

evidence of these arrangements and will test these prior to the applicant becoming an FCM Clearing Member. The FCM Clearing Member will be required to provide evidence of their contingency payment arrangements and undertake testing of such arrangements with the Clearing House, at least once a year on an ongoing basis at the Clearing House's request.

The applicant must maintain a back office:

- (A) remote from both the trading floor and/or trading desks;
- (B) with adequate systems (including but not limited to computer and communications systems) and records;
- (C) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the FCM Clearing Member participates; and
- (D) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by any relevant Exchange(s).

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 applicant FCM Clearing Members to demonstrate compliance with the applicable FCM clearing membership criteria and/or Applicable Law.

FCM Clearing Members are required to promptly notify or pre-notify the Clearing House of any changes which may result in non-compliance with the Clearing Member status criteria as stated in these FCM Procedures.

Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to retire from FCM Clearing Member status, it may do so by giving written notice to the Clearing House not less than three months ahead of the proposed termination date. By the close of business on the proposed termination date, the Retiring Member shall ensure that all FCM Contracts registered in the Retiring Member's name have been closed-out or transferred so as to ensure that there are no open FCM Contracts to which the Retiring Member is a party at the proposed termination date. Once all such FCM Contracts have been closed-out or transferred, such Retiring Member shall be entitled to request that the Clearing House releases and returns to it any collateral held by the Clearing House for such Retiring Member. For further information on the retirement process, FCM Clearing Members should contact the Clearing House's Membership Department.

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

(i) *Use of UK 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, UK 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 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 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 efforts to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

(j) *Contingency Payment Arrangements*

FCM Clearing Members are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin, Variation Settlement, Price Alignment Amount and other obligations in the event of failure of their nominated PPS bank. During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming an FCM Clearing Member. The FCM Clearing Member will be required to provide evidence of their contingency payment arrangements and undertake testing of such arrangements with the Clearing House, at least once a year on an ongoing basis at the Clearing House's request.

(k) *Recovery from Insolvent PPS Banks*

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than 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.

3.3 **Acceptable Forms of Cover**

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.

Please refer to the following link for further details:

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

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,