



**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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- (A) an FCM Client for whom the FCM Clearing Member conducts FCM SwapClear Clearing Services in respect of Inflation FCM SwapClear Contracts referencing the relevant Index and/or their third party service providers, provided that the FCM Clearing Member shall procure that such FCM Client and/or its service providers (as applicable) shall only use the Inflation Derived Data for the purposes of the FCM Client's internal risk management and settlement activities in respect of Inflation FCM SwapClear Contracts which the FCM Clearing Member clears or intends to clear on the FCM Client's behalf in respect of the relevant Index and may not further disclose the Inflation Derived Data to any other person or use the Inflation Derived Data for any other purpose;
- (B) third parties providing the FCM Clearing Member with risk management or settlement services, provided that the FCM Clearing Member shall procure that such third parties shall only use the Inflation Derived Data for the purposes of the FCM Clearing Member's internal risk management and settlement activities in relation to FCM Inflation SwapClear Contracts that reference the relevant Index and that the third party may not further disclose the Inflation Derived Data to any other person or use the Inflation Derived Data for any other purpose; and
- (C) competent regulatory authorities when required to do so by Applicable Law or regulation;

### 2.1.2 *Operating Times and Calendars*

#### (a) *Opening Days*

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

#### (b) *Opening Hours*

Unless notified otherwise, the FCM 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<sup>23</sup>

<sup>1</sup> While the FCM SwapClear service is generally closed on Good Friday, the Clearing House may, by prior written notice to FCM Clearing Members within such service, open the FCM 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 FCM Acceptances until one minute after closure of the FCM SwapClear service.

~~(B)~~(C) not a Monday or a Friday from 6:00am London time to 02:05 London time on the following day.

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

(c) *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 2.1.1(c)).

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

2.1.3 **Registration**

(a) *Submission for Registration*

Prior to and as a precondition to the registration of an eligible FCM SwapClear Transaction, the relevant FCM Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of FCM SwapClear Transaction to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (i) notification pursuant to this paragraph is not received by the Clearing House, (ii) the relevant FCM Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (iii) approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject the registration of any relevant FCM SwapClear Transaction.

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 bilaterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on an FCM Trading Venue, and will confirm

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<sup>3</sup> The FCM 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.

### 3.4.4 *Use of a Defaulter's cover*

Post-default the Clearing House is entitled to realize and/or apply a Defaulter's cover in whatever order it deems appropriate.

### 3.4.5 *Overnight FCM Funding Account*

Upon request from an FCM Clearing Member, the Clearing House may open an Overnight FCM Funding Account.

The Clearing House will, in general, apply available Standard FCM Buffer to satisfy liabilities in accordance with FCM Regulation 15 before it applies available Overnight FCM Funding Collateral, but may, at its sole discretion, determine to apply some or all available Overnight FCM Funding Collateral before it applies Standard FCM Buffer.

## 3.5 **Interest, Price Alignment Amount and Accommodation Charge Structure**

### 3.5.1 *Cash Balance Interest Rate*

The Clearing House applies interest to FCM Clearing Members' cleared cash balances. The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding Contributions). The LDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the LCH website at the following link: [http://www.lch.com/fees/ltd/custody\\_services.asp](http://www.lch.com/fees/ltd/custody_services.asp);
- (b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances on Client financial accounts. The CDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the LCH website at the following link: [http://www.lch.com/fees/ltd/custody\\_services.asp](http://www.lch.com/fees/ltd/custody_services.asp); and

For the avoidance of doubt, the Clearing House may apply a different or separate LDR or CDR on FCM Clearing Member's cleared cash balances with respect to each Service.

- (c) 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.

Where the Clearing House provides FCM Clearing Members with at least three days written notice (which may be way of member circular), the Clearing House may increase or decrease the LDR by up to 10bps. The

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 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 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.

(e) Rates Service *DMG*

The necessary involvement of FCM Clearing Members 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 2.1A 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 Rates Service *DMG*) and on the Clearing House.

Each FCM Clearing Member 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 2.1A covering confidentiality, non-disclosure and other terms.

(f) *Default Management Accounts*

(A) For the purposes of this paragraph (f), the following definitions will apply:

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

Client Sub-Account from which any such FCM Rates 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 end of ~~the Daily Calculation Period 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.

“**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 FCM Rates Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

- (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**”.

“**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 call of the Clearing House~~ payments for FCM Rates Contracts 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 FCM Rates 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 FCM Client Sub-Account**” means, in respect of a Defaulter, the FCM Client Sub-Account of such Defaulter, to which the FCM Rates Contracts that the Clearing House has determined will not be ported in accordance with 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 FCM Client Sub-Account of a Defaulter, the TMR for such Affected Non-Porting FCM Client Sub-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 FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-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 FCM Rates Contracts within such DMA during such Daily Calculation Period, excluding those FCM Rates 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 FCM Client Sub-Account, the FCM Rates Contracts that are transferred by the Clearing House from such Non-Porting FCM Client Sub-Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting FCM Client Sub-Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting FCM Client Sub-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 2.1.9 above; and (z) counterparty risk multiplier margin.

(B) *Initial DMAs*

(A) After a Default, the Clearing House may, in its sole discretion:

- (1) determine that the FCM Rates Contracts registered to a Non-Porting FCM Client Sub-Account will not port in accordance with the FCM Rulebook; and
- (2) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting FCM Client Sub-Account to an Initial DMA on the

business day on which the Clearing House makes such determination.

- (B) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (A)(2) above on the same business day.
  - (C) No Contracts other than FCM Rates Contracts will be transferred into an Initial DMA.
  - (D) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of FCM Rates Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such FCM Rates Contracts in accordance with subparagraph (A) above shall be discharged by the Clearing House debiting or crediting (as applicable) the Non-Porting FCM Client Sub-Account from which such FCM Rates Contracts were transferred.
- (C) *Merged DMAs*
- (A) 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:
    - (1) multiple Initial DMAs;
    - (2) one or more Initial DMAs and one or more Prior Merged DMAs; or
    - (3) multiple Prior Merged DMAs.
  - (B) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.
- (D) *Auctions*
- (A) 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.
  - (B) More than one Auction Portfolio may be referable to a single DMA, in which case:
    - (1) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and

- (2) 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.
  - (C) Following the sale of an Auction Portfolio, the Rates Service Contacts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.
- (E) *Attribution of Daily Amounts*
- (A) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
  - (B) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
    - (1) an Initial DMA, to each Affected Non-Porting FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
    - (2) 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**”).
  - (C) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (B)(2) above, then it will further attribute such Interim Amount as follows:
    - (1) 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 FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
    - (2) 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.

(D) If the Clearing House attributes an amount to a DMA under subparagraph (C)(2) above, then it will further attribute such amount according to the method specified in subparagraph (C) (treating such amount as an Interim Amount for the purposes of subparagraph (C)) until all amounts are attributed to Non-Porting FCM Client Sub-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 FCM Client Sub-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 FCM Client Sub-Account.

(G) *CFTC Regulations*

The Clearing House shall hold the relevant Collateral in respect of Non-Porting FCM Client Sub-Accounts (segregated as belonging to each such applicable Non-Porting FCM Client Sub-Account in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Omnibus SwapClear Client Account with LCH until the process described in this paragraph (f) has been completed. For the avoidance of doubt, the Clearing House may only take such actions pursuant to this paragraph as permitted by the FCM Rulebook, the CEA and the CFTC Regulations or as directed by an applicable Regulatory Body.

(g) *FCM Rates Service Default Management Disclosure Notice*

Each FCM Rates Service Clearing Member must ensure that each FCM Client to which it offers FCM SwapClear Clearing Services is provided with, or is directed to a copy of, the FCM Rates Service Default Management Disclosure Notice, and further must provide confirmation, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each such FCM Client.

(h) *Contact Information*

Each FCM Rates Clearing Member is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of a Clearing Member Default. FCM Rates Clearing Members are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

(i) 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.

#### 2.1.18 ***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.

#### 2.1.19 ***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 efforts 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.

#### 2.1.20 ***Tax Forms***

The Clearing House and each FCM Clearing Member shall provide to the other party (i) any form or document specified in the given FCM 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

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.

(e) *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, Schedule 2.2A 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 Schedule 2.2A covering confidentiality, non-disclosure and other terms.

(f) *Default Management Accounts*

(A) For the purposes of this paragraph (f), the following definitions will apply:

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

**“Auction”** has the meaning assigned to it in the ForexClear 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 ForexClear Auction Portfolio.

“**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.

“**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 FCM ForexClear Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

- (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**”.

“**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 FCM ForexClear 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 FCM ForexClear Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the ForexClear 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.

**“ForexClear Auction Portfolio”** means an “Auction Portfolio” as defined in the ForexClear DMP Annex.

**“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 FCM Client Sub-Account”** means, in respect of a Defaulter, the FCM Client Sub-Account of such Defaulter, to which the FCM ForexClear Contracts that the Clearing House has determined will not be ported in accordance with the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

**“Pre-Default TMR”** means, in respect of an Affected Non-Porting FCM Client Sub-Account of a Defaulter, the TMR for such Affected Non-Porting FCM Client Sub-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 FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-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 FCM ForexClear Contracts within such DMA during such Daily Calculation Period, excluding those FCM ForexClear 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 FCM Client Sub-Account, the FCM ForexClear Contracts that are transferred by the Clearing House from such Non-Porting FCM Client Sub-Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting FCM Client Sub-Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting FCM Client Sub-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 variation margin.

(B) *Initial DMAs*

(A) After a Default, the Clearing House may, in its sole discretion:

- (1) determine that the FCM ForexClear Contracts registered to a Non-Porting FCM Client Sub-Account will not port in accordance with the FCM Rulebook; and
- (2) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting FCM Client Sub-Account to an Initial DMA on the business day on which the Clearing House makes such determination.

(B) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (A)(2) above on the same business day.

(C) No Contracts other than FCM ForexClear Contracts will be transferred into an Initial DMA.

(D) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of FCM ForexClear Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such FCM ForexClear Contracts in accordance with subparagraph (A) above shall be discharged by the Clearing House debiting or crediting (as applicable) the Non-Porting FCM Client Sub-Account from which such FCM ForexClear Contracts were transferred.

(C) *Merged DMAs*

(A) 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:

- (1) multiple Initial DMAs;
  - (2) one or more Initial DMAs and one or more Prior Merged DMAs; or
  - (3) multiple Prior Merged DMAs.
- (B) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.
- (D) *Auctions*
- (A) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the ForexClear DMP Annex.
  - (B) More than one Auction Portfolio may be referable to a single DMA, in which case:
    - (1) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and
    - (2) 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.
  - (C) Following the sale of an Auction Portfolio, the ForexClear Contacts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.
- (E) *Attribution of Daily Amounts*
- (A) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
  - (B) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
    - (1) an Initial DMA, to each Affected Non-Porting FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
    - (2) 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**”).

- (C) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (B)(2) above, then it will further attribute such Interim Amount as follows:
- (1) 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 FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
  - (2) 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.
- (D) If the Clearing House attributes an amount to a DMA under subparagraph (C)(2) above, then it will further attribute such amount according to the method specified in subparagraph (C) (treating such amount as an Interim Amount for the purposes of subparagraph (C)) until all amounts are attributed to Non-Porting FCM Client Sub-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 FCM Client Sub-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 FCM Client Sub-Account.

(G) *CFTC Regulations*

The Clearing House shall hold the relevant Collateral in respect of Non-Porting FCM Client Sub-Accounts (segregated as belonging to each such applicable Non-Porting FCM Client Sub-Account in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Omnibus ForexClear Client Account with LCH until the process described in this paragraph (f) has been completed. For the avoidance of doubt, the Clearing House may only take such actions pursuant to this paragraph as

permitted by the FCM Rulebook, the CEA and the CFTC Regulations or as directed by an applicable Regulatory Body.

(g) Notwithstanding the definition of "Auction Losses Calculation Period" in Rule 1.4 of Schedule 3 of the Default Rules, on and from the date determined by the Clearing House, the following definition will apply for the purposes of the ForexClear DMP Annex:

"Auction Losses Calculation Period" means, in respect of an Auction Portfolio 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 ForexClear Contracts for such business day.

#### 2.2.27 *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.

#### 2.2.28 *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 efforts 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.