



**LCH LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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## 1.2 Operating Times and Calendars

### 1.2.1 Opening Days

The SwapClear Service will be open every day, except weekends, Christmas Day, New Year's Day and Good Friday<sup>1</sup>.

### 1.2.2 Opening Hours

Unless notified otherwise, the SwapClear Service will be operational on each business day that is:

- (a) a Monday from 02:00 (London time) to 02:05 (London time) on Tuesday~~19:00 New York time; and~~
- ~~(b) a Friday not a Monday~~ from 06:00 (London time) to 19:00 (New York time); and
- ~~(b)~~ ~~(c)~~ not a Monday or Friday from 06:00 (London time) to 02:05 on the following day.<sup>23</sup>

The Clearing House will notify SwapClear Clearing Members if the SwapClear Service is scheduled for closure for operational or other reasons (including compression runs).

### 1.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

With respect to SwapClear Contracts that are denominated in Israeli Shekel, the Clearing House will not recognise Sunday as a Business Day for the purposes of the SwapClear Contract Terms.

<sup>1</sup> While the SwapClear Service is generally closed on Good Friday, the Clearing House may, by prior written notice to SCMs, open the SwapClear Service on such day, in which case it will be a business day.

<sup>2</sup> However, the Clearing House will continue to accept Necessary Consents until one minute after closure of the SwapClear Service.

<sup>3</sup> The SwapClear Service may, in the Clearing House's absolute discretion, be operational beginning (a) 00:00 (London time) on a business day that is a Monday, or (b) 04:00 (London time) on a business day that is not a Monday.

1.3.3 *Client Buffer, SwapClear Tolerance and Standing Order Amount**Client Buffer*

- (a) The Clearing House will allocate Client Buffer to the Client Accounts of an SCM, in accordance with paragraphs (b) to (f) below, in order to facilitate the registration of SwapClear Contracts to such Client Accounts or to otherwise satisfy the Total Required Margin Amounts of such Client Accounts.
- (b) The Clearing House will at all times (except as provided under paragraph (e)(i) below) calculate:
  - (i) in respect of each Client Account (other than an Omnibus Gross Segregated Account), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such Client Account; and
  - (ii) in respect of the sub-account referable to a Single Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients (as applicable), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such sub-account,

where each such amount calculated is the “**Margin Shortfall**” for the relevant Client Account or sub-account (as applicable).

- (c) The Clearing House will automatically, and without further reference to the relevant SCM, allocate Client Buffer of such SCM to:
  - (i) a Client Account (other than an Omnibus Gross Segregated Account) of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such Client Account, up to a maximum of such Margin Shortfall; and
  - (ii) the sub-account of an Omnibus Gross Segregated Account of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such sub-account, up to a maximum of such Margin Shortfall.
- (d) As part of the end of day margin and settlement call, the Clearing House will call each SCM for Collateral to cover the liabilities of its Client Accounts which are, at that point, being covered by Client Buffer.
- (e) The Clearing House will perform the allocation of Client Buffer in accordance with paragraph (c) above on an ongoing basis, except that:
  - (i) subject to paragraph (e)(ii) below, where the Clearing House calls an SCM for end of day margin and/or settlement payments in respect of a business day, all calculations of Margin

Shortfalls and allocations of Client Buffer will be suspended and all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, will remain in force from the time (as determined by the Clearing House) at the end of the period, for which the Clearing House has determined at which the Clearing House makes such end of day margin and/or settlement ~~call~~ payments, until such time as the SCM satisfies such call (and at which time the Clearing House will resume calculation of Margin Shortfalls and allocation of Client Buffer in accordance with paragraphs (b) to (f)); and

- (ii) notwithstanding paragraph (e)(i) above, if an SCM fails to meet any of its obligations to the Clearing House, the Clearing House may cease such allocation process and determine that all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, remain in force from the time specified by the Clearing House (until such later time as determined by the Clearing House, when it will resume allocation of Client Buffer in accordance with paragraphs (b) to (f)).
- (f) Where Client Buffer has been allocated to a Client Account, such Collateral shall be recorded in, and form part of, the Clearing Member Current Collateral Balance in respect of such Client Account.
- (g) Where the Clearing House determines, after applying the allocation process in paragraph (c) above, that an amount of Client Buffer will no longer be allocated to a Client Account of an SCM (because either (i) there are no Margin Shortfalls, in respect of the SCM's Client Accounts, or (ii) the total amount of Client Buffer exceeds the total Margin Shortfalls, in respect of such SCM's Client Accounts), it will be returned and re-recorded by the Clearing House to the Client Buffer Account of such SCM (until such time as allocated again to a Client Account in accordance with paragraph (c) above) and will cease to form part of the Clearing Member Current Collateral Balance of such Client Account.
- (h) Prior to the Default of an SCM or the occurrence of a Termination Date specified by such SCM under Regulation 45, amounts standing to the credit of its Client Buffer Account are not available to support House Clearing Business and can only be used to support its SwapClear Client Clearing Business.

#### *SwapClear Tolerance*

- (i) The Clearing House may provide each SCM with initial margin forbearance (“**SwapClear Tolerance**”) in accordance with paragraphs (j) to (o) below, in order to facilitate the registration of SwapClear Contracts in the Proprietary Account(s) and/or Client Account(s) of such SCM or where the SCM has otherwise not transferred sufficient Collateral to the Clearing House (taking into account any Client Buffer transferred to a Client Account).

- (j) Subject to paragraphs (l), (m) and (n) below, the allocation of SwapClear Tolerance to:
- (i) the Proprietary Account of an SCM will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House's daily margin and settlement calls;
  - (ii) the Client Accounts of an SCM who does not use Client Buffer will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House's daily margin and settlement calls; and
  - (iii) the Client Accounts of an SCM who uses Client Buffer will be adjusted on an ongoing basis, after the allocation of Client Buffer by the Clearing House pursuant to paragraphs (c) and (e) above, such that in respect of:
    - (A) a Client Account (other than an Omnibus Gross Segregated Account), the Clearing House will allocate SwapClear Tolerance to such account equal to the amount (if any) by which the Margin Shortfall, in respect of such Client Account, exceeds the Client Buffer allocated to it; and
    - (B) a sub-account of an Omnibus Gross Segregated Account, the Clearing House will allocate SwapClear Tolerance to such sub-account equal to the amount (if any) by which the Margin Shortfall, in respect of such sub-account, exceeds the Client Buffer allocated to it.
- (k) SwapClear Tolerance does not, for the avoidance of doubt, give rise to any payment or transfer of Collateral from the Clearing House or result in any use of Default Fund resources (except following a Default).
- (l) Notwithstanding paragraph (j) above, the Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) available to an SCM at a given time (the "**SwapClear Tolerance Limit**").
- (m) Notwithstanding paragraph (j) above, the Clearing House may adjust the value of such SwapClear Tolerance Limit and will notify each SCM of its SwapClear Tolerance Limit and of any adjustment to such SwapClear Tolerance Limit.
- (n) Notwithstanding paragraph (j) above, an SCM will ordinarily be required to transfer Collateral to the Clearing House in respect of its utilised SwapClear Tolerance in the margin and settlement call immediately following such use, provided that the Clearing House may require an SCM to transfer Collateral to the Clearing House in respect of utilised SwapClear Tolerance at any time and without prior notice.

Transaction is not presented in the prescribed format, each constituent SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each SwapClear Transaction that forms part of the Package Transaction as a new SwapClear Transaction in accordance with the Rulebook and, where each constituent SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the Rulebook (including a Necessary Consent and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the SwapClear Transactions within that Package Transaction. Where one or more of the constituent SwapClear Transactions does not meet the Clearing House's registration requirements then all the constituent SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent SwapClear Transaction of a Package Transaction is an Eligible Trading Venue Transaction, it is a condition of registration that all of the constituent SwapClear Transactions of such Package Transaction be Eligible Trading Venue Transactions. Where such condition is not met, all constituent SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising SwapClear Transactions that are not executed on a Trading Venue, the Clearing House will send a Notification to the relevant SwapClear Clearing Member(s) for the acceptance of each such constituent SwapClear Transaction.

In respect of a Package Transaction presented in a SwapClear Clearing Member's name, such SwapClear Clearing Member's margin requirement will be assessed based on the net margin call for all of the constituent SwapClear Transactions of such Package Transaction. Where one or more of the constituent SwapClear Transactions in a Package Transaction is not a Sub-Block Trading Venue Transaction, the relevant SwapClear Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

The Clearing House may limit the number of SwapClear Transactions that may be included in a Package Transaction by way of member circular.

## 1.4 Proprietary Accounts and Client Accounts

### 1.4.1 Proprietary Accounts

A SwapClear Clearing Member may request that the Clearing House opens a one or more Proprietary Accounts in respect of its House Clearing Business. Each A Proprietary Account will map to two or more sub-accounts:

- (a) one or more position accounts; and
- (b) one or more collateral accounts (including, where relevant, a Client Buffer Account and/or an Overnight Funding Account).

### 1.9.2 Counterparty Risk Multiplier

The Clearing House reserves the right to require additional amounts of Collateral from a specific SCM or from all SCMs in accordance with Regulation 20 (*Margin and Collateral*).

### 1.9.3 Liquidity Multiplier

Risk Management apply a liquidity multiplier based on scenario values exceeding certain thresholds on the SCM's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis.

### 1.9.4 Intra-day Margin Calls

In accordance with the Regulations, the Clearing House is entitled, where considered necessary, to demand that a Clearing Member transfer additional Collateral to the Clearing House the same day (intra-day margin calls). Intra-day margin calls can be made at any time ~~throughout the business day (between 08:30 and 21:00 hours (London time))~~ on a business day. Intra-day margin calls will usually be made via the ~~Protected Payments System (PPS)~~ (see Section 1.11).

In certain circumstances, the Clearing House may require a Clearing Member to transfer additional cash Collateral to the Clearing House after the closure of London PPS facilities at 16:00 hours London time. In this event, the Clearing House will require payment of additional cash Collateral through PPS facilities in the USA (see Section 1.3 of Procedure 3 (*Financial Transactions*)). **Members must ensure, in these circumstances, that they are in a position to comply with such demands through their nominated US PPS account within one hour of the demand.**

### 1.9.5 Calculation of Initial Margin

#### *Portfolio Approach to Interest Rate Scenarios (PAIRS)*

PAIRS is a historical model which takes historical events that occurred within the look-back period and from these calculates initial margin in line with the Clearing House's risk policies (which also take into account regulatory requirements). All positions in each currency are revalued under a series of scaled historical market moves and initial margin is calculated as the Expected Shortfall (ES) of the portfolio. 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 SwapClear Risk on +44 (0)20 7 426 7549.

### 1.9.6 Default Fund Additional Margin

The Clearing House may from time to time require an SCM to transfer Collateral to the Clearing House to meet the default fund additional margin requirement as determined and notified by the Clearing House to such SCM ("DFAM"). The methodology by which the Clearing House determines DFAM is available on

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 SCM 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 SCM 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 relieve a SwapClear Clearing Member of its obligations in relation to a Rates Service DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Rates Service DMP on behalf of an SCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that SCM.

#### 1.28.8 *Rates Service DMG*

The necessary involvement of SCMs and the Rates Service DMG in the Rates Service 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, Schedule 1 establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on SCMs (and their executives or directors who participate from time to time in the Rates Service DMG) and on the Clearing House.

Each SCM who makes available a representative to serve on the Rates Service 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 Rates Service DMG complies with Schedule 1 covering confidentiality, non-disclosure and other terms.

#### 1.28.9 Default Management Accounts

- (a) For the purposes of this Section 1.28.9, the following definitions will apply:

**“Affected Non-Porting Client Account”** means, in respect of an Initial DMA or a Final DMA (as applicable) and the Rates Service Contracts that (at any time) comprise such Initial DMA or Final DMA (as applicable), each Non-Porting Client Account from which any such Rates Service Contract originated.



“**Auction**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Auction Date**” means, in respect of an Auction Portfolio, the business day on which such Auction Portfolio is sold.

“**Auction Result**” means, in respect of an Auction Portfolio, the amount equal to:

- (i) the gains or losses of the Clearing House arising from the sale of such Auction Portfolio, where a gain is a positive amount and a loss is a negative amount;
- (ii) plus the Auction Portfolio NPV Gain for such Auction Portfolio (if any);
- (iii) minus the Auction Portfolio NPV Loss for such Auction Portfolio (if any).

“**Auction Portfolio**” means a Basis Portfolio or an OTC Auction Portfolio, as applicable.

“**Auction Portfolio Calculation Period**” means, in respect of an Auction Portfolio and its Auction Date, the period commencing immediately after the ~~Daily Calculation Period end of day margin and settlement call of the Clearing House~~ for the business day preceding such Auction Date and ending at the point at which such Auction Portfolio is sold.

- (i) where such change is in favour of the Defaulter, is the “**Auction Portfolio NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Auction Portfolio NPV Loss**”.

“**Auction Portfolio NPV Change**” means, in respect of an Auction Portfolio and its Auction Portfolio Calculation Period, the amount (if any) by which the aggregate net present value of the Rates Service Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

“**Basis Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Daily Amount**” means, in respect of a DMA and a Daily Calculation Period, the Daily Gain or Daily Loss for such DMA and Daily Calculation Period.

“**Daily Calculation Period**” means, in respect of a business day, the period, ~~in respect of which the Clearing House determines commencing immediately after~~ the end of day margin and settlement ~~payments for Rates Service Contracts for call of the Clearing House for the previous~~

~~business day and ending at the end of day margin and settlement call of the Clearing House for~~ such business day.

“**Daily Gain**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the Daily NPV Gain exceeds the Daily Hedge Costs (in each case) for such DMA and Daily Calculation Period.

“**Daily Hedge Costs**” means, in respect of a DMA and a Daily Calculation Period, all costs incurred by the Clearing House in connection with hedging the exposure of one or more Rates Service Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the Rates Service DMP Annex.

“**Daily Loss**” means, in respect of a DMA and a Daily Calculation Period, either: (i) where the DMA experiences a Daily NPV Loss in respect of such Daily Calculation Period, the aggregate of such Daily NPV Loss and the Daily Hedge Costs for such DMA and Daily Calculation Period; or (ii) where the DMA experiences a Daily NPV Gain in respect of such Daily Calculation Period, the amount by which the Daily Hedge Costs for such DMA and Daily Calculation Period exceed such Daily NPV Gain.

“**Daily NPV Change**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the aggregate net present value of the Remaining Contracts within such DMA has changed during such Daily Calculation Period, and:

- (i) where such change is in favour of the Defaulter, is the “**Daily NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Daily NPV Loss**”.

“**DMA**” means an Initial DMA or a Merged DMA, as applicable.

“**DMA Creation Date**” means, in respect of an Initial DMA, the business day on which such Initial DMA is established by the Clearing House.

“**DMA Merger Date**” means, in respect of a Merged DMA, the business day on which two or more DMAs are combined to form such Merged DMA.

“**Final DMA**” means, in respect of an Auction Portfolio that is auctioned and sold, the most recently established DMA from which such Auction Portfolio was formed.

“**Initial DMA**” means a default management account established by the Clearing House, acting in its sole discretion, to which one or more Sets of Non-Porting Contracts are transferred (by book-entry) on the DMA Creation Date for such default management account.

“**Latest DMA**” means, in respect of a Daily Calculation Period, a DMA that exists at the end of such Daily Calculation Period, but which has not itself been combined with another DMA to form a separate Merged DMA.

“**Merged DMA**” means a default management account established by the Clearing House, acting in its sole discretion, which results from the combination of two or more DMAs.

“**Non-Porting Client Account**” means, in respect of a Defaulter, the Individual Segregated Account, Custodial Segregated Account, Omnibus Gross Segregated Sub-Account, Indirect Net Account, Indirect Gross Sub-Account, Non-Identified Client Omnibus Net Segregated Account, Affiliated Client Omnibus Net Segregated Account, Identified Client Omnibus Net Segregated Account or FCM Client Sub-Account (as applicable) of such Defaulter, to which the Rates Service Contracts that the Clearing House has determined will not be ported in accordance with the Client Clearing Annex or the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

“**OTC Auction Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Pre-Default TMR**” means, in respect of an Affected Non-Porting Client Account of a Defaulter, the TMR for such Affected Non-Porting Client Account as at the end of day margin and settlement call for the business day before the day of Default of such Defaulter.

“**Pre-Default TMR Ratio**” means

- (i) in respect of an Initial DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Final DMA.

“**Pre-Merger TMR**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the TMR for such DMA as at the end of day margin and settlement call for the business day before the DMA Merger Date of such Merged DMA.

“**Pre-Merger TMR Ratio**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the ratio that such DMA’s Pre-Merger TMR bears to the aggregate Pre-

Merger TMR of all DMAs that were combined to form such Merged DMA.

“**Prior Merged DMA**” means, in respect of a Merged DMA, an existing Merged DMA that has been combined with one or more other DMA(s) to form such Merged DMA.

“**Remaining Contracts**” means, in respect of a DMA and a Daily Calculation Period, all of the Rates Service Contracts within such DMA during such Daily Calculation Period, excluding those Rates Service Contracts that the Clearing House has auctioned and sold at any point within such Daily Calculation Period.

“**Set of Non-Porting Contracts**” means, in respect of a Non-Porting Client Account, the Rates Service Contracts that are transferred by the Clearing House from such Non-Porting Client Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting Client Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting Client Account, or (ii) in respect of a DMA, the total margin requirement as determined by the Clearing House for such DMA, in each case excluding: (x) variation margin; (y) Stress Loss Margin as defined in Section 1.9.7 above; and (z) counterparty risk multiplier margin as described in Section 1.9.2 above.

(b) *Initial DMAs*

- (i) After a Default, the Clearing House may, in its sole discretion:
  - (A) determine that the Rates Service Contracts registered to a Non-Porting Client Account will not port in accordance with the Client Clearing Annex or the FCM Rulebook (as applicable); and
  - (B) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting Client Account to an Initial DMA on the business day on which the Clearing House makes such determination.
- (ii) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (i)(B) above on the same business day.
- (iii) No Contracts other than Rates Service Contracts will be transferred into an Initial DMA.
- (iv) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of Rates Service Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such Rates Service Contracts in accordance with subparagraph (i) above shall be discharged by the Clearing

House debiting or crediting (as applicable) the Non-Porting Client Account from which such Rates Service Contracts were transferred.

(c) *Merged DMAs*

- (i) On any business day following the creation of two or more Initial DMAs pursuant to paragraph (b) above, the Clearing House may create a Merged DMA by combining:
  - (A) multiple Initial DMAs;
  - (B) one or more Initial DMAs and one or more Prior Merged DMAs; or
  - (C) multiple Prior Merged DMAs.
- (ii) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.

(d) *Auctions*

- (i) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the Rates Service DMP Annex.
- (ii) More than one Auction Portfolio may be referable to a single DMA, in which case:
  - (A) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and
  - (B) on and from the date of the first Auction in respect of the DMA, the Clearing House may no longer combine such DMA into a Merged DMA.
- (iii) Following the sale of an Auction Portfolio, the Rates Service Contracts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.

(e) *Attribution of Daily Amounts*

- (i) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
- (ii) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
  - (A) an Initial DMA, to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata

according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and

- (B) a Merged DMA, to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA (where the amount attributed to each such DMA is an “**Interim Amount**”).
- (iii) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (ii)(B) above, then it will further attribute such Interim Amount as follows:
- (A) Where the DMA to which the Interim Amount was attributed is an Initial DMA, the Clearing House will further attribute such amount to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and
  - (B) Where the DMA to which the Interim Amount was attributed is a Merged DMA, the Clearing House will further attribute such amount to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.
- (iv) If the Clearing House attributes an amount to a DMA under subparagraph (iii)(B) above, then it will further attribute such amount according to the method specified in subparagraph (iii) (treating such amount as an Interim Amount for the purposes of subparagraph (iii)) until all amounts are attributed to Non-Porting Client Accounts.
- (f) *Attribution of Auction Results*

The Clearing House shall attribute the Auction Result, in respect of the sale of an Auction Portfolio, to each Affected Non-Porting Client Account referable to the Final DMA from which such Auction Portfolio was formed, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account.

- (g) *Collateral*

The Clearing House shall hold the relevant Collateral in respect of each Non-Porting Client Account in its applicable Client Account until the process described in this Section 1.28.9 has been completed.

#### 1.28.10 *Rates Service Default Management Disclosure Notice*

Each SCM must ensure that each Clearing Client is provided with, or is directed to a copy of, the Rates Service Default Management Disclosure Notice and further must provide confirmation to the Clearing House, in the

form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each of its Clearing Clients.

#### 1.28.11 *Contact Information*

Each SCM is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of an SCM Default. SCMs are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

#### 1.28.12 *Calculation Period*

Notwithstanding the definition of "Auction Losses Calculation Period" in Rule 1.6 of Schedule 2 of the Default Rules, on and from the date determined by the Clearing House, the following definition will apply for the purposes of the Rates Service DMP Annex:

"Auction Losses Calculation Period" means, in respect of an OTC Auction Portfolio or a Basis Portfolio (as applicable) and the business day on which the Clearing House auctions and sells such portfolio, the period:

(a) commencing immediately after the Daily Calculation Period for the previous business day; and

(b) ending at the point at which the Clearing House sells such portfolio;

where:

"Daily Calculation Period" means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for Rates Service Contracts for such business day."

### 1.29 **Provision of Tax Forms; Withholding Taxes; Sales Tax**

#### 1.29.1 *Tax Forms*

The Clearing House and each SwapClear Clearing Member shall provide to the other party (i) any form or document specified in the given SwapClear Contract and (ii) any form, document, statement or certification (including, in the case of the Clearing House, an Internal Revenue Service Form W-8BEN) reasonably requested in writing, in each case to permit the Clearing House or SwapClear Clearing Member, as applicable, to make any payment under the Clearing House's rules or any SwapClear Contract without withholding for any tax, levy or charge. The foregoing requirement shall not apply in the event the Clearing House or SwapClear Clearing Member is not permitted to deliver such form, document, statement or certification under Applicable Law (including any double-tax treaty).

#### 1.29.2 *Withholding Taxes*