the Complainant;
- (d) make such further or other reasonable inquiries as he/she deems fit in order properly and fully to investigate the Complaint.

7.6 Outcomes

- 7.6.1 The Independent Investigator shall, wherever reasonably possible, conclude his investigation of a complaint referred to him under these FCM Procedures, within a period of 2 months from the date of his nomination. Where it is not reasonably possible so to do on account of the nature or complexity of the matter referred to him or other good reason, then he shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.
- 7.6.2 The Independent Investigator shall, at the end of his investigation produce a written report setting out his findings, conclusions, and reasons for his conclusions. Such report shall be provided both to the Complainant and to the Clearing House but it shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of such request, the report shall be made public by being published on the LCH.Clearnet Limited public website. Where only part of the complaint is upheld, then only that part of the report relating to that part of the complaint shall be so published.
- 7.6.3 In his written report the Independent Investigator may:
- (a) dismiss the complaint;
 - (b) uphold the complaint in its totality;
 - (c) uphold part of the complaint and dismiss part of the complaint; or
 - (d) make such recommendations as he/she deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment and/or 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 concerning enforcement by the Regulatory Body.

8.2 INVESTIGATION PROCEDURE

Subject to the provisions of Section 8.3, the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this 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.Cleernet 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 been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds

of conflicts of interest, within 48 hours. Where an objection is raised, either the Chief Executive Officer of the Clearing House or the Chief Compliance Officer shall discuss the perceived conflict of interest with the FCM Clearing Member within 24 hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of sub-paragraph (ii) above;

- (iv) the FCM Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition). The FCM Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, provided that the Clearing House shall not be required to reveal any information which it deems to be confidential;
- (v) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the FCM Clearing Member's offices at any time during normal business hours, having provided reasonable notice (being proportionate to the seriousness of the Alleged Breach) to the FCM Clearing Member as part of the investigation procedure. The FCM Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The FCM Clearing Member shall make available all information, records, and documents kept by the FCM Clearing Member, that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and
- (vi) the FCM Clearing Member shall exercise best endeavors to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or those of the FCM Clearing Member) in order to answer questions or provide explanations that may be relevant for the examination of the Alleged Breach.

(b) Report

Following the conclusion of the investigation procedure, the Clearing House shall: (i) notify the FCM Clearing Member; and (ii) produce a written report (the "Report") in relation to the Alleged Breach and provide it to the FCM Clearing Member, within no more than 14 days as from the notification by the Clearing House of the conclusion of the investigation procedure.

The Report shall contain the findings of the investigation, reference the provision of the FCM Rulebook allegedly breached by the relevant FCM Clearing Member and indicate the Clearing House's intended course of action in relation to the Alleged Breach, being either:

- (i) to proceed with Disciplinary Proceedings, in accordance with these Disciplinary Procedures, if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed;
 - (ii) to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the FCM Rulebook if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed but the sanctions set out in Paragraph 8.4 of these Disciplinary Procedures are, in the Clearing House's reasonable opinion, inadequate; or
 - (iii) to take no further action.
- (c) Disciplinary Committee Formation

Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with Paragraph 8.2(b)(i) above, it will convene a "**Disciplinary Committee**" consisting of:

- (i) The Chairman of the Risk Committee of the Clearing House, or his representative;
- (ii) The Chief Compliance Officer, or his representative;
- (iii) The Chief Risk Officer, or his representative; and
- (iv) Two members of the Executive Committee of LCH.Clearnet 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 defense responding to the allegations.

If no response has been received by the Disciplinary Committee within 14 days or such extended period as has been agreed between the FCM Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure (as set out in Paragraph 8.2(e) below) and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in Paragraphs 8.2(g) and 8.2(h) below.

- (e) Exploratory Meetings

Once the FCM Clearing Member has responded to the Report, either the FCM Clearing Member or the Disciplinary Committee can, within 7 days, request a meeting with the other party to ask further questions and discuss the Alleged Breach (the "**Meeting**").

Unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, the Meeting will be held at the Clearing House's offices in London, provided that, if appropriate, the Meeting may take place at the Clearing House's offices in New York, within 14 days from the request for a Meeting.

The Disciplinary Committee and the relevant FCM Clearing Member are each entitled to bring to the Meeting any person relevant to the Disciplinary Proceedings which includes but is not limited to the following:

- (i) relevant experts;
- (ii) legal advisors; and
- (iii) accounting advisors.

The Clearing House and/or the FCM Clearing Member shall only be entitled to object to the attendance by any of the above if there is a substantiated conflict of interest.

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting, on the basis of the Report, the FCM Clearing Member's response to the Report, and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the FCM Clearing Member, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the FCM Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the FCM Clearing Member shall bring more than six representatives, unless otherwise agreed.

- (f) Determination

Having considered the Report, the FCM Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with 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 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 or regulation or court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

- (i) a relevant Regulatory Body;
- (ii) a Governmental Authority; or
- (iii) the courts of England and Wales, the State of New York or the United States, in connection with a Dispute.

(g) Recommendation

Within 7 days of the later of:

- (i) the FCM Clearing Member's response to the Report; and
- (ii) the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with 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 Section 8.4 of these Disciplinary Procedures.

This 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 Section 8.2(g) above, the Clearing House must decide whether or not to sanction the FCM Clearing Member in accordance with Section 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 Section 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 Section 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 Sections 8.2(c) to 8.2(i) above, the Clearing House may at any time choose to:

- (i) discontinue the Disciplinary Proceedings;
- (ii) determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant FCM Clearing Member pursuant to Section 8.4 below or otherwise in accordance with the provisions of the Rules;
- (iii) take alternative action in accordance with the provisions of the Rules (including, without limitation, suspension or termination of the FCM Clearing Member's membership of the Clearing House pursuant to the FCM Rulebook and/or the issuance of a Default Notice in respect of such FCM Clearing Member in respect of the FCM Clearing Member pursuant to the Default Rules), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or
- (iv) amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add, delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this Section 8.2 will apply (and, unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, any timing specified in this Section 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 these FCM Procedures;
- (c) an FCM Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section 1 of these FCM Procedures;
- (d) an FCM Clearing Member's obligations to submit its clearing activity to audits and inspections pursuant to Section 1 of these FCM Procedures;
- (e) an FCM Clearing Member's obligations to satisfy its record keeping requirements pursuant to Section 1 of these FCM Procedures;
- (f) an FCM Clearing Member's obligation to furnish the Clearing House with margin by the required time in accordance with FCM Regulation 9 and Section 3 of these 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 Section 8.4, without being required to follow the procedure set out in 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 Section 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 Section 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 and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;
- (b) immediately notify the Regulatory Body of a decision to suspend or terminate an FCM Clearing Member's membership rights or declare an FCM Clearing Member to be subject to an Event of Default (in each case in accordance with the FCM Rulebook); and
- (c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, provided however that only the details of those FCM Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed.

8.7 INFRINGEMENT OF APPLICABLE LAW

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of applicable law, it shall report the matter to the relevant Regulatory Body as soon as possible.