



**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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netting provisions of FCM Regulation 47 and the Default Rules) of each FCM Clearing Member.

(e) *Price Alignment Amount*

The payment of Variation Settlement by the applicable party on a daily basis would, without adjustment, distort the pricing for certain FCM SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of such Variation Settlement payments, the Clearing House will, for an FCM Clearing Member, either (i) charge a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, received Variation Settlement from the Clearing House, or (ii) pay a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, paid Variation Settlement to the Clearing House. In a negative interest rate environment where the applicable Price Alignment Amount rate is negative, the Clearing House will, for an FCM Clearing Member, either (i) pay a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, received Variation Settlement from the Clearing House, or (ii) charge a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, paid Variation Settlement to the Clearing House.

(f) *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate variation margin, NPV Payments and Price Alignment Amounts in relation to FCM SwapClear Contracts that are non-deliverable interest rate swaps in USD, and all amounts due or payable under such FCM SwapClear Contracts must be paid in USD.

2.1.8 *Coupon Payments*

(a) *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section 2.1.2(c)). 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.

Notwithstanding the foregoing, with respect to FCM SwapClear Contracts denominated in Israeli Shekel, the Clearing House will not recognize Sunday as a Business Day.

(b) *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 and in accordance with the ISDA Definitions:

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

(c) *Calculation of Floating Amount*

Subject to (e) below, 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 and in accordance with the ISDA Definitions:

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

(d) *Calculation of Compounding Floating Amounts*

If applicable, the Clearing House will calculate the compounding floating amount payable in respect of an FCM SwapClear Contract on a Payment Date as an amount calculated in accordance with Sections 6.2.2, 6.2.3 or 6.2.4 of the ISDA Definitions (as applicable).

(e) *Calculation of FRA Discounting (Article 4.7 of the ISDA Definitions)*

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD or ZAR, the FRA Amount will be calculated in accordance with formulae in the ISDA Definitions.

(f) *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, except that, with respect to FCM SwapClear Contracts denominated in Israeli Shekel, the Clearing House will not recognize Sunday as a Business Day.

The Clearing House will, in the event of non-Business Days, apply the Business Day Conventions in accordance with, and as specified in, the matched FCM SwapClear Transaction message, except that, with respect to the effective date of an FCM SwapClear Contract, the Clearing House will adjust such effective date as specified under Section 3.9 of the FCM SwapClear Contract Terms.

(g) *Payment of Coupons*

After adjustment in accordance with the applicable Business Day Conventions, the Clearing House will, subject to the netting provisions of FCM Regulation 47, credit or debit FCM Clearing Members' accounts with the appropriate Fixed Amount or Floating Amount with a value date matching the related Payment Date. In the event of SwapClear being closed on a Payment Date, it will pay the Fixed Amounts and Floating Amounts on the next Business Day following such Payment Date.

(h) *Calculation Periods*

In respect of any Calculation Period that is a not a whole calendar month (a stub period), the applicable 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.

(i) *Day Count Fraction*

Day count fractions will be applied to deal legs of an FCM SwapClear Contract independently, as they are communicated via the matched format message of the FCM SwapClear Transaction corresponding to such FCM SwapClear Contract and the Clearing House will determine and apply such day count fractions in accordance with the ISDA Definitions.

(j) *Floating Rate*

Subject always to the terms of any applicable Floating Rate Conversion Annex and Floating Rate Conversion Notice(s), the Floating Rate Options shall have the meanings given to them in the ISDA Definitions, provided that where the rate for a Reset Date (i) is unavailable (including where such rate ceases, or will cease, to be provided by its administrators), (ii) is not sufficiently robust, (iii) is not fit for purpose or (iv) has materially changed, in each case as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative rate at its sole discretion. Each such rate will be provided in regular reports by the Clearing House to members.

(k) *Applying Floating Rate Options*