

VIA CFTC Portal

3 September 2020

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
115 21st Street NW
Three Lafayette Centre
Washington DC 20581

LCH Limited Self Certification: Rule changes related to a FCM customer's default in the ForexClear service

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules regarding the actions that LCH and the Futures Commission Merchants of its ForexClear service (thereafter "FCM Clearing Members" or "FCMs") may take following the default of one or more customers of the FCM Clearing Members (thereafter "FCM customers"). The proposed changes bring the ForexClear service in line with the SwapClear service.

Part I: Explanation and Analysis

LCH proposes changes to its rules to allow a ForexClear FCM Clearing Member to take certain actions to reduce the risk arising from the default of one or more FCM customers, including expressly providing such FCM Clearing Member the right to effect certain position transfers to and from a defaulting FCM customer's account and register offsetting trades directly into the account of the defaulting FCM customer, in each case for the purpose of liquidating any open positions.

Specifically, in the event of a customer default, the rule changes will permit a ForexClear FCM Clearing Member to:

- i. Request LCH to transfer positions from the defaulting FCM customer account to i) the FCM's proprietary account or ii) the proprietary account of a non-FCM clearing member
- ii. Request LCH to transfer positions from the FCM's proprietary account or the proprietary account of a non-FCM clearing member to the defaulting FCM customer account
- iii. Register positions directly into the account of the defaulting FCM customer.

The rules note that LCH will not require consent from the defaulting FCM customer ahead of effecting any of the above transfers or registrations. However, with respect to any transfer request, LCH requires certain representations from the FCM, including that all transfer requests are in compliance with applicable law, including all applicable provisions of the Commodity Exchange Act ("CEA") and CFTC Regulations.

The rule changes will go live on, or after, 21 September 2020.

Part II: Description of Rule Changes

FCM Regulations and General Regulations

The FCM Regulations include a new definition of “Defaulting FCM Client” and a revised definition of “FCM Client Default”. The latter definition clarifies that the term is a default or termination event with respect to an FCM Client under its agreement(s) with an FCM Clearing Member.

Regulation 4 (“FCM Clearing Member Status and Application of LCH Regulations”) and Regulation 13 (“Transfers”) have been updated in relevant paragraphs with references to FCM ForexClear Contracts, alongside existing references to FCM SwapClear Contracts. Regulation 13 also makes reference to section 2.2.20 of the FCM Procedures (“Actions in Respect of an FCM Client Default”), which describes the permitted transfers in the event of a FCM customer default.

In addition, paragraph l) of Regulation 49 has been amended to clarify that when a FCM customer defaults, the FCM Clearing Member may act in a capacity other than as agent of the defaulting customer, which may include acting as principal.

The definition of "ForexClear Approved Trade Source System" has been deleted from the General Regulations, which now only have one such definition applicable to both the SwapClear and ForexClear services. References to ForexClear Approved Trade Source System in the General Regulations, FCM Procedures and Procedures Section 2I (“ForexClear Clearing Service”) have been corrected as a result.

FCM Procedures and Procedures Section 2I

The main changes are in section 2.2.20 of the FCM Procedures, referred to above, that describes the portfolio transfers and registration of contracts that an FCM may request in the event of a FCM customer default in respect to ForexClear contracts. Paragraphs a) and b) of this section outline the permitted transfers as described under Part I above, the conditions to be met by the FCM prior to making a portfolio transfer request and the timeframe within which LCH may affect such a request. The provision under paragraph c) allows an FCM to submit SwapClear contracts to LCH for registration in the defaulting FCM customer account. Paragraph d) sets out the conditions an FCM must satisfy in order for LCH to effect a request for a transfer or registration of contracts, as set out above, including providing any required margin associated with a portfolio transfer, satisfactory evidence of the occurrence of the FCM customer default and certain documentation for legal, regulatory or risk management reasons.

The paragraphs under Section 2.2.19 have been renumbered.

Procedures Section 2I includes a new section 1.24 (“Actions in Respect of an FCM Client Default”) noting that in order for LCH to effect a portfolio transfer requested in connection with an FCM Client default to the Proprietary Account of a non-FCM Clearing Member (“ForexClear Clearing Member”), such Clearing Member will need to make available the required margin into its Proprietary Account.

The texts of the changes are attached hereto as:

- i. **Appendix I**, FCM Regulations
- ii. **Appendix II**, FCM Procedures
- iii. **Appendix III**, General Regulations
- iv. **Appendix IV**, Procedures Section 2I (ForexClear)

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles, including Core Principle F, and finds that they will continue to comply with all the requirements and standards therein.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at:

<http://www.lch.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into the rule.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
FCM Regulations



FCM REGULATIONS OF THE CLEARING HOUSE

LCH LIMITED

REGULATION 1 DEFINITIONS

In these FCM Regulations and the FCM Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

- “30.7 customer”** means “30.7 customer” as that term is defined in CFTC Regulation 30.1(f).
- “ACSP Compression Cycle”** means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by FCM Clearing Members and FCM Clients in accordance with the provisions of Regulations 46(m) and relevant Compression Documentation.
- “Account Manager Executing Party”** means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions and/or Unallocated FCM ForexClear Transactions.
- “Affected Client”** means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.
- “Aggregate Excess Loss”** has the meaning assigned to it in the Clearing House’s **“General Regulations”**.
- “Allocation Notice”** means a message delivered to the Clearing House which contains the following information: (i) details of the Client Account, FCM Client Sub-Account or the Proprietary Account of the Post-Allocation Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Account, FCM Client Sub-Account or Proprietary Account of the Post-Allocation Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House.
- “Approved Compression Services Provider” or “ACSP”** means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible FCM SwapClear Contracts in accordance with Regulation 46 and relevant Compression Documentation

a Compression Clearing Member, references to Compression Proposal shall relate to such Terminating FCM SwapClear Contracts and Post-Multilateral Compression Contracts to which such Compression Clearing Member is or will become party.

| | |
|---|--|
| “Compression Time” | means, on the date designated by the Clearing House for a Multilateral Compression Cycle, the time at which the Clearing House effects a Multilateral Compression by terminating the Terminating FCM SwapClear Contracts and simultaneously registering the Post-Multilateral Compression Contracts in the names of the Compression Clearing Members participating in that Multilateral Compression Cycle in accordance with the Compression Proposal. |
| “Coupons” | has the meaning assigned to such term in the FCM Procedures |
| “cover” | means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook. |
| “CVR” or “Collateral Value Report” | has the meaning assigned to it in FCM Regulation 15(d)(ii). |
| “Cumulative Variation Settlement” | has the meaning assigned to it in the FCM Procedures. |
| “Defaulter” | has the meaning assigned to it in rule 4 of the Default Rules. |
| “Default Notice” | has the meaning assigned to it in rule 3 of the Default Rules. |
| “Default Rules” | means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989. |
| <u>“Defaulting FCM Client”</u> | <u>means an FCM Client with respect to which an FCM Client Default has occurred</u> |
| “Delivery Month” | has the meaning ascribed to it in: (i) the relevant Exchange Rules in respect of an FCM Exchange Contract; and (ii) the relevant provisions of the FCM Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract. |
| “Delivery Notice” | means a notice in writing, given by or on behalf of a Seller (or Buyer where required pursuant to, as applicable, Exchange Rules, these FCM Regulations and/or the FCM Procedures), of the Seller’s (or Buyer’s) intention to make (or take) delivery of a commodity in connection with a Physically-Settled FCM Contract. |

| | |
|--|---|
| | House. For the avoidance of doubt, the “ ClearLink API ” is not an FCM Approved Trade Source System. |
| “ FCM Buffer ” | has the meaning assigned to such term in FCM Regulation 15(a). |
| “ FCM Buffer Sub-Account ” | has the meaning assigned to such term in FCM Regulation 15(a). |
| “ FCM Clearing Member ” | means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a “ Clearing Member ” for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations. |
| “ FCM Clearing Membership Agreement ” | means the agreement so designated under which, <i>inter alia</i> , the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements. |
| “ FCM Clearing Services ” | means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services and the FCM Listed Interest Rates Clearing Services, collectively. |
| “ FCM Client ” | means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; provided, that any such client is only an FCM Client with respect to its positions in FCM Contracts; and provided, further, that any entity whose account would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 or a proprietary account pursuant to CFTC Regulation 1.3(y) if such account were carried by an FCM Clearing Member (such as in the case of an affiliate), shall not be an “FCM Client” of any such FCM Clearing Member. |
| “ FCM Client Business ” | means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients. |
| “ FCM Client Default ” | has the meaning assigned to such term in the FCM Procedures <u>means the occurrence of an event of default or termination event with respect to an FCM Client under its agreement(s) with an FCM Clearing Member.</u> |

CHAPTER II - STATUS

REGULATION 4 FCM CLEARING MEMBER STATUS AND APPLICATION OF LCH REGULATIONS

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH Limited or any shareholding or other membership of any other member of the LCH Group or any entitlement to membership of or participation in LCH SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients in connection with the clearing of such FCM Contracts; **provided, that** each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts. For the avoidance of doubt, following the occurrence of an FCM Client Default, the FCM Clearing Member is permitted, but not obligated, to act in a capacity other than as agent of the FCM Client, which may include acting as principal (e.g. with respect to any transfers or registration of FCM SwapClear [Contracts](#), [FCM ForexClear](#) Contracts or other actions permitted under FCM Regulation 13(d)), even though the FCM Clearing Member may be entitled to a right of indemnity from, or be required to account for any gains to, the FCM Client in respect of such activity.
- (c) **General Qualification of FCM Clearing Members.** An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
 - (ii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$7,500,000 (seven and a half million United States dollars), or \$50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts or FCM ForexClear Contracts; **provided, that** (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of

CHAPTER IV - CONTRACT FORMATION, REGISTRATION AND TRANSFER

REGULATION 11 DESIGNATION

An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, determine in which account of the FCM Clearing Member the FCM Contract shall be entered.

REGULATION 13 TRANSFER

Except as otherwise expressly provided herein, the provisions of FCM Regulation 13(a), (b), (c), (d), (f), (j) and (k) do not apply in respect of transfers of FCM SwapClear Contracts or FCM ForexClear Contracts.

- (a) **Transfer of FCM Client Contracts and Collateral from Carrying Clearing Members to Receiving Clearing Members.** A Receiving FCM Clearing Member may, upon the instruction or at the request of an FCM Client, request (in the manner set out in the FCM Procedures) that the Clearing House transfer to the Receiving Clearing Member some or all of an FCM Client's FCM Contracts registered to its FCM Client Sub-Account, an FCM Omnibus Futures Client Account with LCH, or to an FCM Omnibus Foreign Futures Client Account with LCH with a Carrying Clearing Member (such FCM Contracts subject to transfer, the "**Porting Contracts**"). Where the Porting Contracts constitute the entire portfolio of an FCM Client's FCM Contracts registered with the Carrying Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the applicable Collateral attributable to such FCM Client (such Collateral, the "**Porting Collateral**"). It is a condition precedent to any transfer described in this paragraph that:
- (i) the FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
 - (iii) the Receiving FCM Clearing Member has consented to the transfer of the Porting Contracts and, if applicable, the Porting Collateral;
 - (iv) the Clearing House determines that, following the transfer, the Receiving FCM Clearing Member shall have satisfied the Required Margin in respect of the Porting Contracts;
 - (v) in the event that the transfer would lead to an increase in Required Margin due from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and
 - (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of clause (vi) above, the Carrying Clearing Member will be entitled to reject the transfer only if (A) the applicable FCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its affiliates, including any increased Margin due and payable that may result from the proposed transfer (for this purpose, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements

- (d) **Other Transfers of FCM Contracts.** If and to the extent permitted under Applicable Law, and , where applicable, under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may:
- (i) upon an FCM Client Default or other FCM Client default, or as otherwise permitted under and subject to Applicable Law (including the applicable provisions of the CEA, the FCM Procedures and CFTC Regulations regarding the segregation of assets),
 - (A) in the case of Swaps Products, effect the transfers described in Section 2.1.13~~(a)~~ or ~~(b)~~[Section 2.2.20](#) of the FCM Procedures,
 - (B) in the case of Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member to its applicable FCM Omnibus Futures Client Account with LCH; or
 - (C) in the case of Foreign Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member to its applicable FCM Omnibus Foreign Futures Client Account with LCH, or
 - (ii) transfer Open FCM Contracts registered to or for the account of one FCM Client to another account of an FCM Client.
- (e) **Where an FCM Clearing Member is a Defaulter.** If an FCM Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such Applicable Law and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are Swap Products held by FCM Clients of the Defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients within seven calendar days of the date that the FCM Clearing Member is declared to be a Defaulter; **provided, that** the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations, any instructions from a Regulatory Body and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; **provided, further, that** the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the Defaulter in accordance with such Applicable Law or the directions of any Regulatory Body or bankruptcy trustee. For the avoidance of doubt, the Client Clearing Annex which forms part of the Default Rules does not apply to FCM Contracts. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open FCM Contracts of FCM Clients of the Defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate

FCM Regulations

transfer being rejected by the Carrying Clearing Member other than pursuant to the grounds set out in the final paragraph of FCM Regulation 13(a).

- (i) **Transfer/Novation.** Transfers of Open FCM Contracts made pursuant to this FCM Regulation 13 shall occur by transfer/novation of such Open FCM Contracts rather than by closeout and rebooking of new FCM Contracts.
- (j) **Futures Products and Foreign Futures Products.** Transfers of FCM Contracts that are Futures Products or Foreign Futures Products made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be owned or beneficially owned by the same FCM Client following the transfer; or (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding particulars for registration, **provided**, that, where relevant, the Exchange cooperates in effecting such transfer.
- (k) **Swaps Products.** Transfers of FCM Contracts that are Swaps Products (other than FCM SwapClear [Contracts](#) or FCM ForexClear Contracts) made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding FCM Transaction for registration or the allocation of the relevant FCM Contract; or (iii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this FCM Regulation 13 are subject to the provisions of the FCM Procedures.

CHAPTER XIII - FCM FOREXCLEAR REGULATIONS

**REGULATION 49 REGISTRATION OF FCM FOREXCLEAR CONTRACTS;
COMPRESSION; FOREXCLEAR ACCOUNTS; TRANSFERS**

- (a) In order for an FCM to register an FCM ForexClear Contract in respect of the registration of an FCM ForexClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must present the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).
- (b) Once an FCM ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2.2.8 of the FCM Procedures) request the consent of the relevant FCM Clearing Member with whom an FCM ForexClear Contract shall be registered as a result thereof to such registration. Upon the FCM Clearing Member providing its consent, such FCM ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the FCM Procedures) by such FCM Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the FCM Procedures.
- (c) An FCM Clearing Member which has been nominated to clear the FCM Contract arising from the registration of an FCM ForexClear Transaction on behalf of a third party Executing Party will (only where such FCM ForexClear Transaction is not an FCM Trading Venue Transaction) be notified by the Clearing House of such FCM ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such FCM ForexClear Transaction and the FCM ForexClear Contract resulting from such FCM ForexClear Transaction. Where:
- (i) an FCM Clearing Member is an Executing Party to an FCM ForexClear Transaction and is to clear an FCM ForexClear Contract resulting from such FCM ForexClear Transaction; or
 - (ii) an FCM ForexClear Transaction is an FCM Eligible Trading Venue Transaction in respect of an FCM Clearing Member, and a third party Executing Party has nominated such FCM Clearing Member to clear an FCM ForexClear Contract resulting from such FCM ForexClear Transaction,

the consent of that FCM Clearing Member to the registration of the relevant FCM ForexClear Contract will occur automatically and without the need for any further action by such FCM Clearing Member.

Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable); or

- (ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.
 - (iii) In each of the foregoing cases in paragraphs (i) and (ii) above, to the extent the FCM ForexClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client, each FCM Clearing Member will be the agent of its FCM Client, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM ForexClear Contract cleared on behalf of its FCM Client.
- (l) **Effect of Registration of FCM ForexClear Transactions.** With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation 49(k):
- (i) Such FCM ForexClear Transaction shall be extinguished and replaced by the corresponding FCM ForexClear Contracts (or if applicable, the corresponding FCM ForexClear Contract and Non-FCM ForexClear Contract), and the parties to such FCM ForexClear Transaction shall be released and discharged from all rights and obligations under such FCM ForexClear Transaction which fall due for performance on or after the Registration Time.
 - (ii) Each FCM ForexClear Contract registered under FCM Regulation 49(k) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.
 - (iii) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Buyer under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction; and
 - (iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.

In sub-clauses (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the

Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM ForexClear Transaction (it being assumed, for this purpose, that such FCM ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

For the avoidance of doubt, following the occurrence of an FCM Client Default, the FCM Clearing Member is permitted, but not obligated, to act in a capacity other than as agent of the FCM Client, which may include acting as principal (e.g., with respect to any FCM ForexClear Contracts registered in accordance with Section 2.2.20 of the FCM Procedures or any other actions permitted under FCM Regulation 13(d)), even though the FCM Clearing Member may be entitled to a right of indemnity from, or be required to account for any gains to, the FCM Client in respect of such FCM ForexClear Contracts.

- (m) If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation 49 or any other applicable provision of the FCM Rulebook.
- (n) In the case of an FCM ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 49 shall take effect.
- (o) **Compression.** Notwithstanding any other provision of these FCM Regulations, if one or more FCM ForexClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM ForexClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM ForexClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, or (ii) registered on behalf of the same FCM Client and in the same FCM Client Sub-Account, then the FCM Clearing Member may request that the Clearing House compress and combine all such FCM ForexClear Contracts by terminating the relevant existing FCM ForexClear Contracts and compressing them so that there results in either (1) no replacement FCM ForexClear Contract, or (2) one or more FCM ForexClear Contracts having a net future cash flow equal to the net future cash flow of the original FCM ForexClear Contracts. For the purposes of this FCM Regulation 49(l), two or more FCM ForexClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual). For the avoidance of doubt, the Clearing House may determine that two or more FCM ForexClear Contracts have "substantially the same Economic Terms" even if they have differing Forward Rates (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual). The Clearing House shall determine (in its sole discretion) whether FCM ForexClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM ForexClear Contracts are compressed, the Clearing House shall determine (in its sole

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

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 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2 and the clearing of FCM Listed Interest Rates Contracts is discussed in Section 2.3.

The use of words such as “margin”, “margin account”, “margin call” and “margin run”, which are used to reflect terminology commonly used by the Clearing House, shall not be deemed to affect the intent of the Clearing House, any FCM Clearing Member or any FCM Client as to the legal characterization of transfers of Settlement Payments, Variation Settlement, Price Alignment Amount, daily settlement amounts or other similar amounts.

2.1 SWAPCLEAR

2.1.1 *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.

(a) *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 margin and Variation Settlement requirements;
- (D) calculation of SwapClear Tolerance Limits;
- (E) calculation of Price Alignment Amount;
- (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 presented via an FCM Approved Trade Source System (i.e. new trades presented for intra-day registration or existing trades presented for overnight registration – see Section 2.1.3(e)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear

For purposes of this Section 2.1.11, (i) an FCM Client may, on behalf of an FCM Clearing Member, submit a compression request (whether under paragraph (a) or (b) above) or an election to provide notices or reports via an FCM Approved Trade Source System, the ClearLink API or SwapClear Portal and (ii) for the avoidance of doubt, references to an FCM Approved Trade Source System may include the SwapClear Portal, in each case as applicable.

2.1.12 *Portfolio Transfers (BAU)*

FCM Clearing Members may, acting for their own account or for the account of an FCM Client, effect Permitted Transfers in accordance with the provisions of FCM Regulation 46(p).

2.1.13 *Actions in Respect of an FCM Client Default*

This Section describes certain transfers and registrations that, under certain conditions, can be requested by an FCM Clearing Member upon ~~the occurrence of an event of default or termination event with respect to~~ an FCM Client ~~(an “FCM Client Default”)~~ ~~under its agreement(s) with that FCM Client (such client,~~ with respect to a “Defaulting FCM Client”).

The Clearing House shall have no liability in connection with any loss or cost suffered or incurred by any FCM Clearing Member or FCM Client in connection with any actions taken by the Clearing House pursuant to this Section 2.1.13.

Notwithstanding anything to the contrary contained in this Section 2.1.13, the actions described in this section are subject to Applicable Law, including the provisions of the CEA and the CFTC Regulations.

(a) *Transfers between Proprietary Accounts and FCM Client Accounts*

Pursuant to FCM Regulation 13(d), the UK General Regulations and the UK General Procedures, an FCM Clearing Member may, following the occurrence of an FCM Client Default, request that the Clearing House transfer one or more FCM SwapClear Contracts (including those submitted for registration pursuant to Section 2.1.13(c)) or SwapClear Contracts (as the case may be): (i) from the Defaulting FCM Client’s FCM Client Sub-Account to its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member or an FCM Clearing Member; or (ii) from its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member or FCM Clearing Member to the Defaulting FCM Client’s FCM Client Sub-Account, provided that the following conditions precedent are met (in addition to any other generally applicable provisions of the FCM Rulebook): neither the FCM Clearing Member nor any SwapClear Clearing Member or FCM Clearing Member to or from which the SwapClear Contracts are being transferred pursuant to this Section 2.1.13 is a Defaulter (nor would they become a Defaulter upon the completion of the transfer).

For the avoidance of doubt, in the case of an FCM Client Default, the Clearing House will not require that the Defaulting FCM Client provide its consent to the requested transfer in order for the Clearing House effect a transfer requested by the FCM Clearing Member pursuant to Regulation 13(d)(i).

The Clearing House will typically (but shall not be required to) transfer the relevant FCM SwapClear Contract(s) or SwapClear Contract(s) within 24 hours of receipt of (a) the transfer request and (b) such other documents as the Clearing House requested in accordance with the foregoing.

(b) *Proprietary Account Position Transfers*

An FCM Clearing Member may, following a transfer of open contracts to its Proprietary Account in accordance with paragraph (a) above, and to the extent permitted by Applicable Law (including all applicable laws and provisions of the CEA and the CFTC Regulations), request that the Clearing House transfer an FCM SwapClear Contract from its Proprietary Account to the Proprietary Account of a SwapClear Clearing Member or other FCM Clearing Member pursuant to FCM Regulation 13(d), provided that the following condition precedent is met (in addition to any other generally applicable provisions of the FCM Rulebook): the transferor FCM Clearing Member is permitted (where applicable) by its agreement(s) with the Defaulting FCM Client, and has authority to effect, the transactions specified in the transferor FCM Clearing Member's request(s) to the Clearing House in respect of such transfer.

The Clearing House will typically (but shall not be required to) transfer the relevant FCM SwapClear Contract(s) within 24 hours of receipt of the (a) transfer request and (b) such other documents as the Clearing House requested in accordance with the foregoing.

(c) *Registration of FCM SwapClear Contracts in Defaulting FCM Client's FCM Client Sub-Account*

Following the occurrence of an FCM Client Default in respect of a Defaulting FCM Client, an FCM Clearing Member may submit FCM SwapClear Contracts to the Clearing House for registration in such Defaulting FCM Client's FCM Client Sub-Account, provided that the following condition precedent is met (in addition to any other generally applicable provisions of the FCM Rulebook): the submission of such FCM SwapClear Contracts is effected via such Approved Trade Source System or other method as the Clearing House shall instruct for such purpose, and on such terms and including such details as the Clearing House shall require.

A request from an FCM Clearing Member to the Clearing House to carry out any of the actions described in paragraphs (a) to (c) above, shall in every case

be deemed a representation by the FCM Clearing Member to the Clearing House that:

- (a) an FCM Client Default has occurred;
- (b) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the Defaulting FCM Client in respect of (A) such FCM Client Default and (B) any of the actions described in paragraphs (a) to (c) above;
- (c) the FCM Clearing Member is permitted by its agreement(s) with the Defaulting FCM Client and has authority to effect the transfers and/or registrations specified in the FCM Clearing Member's requests to the Clearing House in respect of the Defaulting FCM Client;
- (d) such transfers and/or registrations and all related instructions to the Clearing House are in compliance with Applicable Law; and
- (e) the individual making such request or submission (or issuing any related instructions to the Clearing House) is authorized to do so on behalf of the FCM Clearing Member.

In connection with a request from an FCM Clearing Member to the Clearing House to carry out any of the actions described in paragraphs (a) to (c) above:

- (f) the FCM Clearing Member shall provide to the Clearing House (i) satisfactory evidence of the occurrence of the FCM Client Default and (ii) all other documentation required by the Clearing House, which shall include an indemnity from the FCM Clearing Member in favour of the Clearing House, the form and manner of which shall be determined by the Clearing House in its sole discretion. For purposes of this paragraph, "satisfactory evidence" may be, to the extent permitted by the Clearing House in its sole discretion, the FCM Clearing Member's instruction to effect the relevant transfer under paragraph (a) or (b) above or accept the submission under paragraph (c) above. For the avoidance of doubt, the Clearing House shall be entitled to request additional evidence and/or documentation for legal, regulatory or risk management reasons; and
- (g) the relevant FCM Clearing Member shall transfer (or make available) Required Margin into its Proprietary and/or the applicable FCM Client Sub-Account, taking into account that an FCM Clearing Member may not request the transfer of an Associated Collateral Balance in connection with a transfer of an FCM SwapClear Contract from an FCM Client Sub-Account to a Proprietary Account.

2.1.14 *Notifications via FCM Approved Trade Source Systems*

With prior approval of the Clearing House, FCM Clearing Members and FCM Clients may elect to submit and receive certain post-trade messages via any FCM Approved Trade Source System previously approved by the Clearing

2.2 FOREXCLEAR

2.2.1 *Introduction and Interpretation*

This Section 2.2 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.

References to “**Business Day**”, “**Calculation Agent**”, “**Currency Pair**”, “**Disruption Fallback**”, “**Notional Amount**”, “**Reference Currency**”, “**Settlement Currency**”, “**Settlement Currency Amount**”, “**Settlement Date**”, “**Settlement Rate**”, “**Settlement Rate Option**”, “**Trade Date**”, “**Valuation Date**”, and “**Valuation Postponement**” shall have the meanings given to them in the FCM ForexClear Contract Terms.

References to “**business day**” shall carry the meaning given to it in the Rulebook.

“**EMTA**” means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

“**EMTA Template**” means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

“**LCH G10 NDF Contract Template**” means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are set forth in the FCM ForexClear Contract Terms.

“**Relevant EMTA Template**” means, for a particular FCM ForexClear Contract, the EMTA Template that is incorporated by reference into the FCM ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the FCM ForexClear Contract Terms.

“**Submission Date**” means the date on which a given trade is submitted to the Clearing House for registration.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 32 (*Exclusion of Liability*), which applies to these FCM Procedures in its entirety unless provided otherwise.

2.2.2 *Users of FCM ForexClear*

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“**FX FCMs**”), FCM Clients of

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 49 (*Cancellation of FCM ForexClear Contracts*).

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.

2.2.8 *Trade Validation and Registration*

(a) *Process flow description*

- (A) The Clearing House performs a validation check on each trade presented by FXPs to ensure that each such trade meets: (A) the FCM ForexClear Product Eligibility Criteria and the Counterparty Technical Validation Check (as defined in Section 2.2.8(b)); (B) where applicable, the Incremental Risk Checks (as defined in Section 2.2.8(c)); and (C) where applicable, the Acceptance Validation Checks (as defined in Section 2.2.8(d)), in each case, required for FCM ForexClear Transactions (collectively, the “**Validation Checks**”).
- (B) The Clearing House will create two trade records for an FCM ForexClear Transaction which passes the Validation Checks and is accepted for clearing by the Clearing House: one for the FCM ForexClear Contract between the Clearing House and the relevant FX FCM and the other for the FCM ForexClear Contract between the Clearing House and the same or another FX FCM (or, where applicable, the Non-FCM ForexClear Contract between the Clearing House and the relevant ForexClear Clearing Member).

- (C) In respect of an FCM ForexClear Transaction which is:
- (A) an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs, FCM Trading Venue and, if the originating FCM ~~ForexClear~~-Approved Trade Source System is different to the FCM Trading Venue, the originating FCM ~~ForexClear~~-Approved Trade Source System of registration or rejection of the FCM ForexClear Transaction ; or
 - (B) not an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs (via the originating FCM ~~ForexClear~~-Approved Trade Source System or ClearLink API) of registration or rejection of the FCM ForexClear Transaction,

in each case within the required timeframe under all Applicable Law.

- (D) As provided in Section 2.2.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.
 - (E) 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.
 - (F) 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.
- (b) “**Counterparty Technical Validation Check.**” The counterparties to each trade must be (a) the parties submitted in trade particulars, (b) each a Non-Defaulting FX FCM and (c) approved by the Clearing House to clear the relevant trade type.
- (c) *Incremental Risk Checks*

The Clearing House will apply an “**Incremental Risk Check**” to each FCM ForexClear Transaction that is not a Sub-Block Trading Venue 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 MER Buffer and/or ForexClear Tolerance, if any). However, any FCM ForexClear Transaction presented by an FX FCM 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.

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 ForexClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2.2.19 *Portfolio Transfers (BAU)*

The Clearing House permits the transfer of one or more Transferring ForexClear Contracts between the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee, including, where relevant, the transfer of associated Collateral.

For transfers other than Permitted Transfers (as defined below), please contact the Clearing House's Risk Management Department.

Permitted Transfers

Any transfer that meets the criteria in any of (a) through (g) below shall be a "Permitted Transfer" for purposes of Regulation 49(r) and this Section 2.2.19. In certain circumstances, a Permitted Transfer may be effected for all or part of the notional amount associated with the Transferring ForexClear Contracts. Notwithstanding the foregoing, but subject to Applicable Law, the Clearing House may reject any Permitted Transfers in its sole discretion.

~~1.~~(a) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;

~~2.~~(b) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;

~~3.~~(c) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;

~~4.~~(d) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;

~~5.~~(e) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account;

and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;

~~6.~~(f) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity; and

~~7.~~(g) any transfer that the Clearing House otherwise approves in its sole discretion.

Other than pursuant to FCM Regulation 13(d), an FCM Clearing Member, acting for its own account or for the account of an FCM Client, may not effect Permitted Transfers in accordance with paragraphs (d) or (e) above.

Transfer Requests

Each transfer request (“**Transfer Request**”) pursuant to Regulation 49(r) and this Section 2.2.19 may only be made in respect of a Permitted Transfer and must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time. Following receipt of a Transfer Request, the Clearing House shall notify the Carrying Clearing Member that it received a Transfer Request to transfer Transferring ForexClear Contracts.

In respect of any Permitted Transfer that involves the transfer of all (and not some) of the FCM ForexClear Contracts from the Transfer Account of an Eligible Transferor (with or without the transfer of associated Collateral), once the Carrying Clearing Member receives notice that a Transfer Request has been received, the Carrying Clearing Member shall not be permitted to submit additional FCM ForexClear Contracts in the Transfer Account of the Eligible Transferor whose FCM ForexClear Contracts are to be subject to transfer until the time at which the relevant transfer (including the transfer of any relevant associated Collateral, if applicable) is effected, fails or is rejected in accordance with Regulation 49(r) and these FCM Procedures.

Transfer Notice Period

The timing for Transfer Requests pursuant to Regulation 49(r) and this Section 2.2.19 will be as prescribed by the Clearing House by way of a member circular.

Conditions Precedent to Permitted Transfer

It is a condition precedent to any transfer from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 49(r) and this Section 2.2.19 that:

- ~~1.~~(a) the transfer is a Permitted Transfer;
- ~~2.~~(b) the Receiving Clearing Member has provided the Clearing House with:
 - ~~1.~~(i) a Transfer Request in the form and manner prescribed by the Clearing House, which may be submitted by an FCM Client on its behalf; and
 - ~~2.~~(ii) such evidence of the authorization of the Permitted Transfer by the Eligible Transferor, Eligible Transferee and the FCM Client, as applicable, as the Clearing House may require in its sole discretion;
- ~~3.~~(c) neither the Eligible Transferor, the Eligible Transferee nor the FCM Client, as applicable, has become insolvent (each Eligible Transferor, Eligible Transferee and FCM Client, as the case may be, will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner reasonably determined by the Clearing House);
- ~~4.~~(d) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- ~~5.~~(e) such transfer would not violate or result in the violation of Applicable Law or regulation, including:
 - ~~1.~~(i) the authorization, registration or other regulatory requirements, if any, that may apply to the Receiving Clearing Member as a consequence of the transfer; and
 - ~~2.~~(ii) where the transfer leads to a change in beneficial ownership, the requirements, if any, that may apply to the method of execution by which the Eligible Transferor has sold the Transferring ForexClear Contracts to the Eligible Transferee;
- ~~6.~~(f) the Eligible Transferor, Eligible Transferee, the Receiving Clearing Member, the Carrying Clearing Member and FCM Client, as applicable, have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Client Charge, Collateral Management

Agreement, Clearing Membership Agreement and/or a Clearing Agreement);

~~7.~~(g) the Receiving Clearing Member has consented to the transfer of the Transferring ForexClear Contracts and, where relevant, the associated Collateral;

~~8.~~(h) the Receiving Clearing Member has transferred (or has made available) Required Margin to the Clearing House in respect of its current FCM ForexClear Contracts and the Transferring ForexClear Contracts;

~~9.~~(i) the Carrying Clearing Member has not rejected such transfer in accordance with this Section 2.2.19 (it being presumed that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in accordance with this Section 2.2.19 or as otherwise reasonably determined by the Clearing House); and

~~10.~~(j) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer (or make available) additional Collateral or any other payment to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral or makes such payment to the Clearing House.

In the event that any of the conditions set forth above are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied in a manner reasonably acceptable to the Clearing House, the Clearing House shall not proceed with the transfer of the Transferring ForexClear Contracts or, if applicable, the transfer of any associated Collateral, and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer or any other transfer of Transferring ForexClear Contracts of the Eligible Transferor(s), it shall be required to submit a new Transfer Request in accordance with these FCM Procedures.

By requesting a transfer of the Transferring ForexClear Contracts from the Transfer Account of an Eligible Transferor and, if applicable, the associated Collateral pursuant to Regulation 49(r) and this Section 2.2.19, including a request submitted by an FCM Client on its behalf, the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein have been satisfied.

Rejection of Transfer Request

The Carrying Clearing Member may be entitled to reject a particular Transfer Request by notifying the Clearing House (in either electronic or written form as prescribed by the Clearing House) only if:

~~11.~~(a) the Eligible Transferor has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional collateral that may result from the proposed transfer, where, with the respect to obligations

owed to Affiliates of the Carrying Clearing Member by an Eligible Transferor, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Transferring ForexClear Contracts of that Eligible Transferor that are being transferred or that Eligible Transferor’s related collateral;

~~12.~~(b) the transfer of the Transferring ForexClear Contracts of that Eligible Transferor would result in the Eligible Transferor breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates; or

~~13.~~(c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Eligible Transferor.

Right to Call Collateral

Permitted Transfers will only be effected once adequate Collateral is available (which may be as a consequence of margin forbearance or the transfer of associated Collateral) in respect of both Transfer Accounts affected by the transfer. In connection with any Permitted Transfer, the Clearing House may call for Collateral in respect of initial and/or variation margin to be deposited in such amounts and at such times as the Clearing House, in its sole discretion, requires. Any Collateral so called and deposited shall be reserved and made available solely in connection with the Permitted Transfer.

Transfer of Associated Collateral Balance

In the case where a transfer of Transferring ForexClear Contracts pursuant to this Section 2.2.19 will include the transfer of associated Collateral to the Transfer Account of the Eligible Transferee:

~~14.~~(a) upon completion of the transfer, (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such associated Collateral and (y) the associated Collateral furnished to the Clearing House by the Carrying Clearing Member and held by the Clearing House in respect of the Transferring ForexClear Contracts shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House (aa) where the Receiving Clearing Member is not an FCM Clearing Member, in the case of cash Collateral, by way of title transfer and, in the case of non-cash Collateral, shall be held by the Clearing House on behalf of the Receiving Clearing Member and such Receiving Clearing Member’s rights in such non-cash Collateral shall become subject to the relevant Deed of Charge of the Receiving Clearing Member, or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook; furthermore, and for the avoidance of doubt, the Carrying Clearing Member shall

have no right or entitlement to assert any claim over, or right with respect to, the associated Collateral transferred;

~~15.~~(a) where all or a portion of the associated Collateral has been accepted by the Receiving Clearing Member, the transfer of the Transferring ForexClear Contracts and the accepted associated Collateral shall be deemed to occur simultaneously, and the transfer of the Transferring ForexClear Contracts shall be conditioned on the transfer of the accepted associated Collateral, and vice versa; and

~~16.~~(a) if the transfer of all Transferring ForexClear Contracts and (if applicable) all accepted associated Collateral is not completed for any reason, then any actual transfer of associated Collateral or Transferring ForexClear Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of associated Collateral or Transferring ForexClear Contracts that has occurred shall be immediately unwound.

Verification and Reliance

Subject to the following paragraph, but otherwise notwithstanding anything to the contrary in the FCM Regulations or these FCM Procedures, in making any Transfer Request in accordance with Regulation 49(r) and this Section 2.2.19, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of, and information provided by, the Receiving Clearing Member and the Carrying Clearing Member, which shall be solely responsible for all such instructions and information.

The Clearing House shall verify that the Transferring ForexClear Contracts identified to it by a Receiving Clearing Member as being the subject of such Transfer Request correspond to FCM ForexClear Contracts that, according to its records, are registered in the Transfer Account of the Carrying Clearing Member on behalf of the Eligible Transferor. In the event that the Clearing House identifies a discrepancy, it will notify the Receiving Clearing Member and the Carrying Clearing Member and no transfer will occur until such time as the Transferring ForexClear Contracts identified to the Clearing House can be verified to the Clearing House.

Fees

Any Permitted Transfer effected pursuant to Regulation 49(r) and in accordance with these FCM Procedures will be subject to such fees as are established by the Clearing House from time to time in its sole and absolute discretion, and notified to FXCCMs via a member circular.

2.2.20 Actions in Respect of an FCM Client Default

This Section describes certain transfers and registrations that, under certain conditions, can be requested by an FCM Clearing Member upon an FCM Client Default with respect to a given Defaulting FCM Client.

The Clearing House shall have no liability in connection with any loss or cost suffered or incurred by any FCM Clearing Member or FCM Client in connection with any actions taken by the Clearing House pursuant to this Section 2.2.20.

Notwithstanding anything to the contrary contained in this Section 2.2.20, the actions described in this section are subject to Applicable Law, including the provisions of the CEA and the CFTC Regulations.

(a) Transfers between Proprietary Accounts and FCM Client Accounts

Pursuant to FCM Regulation 13(d), the UK General Regulations and the UK General Procedures, an FCM Clearing Member may, following the occurrence of an FCM Client Default, request that the Clearing House transfer one or more FCM ForexClear Contracts (including those submitted for registration pursuant to Section 2.2.20(c)) or ForexClear Contracts (as the case may be): (i) from the Defaulting FCM Client's FCM Client Sub-Account to its Proprietary Account or the Proprietary Account of a ForexClear Clearing Member or an FCM Clearing Member; or (ii) from its Proprietary Account or the Proprietary Account of a ForexClear Clearing Member or FCM Clearing Member to the Defaulting FCM Client's FCM Client Sub-Account, provided that the following conditions precedent are met (in addition to any other generally applicable provisions of the FCM Rulebook): neither the FCM Clearing Member nor any ForexClear Clearing Member or FCM Clearing Member to or from which the ForexClear Contracts are being transferred pursuant to this Section 2.2.20 is a Defaulter (nor would they become a Defaulter upon the completion of the transfer).

For the avoidance of doubt, in the case of an FCM Client Default, the Clearing House will not require that the Defaulting FCM Client provide its consent to the requested transfer in order for the Clearing House effect a transfer requested by the FCM Clearing Member pursuant to Regulation 13(d)(i).

The Clearing House will typically (but shall not be required to) transfer the relevant FCM ForexClear Contract(s) or ForexClear Contract(s) within 24 hours of receipt of (a) the transfer request and (b) such other documents as the Clearing House requested in accordance with the foregoing.

(b) Proprietary Account Position Transfers

An FCM Clearing Member may, following a transfer of open contracts to its Proprietary Account in accordance with paragraph (a) above, and to the extent permitted by Applicable Law (including all applicable laws and provisions of the CEA and the CFTC Regulations), request that the Clearing House transfer an FCM ForexClear Contract from its Proprietary Account to the Proprietary Account of a ForexClear Clearing Member or

other FCM Clearing Member pursuant to FCM Regulation 13(d), provided that the following condition precedent is met (in addition to any other generally applicable provisions of the FCM Rulebook): the transferor FCM Clearing Member is permitted (where applicable) by its agreement(s) with the Defaulting FCM Client, and has authority to effect, the transactions specified in the transferor FCM Clearing Member's request(s) to the Clearing House in respect of such transfer.

The Clearing House will typically (but shall not be required to) transfer the relevant FCM ForexClear Contract(s) within 24 hours of receipt of the (a) transfer request and (b) such other documents as the Clearing House requested in accordance with the foregoing.

(c) *Registration of FCM ForexClear Contracts in Defaulting FCM Client's FCM Client Sub-Account*

Following the occurrence of an FCM Client Default in respect of a Defaulting FCM Client, an FCM Clearing Member may submit FCM ForexClear Contracts to the Clearing House for registration in such Defaulting FCM Client's FCM Client Sub-Account, provided that the following condition precedent is met (in addition to any other generally applicable provisions of the FCM Rulebook): the submission of such FCM ForexClear Contracts is effected via an Approved Trade Source System or other method such method as the Clearing House shall instruct for such purpose, and on such terms and including such details as the Clearing House shall require.

(d) *Representations*

A request from an FCM Clearing Member to the Clearing House to carry out any of the actions described in paragraphs (a) to (c) above, shall in every case be deemed a representation by the FCM Clearing Member to the Clearing House that:

- (A) an FCM Client Default has occurred;
- (B) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the Defaulting FCM Client in respect of (A) such FCM Client Default and (B) any of the actions described in paragraphs (a) to (c) above;
- (C) the FCM Clearing Member is permitted by its agreement(s) with the Defaulting FCM Client and has authority to effect the transfers and/or registrations specified in the FCM Clearing Member's requests to the Clearing House in respect of the Defaulting FCM Client;
- (D) such transfers and/or registrations and all related instructions to the Clearing House are in compliance with Applicable Law; and

(E) the individual making such request or submission (or issuing any related instructions to the Clearing House) is authorized to do so on behalf of the FCM Clearing Member.

In connection with a request from an FCM Clearing Member to the Clearing House to carry out any of the actions described in paragraphs (a) to (c) above:

(F) the FCM Clearing Member shall provide to the Clearing House (i) satisfactory evidence of the occurrence of the FCM Client Default and (ii) all other documentation required by the Clearing House, which shall include an indemnity from the FCM Clearing Member in favor of the Clearing House, the form and manner of which shall be determined by the Clearing House in its sole discretion. For purposes of this paragraph, “satisfactory evidence” may be, to the extent permitted by the Clearing House in its sole discretion, the FCM Clearing Member’s instruction to effect the relevant transfer under paragraph (a) or (b) above or accept the submission under paragraph (c) above. For the avoidance of doubt, the Clearing House shall be entitled to request additional evidence and/or documentation for legal, regulatory or risk management reasons; and

(G) the relevant FCM Clearing Member shall transfer (or make available) Required Margin into its Proprietary and/or the applicable FCM Client Sub-Account, taking into account that an FCM Clearing Member may not request the transfer of an Associated Collateral Balance in connection with a transfer of an FCM ForexClear Contract from an FCM Client Sub-Account to a Proprietary Account.

2.2.21 **ForexClear Reporting**

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of FCM ForexClear Contracts, including terminations and modifications to an FCM ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of FCM ForexClear Contracts to a swap data repository that is not an Approved LCH SDR, the FXCCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FXCCMs must inform their respective FCM Clients of the list of Approved LCH SDRs, and inform such FCM Clients that the Clearing House is only able to report details of an FCM ForexClear Contract to an Approved LCH SDR.

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

Appendix III
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

REGULATION 1 DEFINITIONS

In these Regulations and the Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

| | |
|---|--|
| "Account Balance" | means, in relation to a Relevant Client Clearing Business of a Clearing Member, an Individual Segregated Account Balance, an Indirect Gross Account Balance, a Custodial Segregated Account Balance or an Omnibus Segregated Account Balance |
| "ACSP Compression Cycle" | means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by SwapClear Clearing Members either on their own account or with respect to a SwapClear Clearing Client in accordance with the provisions of Regulation 56 and relevant Compression Documentation |
| "Account Information Documents" | means the documents called "LCH Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request |
| "Affected ForexClear Option Clearing Member" | has the meaning assigned to it in Regulation 101 |
| "Affiliated Client Omnibus Net Segregated Account" | means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account |
| "Affiliated Client Omnibus Segregated Account" | means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients |
| "Affiliated Omnibus Net Segregated Clearing Clients" | means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account |

"Approved Trade Source System"

means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system or other similar venue or system, approved by the Clearing House for submitting [ForexClear Transactions or SwapClear Transactions, as the case may be](#), to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)

"Approved LSE Derivatives Markets Settlement Provider"

means the securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the LSE Derivatives Markets Service

"Associated Clearing House"

means the clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange

"Associated Collateral Balance"

means the Account Balance or Account Balances (as applicable) that may be transferred from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 or Regulation 95 and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement

"ATP Market Rules"

means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House

"ATS Contract"

means any contract subject to the Regulations entered into by the Clearing House and a RepoClear Clearing Member or a RepoClear Dealer pursuant to Default Rule 6(m), following a course of dealing on any Automated Trading System between the Clearing House and a RepoClear Clearing Member or RepoClear Dealer

"ATS Participant"

has the meaning assigned to such term in Regulation 63(b)

"Auction Portfolio"

has the meaning assigned to it in the Default Rules

"AUD ForexClear Liquidity Fund Contribution"

means, in respect of a ForexClear Option Clearing Member, the amount (notified by the Clearing House pursuant to Regulation 102(b)) of cash denominated in Australian Dollars that is required to be paid by that ForexClear Option Clearing Member to the Clearing House

"Eligible Trading Venue"

means:

- (i) in respect of a SwapClear Clearing Member, a Trading Venue for which the Clearing House's records reflect that such SwapClear Clearing Member has completed the Clearing House's process for enabling the SwapClear Clearing Member to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such Trading Venue by a third party Executing Party other than a SwapClear Dealer; and
- (ii) in respect of an FXCCM, a Trading Venue for which the Clearing House's records reflect that such FXCCM has completed the Clearing House's process for enabling the FXCCM to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such Trading Venue by a third party Executing Party other than a ForexClear Dealer

"Eligible Trading Venue Transaction"

means:

- (i) in respect of a SwapClear Clearing Member, a transaction, entered into by a third party Executing Party other than a SwapClear Dealer, recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue that, as at the time of such execution, was an Eligible Trading Venue in respect of such SwapClear Clearing Member; and
- (ii) in respect of an FXCCM, a transaction, entered into by a third party Executing Party other than a ForexClear Dealer, recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, ~~ForexClear~~-Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue that, as at the time of such execution, was an Eligible Trading Venue in respect of such FXCCM

~~"ForexClear Approved Trade Source System"~~

~~means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system, a ForexClear Matcher or other similar venue or system, approved by the Clearing House for submitting ForexClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)~~

"ForexClear Business"

means any transaction, obligation or liability arising out of any ForexClear Contract

"ForexClear Clearing Client"

means, in respect of ForexClear Client Clearing Business, an Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client or Omnibus Segregated Clearing Client

"ForexClear Clearing House Business"

means ForexClear Contracts entered into by a ForexClear Clearing Member with the Clearing House on a proprietary basis and for its own account

"ForexClear Clearing Member (FXCCM)"

means a Member who is designated by the Clearing House as a ForexClear Clearing Member eligible to clear ForexClear Contracts which includes, in the case of the Default Rules (including the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member

"ForexClear Client Clearing Business"

means the provision of ForexClear Client Clearing Services by a ForexClear Clearing Member

"ForexClear Client Clearing Services"

means the entering into of ForexClear Contracts by a ForexClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients and/or Omnibus Segregated Clearing Clients

"ForexClear Contract"

means a ForexClear NDF Contract, a ForexClear Spot Contract, a ForexClear Deliverable Forward Contract, a ForexClear Option Contract or a ForexClear Swap Contract

"ForexClear Contract Terms"

means the ForexClear NDF Contract Terms, the ForexClear Spot Contract Terms, the ForexClear Deliverable Forward Contract Terms, the ForexClear Option Contract Terms or the ForexClear Swap Contract Terms (as applicable)

"Minimum SwapClear Contribution Member"

means an SCM in respect of which the SwapClear Non-Tolerance Contribution Amount calculated under paragraph (f) of Rule S1 of Part A of the Rates Service Default Fund Supplement is equal to or less than the Minimum Non-Tolerance SwapClear Contribution for the time being

"Multilateral Compression"

means the exercise in which some or all of the SwapClear Contracts submitted by two or more Compression Clearing Members either on their own account or with respect to a SwapClear Clearing Client, for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other SwapClear Contracts

"Multilateral Compression Cycle"

means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle

"Net Recovery"

means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Rule 19 Certificate in respect of losses arising upon the Defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the Defaulter

"New Member"

means, on the day as at which any Contribution is to be calculated, any Clearing Member which either has become a Clearing Member, or has commenced clearing in respect of the relevant Service, since the immediately preceding day prescribed for calculating similar Contributions

"Nominated Group Member"

has the meaning assigned to it in [Chapter XIV\(k\)](#)~~Chapter XIV(k)~~~~Chapter XIV(k)~~

"Non-Affected ForexClear Option Clearing Member"

means a ForexClear Option Clearing Member that is not an Affected ForexClear Option Clearing Member

"Non-Clearing Participant ("NCP")"

means, in respect of a Service, a person (a) who is not a Clearing Member in such Service, (b) whom a Clearing Member has appointed as an NCP, in respect of such Service, in accordance with the Procedures, (c) who has been notified to the Clearing House in accordance with Section 1.2.2 of Section 1 of the Procedures, and (d) whose appointment as an NCP, in respect of such Service, has not been terminated in accordance with Section 1.2.3 of Section 1 of the Procedures

"Non-Defaulting FXCCM"

means an FXCCM which is not a Defaulter under Rule 4 of the Default Rules

CHAPTER XXI – FOREXCLEAR REGULATIONS

REGULATION 90 APPLICATION OF FOREXCLEAR REGULATIONS

- (a) The Clearing House shall provide the ForexClear Service subject to and in accordance with the terms of these ForexClear Regulations and the Procedures.
- (b) ForexClear Clearing Members shall be bound by these ForexClear Regulations. Applications to become a ForexClear Clearing Member shall be made in accordance with Regulation 90(d) and (e). Other than as expressly specified in this Regulation 90, the remainder of the Regulations shall not apply to the ForexClear Service. A summary table of those Regulations which apply to the ForexClear Service as described in Regulation 90(a) to (p) is provided at Regulation 90(q).
- (c) Regulations 2 and 3 of the Regulations apply to the ForexClear Service.

ForexClear Clearing Membership

- (d) A Clearing Member may apply to become a ForexClear Clearing Member in accordance with the Procedures.
- (e) Regulation 4 applies to membership of the ForexClear Service and applications for such membership.
- (f) Regulation 5 applies to a ForexClear Clearing Member.

Accounts

- (g) Regulation 10 applies to the opening and operation of accounts with respect to a ForexClear Clearing Member. Such accounts shall be designated in accordance with Regulation 15.

Client Clearing

- (h) Regulation 11 applies to those ForexClear Clearing Members who provide (or wish to provide) Client Clearing Services.

Formation, registration and transfers of ForexClear Contracts

- (i) Regulation 16(b), (c), (e), (f), (g), (h), (j), (k) and (l), Regulation 17 and Regulation 91 govern the registration and formation of a ForexClear Contract.
- (j) Regulation 90 to Regulation 94 apply to the ForexClear Service.
- (k) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to a ForexClear Contract that is an open contract.

Margin and Collateral

- (l) Regulation 20 applies to a ForexClear Clearing Member.

REGULATION 91 REGISTRATION OF FOREXCLEAR CONTRACTS

- (a) A ForexClear Transaction may be presented for registration as two ForexClear Contracts, or one ForexClear Contract and one FCM ForexClear Contract, in accordance with the provisions of the Rulebook.
- (b) Once a ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Procedure 2I (*ForexClear Clearing Service*)) request the consent of the relevant ForexClear Clearing Member with whom a ForexClear Contract shall be registered as a result thereof to such registration. Upon the ForexClear Clearing Member providing its consent, such ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such ForexClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) Each ForexClear Contract shall be registered by the Clearing House either as a ForexClear CTM Contract or a ForexClear STM Contract, and a ForexClear Transaction may be registered as two ForexClear STM Contracts, two ForexClear CTM Contracts, one ForexClear CTM Contract and one ForexClear STM Contract, a ForexClear STM Contract and an FCM ForexClear Contract or a ForexClear CTM Contract and an FCM ForexClear Contract (in accordance with the other provisions of the Rulebook). The registration of a ForexClear Contract as a ForexClear CTM Contract or a ForexClear STM Contract shall be determined by the Clearing House as follows:
 - (i) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is a US FXCCM, the Clearing House shall, subject to the Rulebook, register such ForexClear Contract as a ForexClear STM Contract; and
 - (ii) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is not a US FXCCM, the Clearing House shall, subject to the Rulebook, on or after the occurrence of a ForexClear STM Conversion Date in respect of that ForexClear Clearing Member, register such ForexClear Contract as a ForexClear STM Contract, or, if no such date has occurred, as a ForexClear CTM Contract.
- (d) At the point the Clearing House registers a ForexClear Contract as a ForexClear STM Contract in accordance with the Procedures, the ForexClear Contract Terms applicable to that ForexClear Contract will automatically, and without any further action by either party, include the ForexClear STM Terms applicable to that type of ForexClear Contract.
- (e) A ForexClear Clearing Member which has been nominated to clear the ForexClear Contract arising from the registration of a ForexClear Transaction on behalf of a third party Executing Party other than a ForexClear Dealer will (only where such ForexClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such ForexClear Transaction and the ForexClear Contract resulting from such ForexClear Transaction. Where:

- (i) a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and is to clear a ForexClear Contract resulting from such ForexClear Transaction;
- (ii) a ForexClear Dealer approved to clear ForexClear Transactions through a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and such ForexClear Clearing Member is to clear a ForexClear Contract resulting from such ForexClear Transaction; or
- (iii) a ForexClear Transaction is an Eligible Trading Venue Transaction in respect of a ForexClear Clearing Member, and a third party Executing Party (other than a ForexClear Dealer) to such ForexClear Transaction has nominated such ForexClear Clearing Member to clear a ForexClear Contract resulting from such ForexClear Transaction,

the consent of that ForexClear Clearing Member to the registration of the relevant ForexClear Contract will occur automatically and without the need for any further action by such ForexClear Clearing Member.

- (f) The Clearing House shall register or reject the registration of a ForexClear Contract in respect of a ForexClear Transaction presented for registration subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law
- (g) Subject to Regulation 91(i), if at any time falling after the registration of any ForexClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration:
 - (i) did not, at the Registration Time, meet the ForexClear Eligibility Criteria applicable to that ForexClear Transaction in existence at the Registration Time;
 - (ii) in the case of a ForexClear Deliverable Forward Transaction or ForexClear Spot Transaction, was not, at the Registration Time, entered into in accordance with Regulation 98(a); or
 - (iii) in the case of a ForexClear Swap Transaction, was not, at the Registration Time, entered into in accordance with Regulation 100 or Regulation 101, each an "**Ineligible Transaction**",

the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with Regulation 91(h) below.

- (h) Upon a ForexClear Contract being set aside under Regulation 91(g) (an "**Ineligible ForexClear Contract**"), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via ~~the an~~ [ForexClear](#)-Approved Trade Source System that such Ineligible ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all collateral in respect of variation margin obligations (if any) provided by the Clearing House or by an FXCCM in respect of such Ineligible ForexClear Contract shall be retained by the receiving party upon

Appendix IV
Procedures Section 2I
("ForexClear Clearing Service")



LCH LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

1. INTRODUCTION AND INTERPRETATION

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

References to "**Sections**" shall mean sections in these Procedures.

References to "**Business Day**", "**Calculation Agent**", "**Disruption Fallback**", "**Notional Amount**", "**Reference Currency**", "**Settlement Currency**", "**Settlement Currency Amount**", "**Settlement Date**", "**Settlement Rate**", "**Settlement Rate Option**", "**Trade Date**", "**Valuation Date**", "**Valuation Postponement**" shall carry the meanings given to them in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time with respect to the relevant Currency Pair.

References to "**business day**" shall carry the meaning given to it in the Rulebook.

References to "Currency Pair" are to the relevant currency pairs specified in the Schedule to the ForexClear Regulations.

"**EMTA**" means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

"**EMTA Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

"**ForexClear Margin or Settlement Currency**" means

- (a) in the case of a ForexClear NDF Contract, USD; or
- (b) in the case of all other ForexClear Contracts, the ForexClear Currency or ForexClear Currencies elected as such by the FXCCM party to such ForexClear STM Contract at registration of such ForexClear STM Contract, provided that the Clearing House has permitted such currency or currencies to be chosen for such purpose.

"**LCH G10 NDF Contract Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are set forth in the ForexClear Contract Terms.

"**NPV Payment**" means, in respect of a business day and a ForexClear STM Contract that is settled-to-market daily in accordance with Regulation 106A, the amount or amounts paid by either the relevant FXCCM or the Clearing House to the other on such business day in respect of the change in the net present value of that ForexClear STM Contract (or the obligations thereunder) in accordance with the ForexClear STM Terms applicable to that ForexClear STM Contract.

the relevant Incremental Risk Check (as defined herein), then, subject to Section 1.3.3(b)(ii), such ForexClear Transaction will be rejected.

- (d) Notwithstanding paragraph (c) above, if (i) the Clearing House registers a ForexClear Contract resulting from a ForexClear Transaction where one or both of the relevant FXCCMs has not provided sufficient Collateral with respect to its Liabilities or estimated Liabilities prior to registration, the FXCCMs shall be bound by the terms of the relevant ForexClear Contract(s) and (ii) if the Clearing House rejects a ForexClear Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any FXCCM or any other person in connection with the rejection of such ForexClear Transaction.
- (e) Once a ForexClear Transaction has passed the Validation Checks (as defined in Section 1.3.3(a)) and the Clearing House has determined to accept the ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the ForexClear Transaction as two ForexClear Contracts, including a datestamp of the relevant registration time, in accordance with Section 1.3.3(a)(iii). For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "**Registration Time**" of such ForexClear Contracts.
- (f) The definitive report of a registered ForexClear Contract will be shown on the "**All Open Contracts**" report issued by ForexClear Reporting.
- (g) If an FXCCM is declared a Defaulter, the Clearing House will not register any ForexClear Contract in the name of such Defaulter (except pursuant to the Default Rules). ForexClear Transactions in respect of Non-Defaulting FXCCMs will continue to be registered in accordance with, and subject to, the Rulebook.

1.3 Trade Management; Trade Registration Facilitation

- 1.3.1 *Trade Capture:* After the execution of a ForexClear Transaction (a "**trade**"), each FXP who is a party to the trade will submit individual instructions to the ~~ForexClear~~-Approved Trade Source System for matching and clearing of the trade. FXPs are not required to submit a confirmation of any trade presented to the Clearing House for registration. Presentation of the matched trade terms through the ~~ForexClear~~-Approved Trade Source System will ensure that the agreed terms of the trade are recorded.

Once the ~~ForexClear~~-Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the ~~ForexClear~~ Approved Trade Source System matches both instructions. The ~~ForexClear~~ Approved Trade Source System validates the trade using the applicable ForexClear Eligibility Criteria and will, if appropriate, present 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, a "**ForexClear Transaction**").

The Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under Applicable Law. In respect of a ForexClear Transaction which is:

- (a) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue and, if the originating ~~ForexClear~~-Approved Trade Source System is different to the Trading Venue, the originating ~~ForexClear~~-Approved Trade Source System of registration or rejection of the ForexClear Transaction; or
- (b) not a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members (via the originating ~~ForexClear~~-Approved Trade Source System or ClearLink API) of registration or rejection of the ForexClear Transaction,

in each case within the required timeframe under Applicable Law.

1.3.2 *The ForexClear Approved Trade Source Systems*

FXCCMs must not submit instructions to the Clearing House for trades which will not meet the ForexClear Eligibility Criteria. The Clearing House will register a ForexClear Transaction on the basis of the data provided to it by the ~~ForexClear~~-Approved Trade Source System and has no obligation to verify that the details received from the ~~ForexClear~~-Approved Trade Source System in respect of a ForexClear Transaction properly reflect the trade entered into by the relevant FXPs.

Application for ~~ForexClear~~-Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of ~~ForexClear~~-Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves any additional ~~ForexClear~~-Approved Trade Source System, it will notify FXCCMs via a member circular.

The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any ForexClear Transaction reported to it for registration by the ~~ForexClear~~-Approved Trade Source System. The Clearing House shall have no liability in the event that any FXCCM suffers any loss through the unauthorised input of details into a system of a ~~ForexClear~~-Approved Trade Source System.

Notwithstanding the designation by the Clearing House of a system as a ~~ForexClear~~-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 ~~ForexClear~~-Approved Trade Source System or the timeliness or otherwise of the delivery of any ForexClear Transaction details by that ~~ForexClear~~-Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FXCCM and the ~~ForexClear~~-Approved Trade Source System and the terms of such relationship may entitle the ~~ForexClear~~-Approved Trade

Source System to suspend the ability of an FXCCM to make submissions from time to time.

The Clearing House accepts no liability for any error within or corruption of any data sent by the ~~ForexClear~~ Approved Trade Source System to the Clearing House or to an FXCCM 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 ForexClear Contract(s) on the basis of incorrect or corrupted data sent to it by a ~~ForexClear~~ Approved Trade Source System, the FXCCM(s) concerned shall be bound by the terms of such ForexClear Contract(s), unless the ForexClear Contract is subsequently cancelled in accordance with Regulation 92 (*Cancellation of ForexClear Contracts*).

1.3.3 Trade Validation and Registration

(a) Process Flow Description

- (i) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the applicable ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below), Incremental Risk Checks (as defined below) required for ForexClear Transactions and, with respect to each ForexClear Option Transaction, ForexClear Spot Transaction, ForexClear Swap Transaction and ForexClear Deliverable Forward Transaction, a Settlement Exposure Limit Check (as described herein) (collectively, the "**Validation Checks**").
- (ii) The Clearing House will create two trade records for a ForexClear Transaction which passes the Validation Checks and is accepted for clearing by the Clearing House: one for the ForexClear Contract between the Clearing House and the relevant FXCCM and the other for the ForexClear Contract between the Clearing House and the same or another relevant FXCCM.
- (iii) In respect of a ForexClear Transaction which is:
 - (A) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue and, if the originating ~~ForexClear~~ Approved Trade Source System is different to the Trading Venue, the originating ~~ForexClear~~ Approved Trade Source System of registration or rejection of the ForexClear Transaction (as applicable); or
 - (B) not a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members (via the originating ~~ForexClear~~ Approved Trade Source System or ClearLink API) of registration or rejection of the ForexClear Transaction,

in each case within the required timeframe under all Applicable Law.

- (iv) As provided in paragraph 1.2.5(d) (*Novation and Registration*), in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that ForexClear Contract.
 - (v) The internal sub-account (i.e. FXCCM, branch, or FXD) into which each trade record is booked is derived from the BIC code within the message from the ~~ForexClear~~-Approved Trade Source System. The BIC links to the FXCCM reference data.
 - (vi) 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.
- (b) "**Counterparty Technical Validation Check**" The counterparties to each trade must be (a) the parties submitted in trade particulars FXPs, (b) are each a Non-Defaulting FXCCM and (c) approved by the Clearing House to clear the relevant trade type.
- (i) Valuation Date and Settlement Date: in respect of a ForexClear NDF Transaction, (A) the Valuation Date and Settlement Date for the ForexClear Transaction must fall on a valid Business Day for the Currency Pair to which the ForexClear Transaction relates; and (B) the Settlement Date must fall on a Business Day after the Valuation Date. FXCCMs should refer to the Relevant EMTA Template or LCH G10 NDF Contract Template for further details of the relevant Business Days for determining the Valuation Date and the Settlement Date:¹

Risk and Settlement Limit Checks

- (ii) The Clearing House will apply an "**Incremental Risk Check**" to each ForexClear Transaction which is not a Sub-Block Trading Venue Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FXCCM's Liabilities (including the new ForexClear Transaction) against available Collateral (taking into account ForexClear Tolerance and/or MER Buffer made available by the Clearing House, if any). However, any ForexClear Transaction submitted by an FXCCM that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House. The Clearing House will apply a "**Settlement Exposure Limit Check**" on a per currency basis to each ForexClear Spot

¹ As amended from time to time as per relevant EMTA Template.

Applicable Law, and such trade will, for the purposes of the Rulebook and upon such re-presentation, constitute a new trade.

1.3.5 *Package Transactions*

Subject to Clearing House availability, a ForexClear Clearing Member may, via an Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more ForexClear Transactions for simultaneous registration (such group of ForexClear Transactions being a “**Package Transaction**”). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent ForexClear Transaction within the Package Transaction will be rejected.

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

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

In respect of a Package Transaction submitted in a ForexClear Clearing Member’s name, such ForexClear Clearing member’s margin requirement will be assessed based on the net margin call for all of the constituent ForexClear Transactions of such Package Transaction.

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

1.3.6 *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

- (a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade presented for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a cancellation request for a ForexClear Contract or a ForexClear Transaction, in each

case, manually prior to a Margin and Settlement Run (e.g. in the case of a Default, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from an FXCCM which is a Defaulter).

- (b) The Clearing House acknowledges the action:
 - (i) in respect of trades being manually rejected or manually registered, by notifying the entities specified in Section 1.3.3(a)(iii) of such rejection or registration (as applicable); and
- (c) in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, by sending a message to the ~~ForexClear~~-Approved Trade Source System that it is "CANCELLED".

1.3.7 Trade Cancellation

- (a) The Clearing House accepts cancellation messages from FXPs against both non-novated trades (ForexClear Transactions) and novated trades (ForexClear Contracts).
- (b) Cancellation messages may be submitted via the ~~ForexClear~~-Approved Trade Source System (i), with respect to any ForexClear NDF Contract, until such ForexClear Contract is "**fixed**" – i.e. when its Settlement Rate has been determined on the relevant Valuation Date, (ii) with respect to any ForexClear Option Contract, until the end of day on the Business Day preceding the relevant Expiration Date and (iii) with respect to any ForexClear Spot Contract, ForexClear Swap Contract or ForexClear Deliverable Forward Contract, until the end of day two Business Days immediately preceding the Settlement Date.
- (c) A successful cancellation message results in a "CANCELLED" status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FXCCM via the ~~ForexClear~~-Approved Trade Source System.
- (d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.
- (e) *Process Flow Description*
 - (i) The Clearing House accepts trade cancellation instructions from the ~~ForexClear~~-Approved Trade Source System for ForexClear Transactions or ForexClear Contracts (as the case may be) that have previously been submitted to the ForexClear Service. Cancellation instructions must include the ForexClear ID.
 - (ii) The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) a ForexClear Transaction or ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of a ForexClear

NDF Contract only, a ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

- (iii) Where a trade has already been rejected (e.g. as a result of having failed a Counterparty Technical Validation Check), the ForexClear Service sends a "CANCEL REJECTED" message to the ~~ForexClear~~-Approved Trade Source System for the relevant FXPs.
- (iv) All trade cancellation instructions must pass the Incremental Risk Check and Settlement Exposure Limit Check, where applicable. If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account ForexClear Tolerance and/or MER Buffer, if any) at the time of the relevant Incremental Risk Check or Settlement Exposure Limit Check, as applicable, 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 FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.

1.3.8 *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 ForexClear NDF Contract.

On the Valuation Date with respect to each ForexClear NDF Contract, the Settlement Rate will be retrieved as set forth in paragraph (a) below. The Market Data provider for Settlement Rates is Reuters.

ForexClear applies the relevant Settlement Rate to ForexClear NDF Contracts using the following criteria:

- (a) Settlement Rate Option source; and
- (b) Valuation Date.

The Clearing House applies the Settlement Rate to all relevant ForexClear NDF Contracts at a predefined time following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear NDF Contract. FXCCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting (as defined in Section 1.7 (*ForexClear Reporting*)) on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FXCCMs.

Clearing House in order to allow the FXCCM or the Clearing House to make a payment under the Rules of the Clearing House or any ForexClear Contract without deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate unless the Clearing House or the FXCCM can no longer deliver such form, document, statement or certification solely as a result of a change in law (including double tax treaty) or interpretation thereof after the date of the ForexClear Contract between the Clearing House and the FXCCM. In the case of the Clearing House, the forms required pursuant to item (ii) above include an Internal Revenue Service Form W-8BEN. Additionally, the Clearing House will take such further actions as necessary to ensure that payments made to it can be made without deduction or withholding for or on account of any Tax.

1.12 ForexClear Client Clearing

1.12.1 *ForexClear Clearing Client Clearing – Ancillary Documentation*

- (a) *Security Deed*: Unless specified otherwise by the Clearing House, a ForexClear Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.
- (b) *Prescribed Language and End-User Notice*: Pursuant to the Clearing House's General Regulations, each ForexClear Clearing Member is required to ensure that it includes certain language in its agreement with its ForexClear Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 1 of Section 1 of the Procedures.

ForexClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

<http://www.lch.com/about-us/governance/end-user-notice>

1.12.2 *Transactions in Respect of ForexClear Clearing Client Default to FXCCM*

- (a) This Section describes certain transactions that, under certain conditions, can be carried out by an FXCCM in respect of one of its ForexClear Clearing Clients that has defaulted in its obligations to the FXCCM.
- (b) A request or instruction from an FXCCM to the Clearing House to carry out a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below shall in every case be deemed a representation by the FXCCM to the Clearing House that (i) the affected ForexClear Clearing Client is in default of its obligations to the FXCCM, (ii) the FXCCM has provided and will provide (as applicable) any required notices to the ForexClear Clearing Client of its default and the FXCCM's transactions effected under

Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) and/or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below, and (iii) the FXCCM is permitted by its agreements with the ForexClear Clearing Client and Applicable Law, and has authority to effect the transactions specified in the FXCCM's requests and/or instructions to the Clearing House in respect of such ForexClear Clearing Client. FXCCMs are not permitted to effect or attempt to effect a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below where the preceding representations are not satisfied.

- (c) In any other circumstance not covered by Section 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*), Section 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*) ~~or~~, Section 1.14 (*Indirect Clearing*) or [Section 1.24 \(*Actions in Respect of an FCM Client Default*\)](#), an FXCCM may only instruct the Clearing House to transfer a ForexClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the FXCCM:
- (i) evidence of the relevant ForexClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
 - (ii) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any ForexClear Contracts to be transferred pursuant to this paragraph (c) within 24 hours of receipt (to the extent applicable) of the documents listed in subparagraphs (i) and (ii) above, unless such transfer is contested by the relevant ForexClear Clearing Client.

1.12.3 *Transfers between Client Accounts and Proprietary Accounts*

- (a) If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between an FXCCM and a ForexClear Clearing Client in respect of which such FXCCM is a party to Related ForexClear Contracts and, at the time of such early termination date, the relevant FXCCM is not a Defaulter, the FXCCM may, in connection with a defaulted ForexClear Clearing Client, transfer a ForexClear Contract from the applicable Client Account to its Proprietary Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the Rulebook):
- (i) the representations described above in paragraph (b) of Section 1.12.2 (*Transactions in Respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
 - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing

House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);

- (iii) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to transfer the relevant ForexClear Contract to the Clearing House;
- (iv) at all times the FXCCM maintains sufficient Collateral in its Proprietary Account and the applicable Client Account; and
- (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.

For the purposes of this Section 1.12.3 a "**Related ForexClear Contract**" means, in respect of a transaction between an FXCCM and a ForexClear Clearing Client which has been terminated on an early termination date, the open position represented by the ForexClear Contract entered into with the Clearing House by such FXCCM on behalf of the relevant ForexClear Clearing Client on equal and opposite terms to such transaction.

- (b) The Clearing House will typically (but shall not be required to) transfer the relevant ForexClear Contract within 24 hours of receipt of the above.

1.12.4 *ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*

- (a) An FXCCM may register, in the name of a defaulted ForexClear Clearing Client but without the direction of such ForexClear Clearing Client, ForexClear Contracts (including hedging and/or compression transactions) to such Client Account, or cancel ForexClear Contracts without the direction of such ForexClear Clearing Client under the following conditions (in addition to any other generally applicable provisions of the Rulebook):
 - (i) the representations described above in paragraph 1.12.2(b) (*Transactions in respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
 - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);

- (iii) at all times the FXCCM maintains sufficient Collateral in the applicable Client Account;
 - (iv) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to register the relevant ForexClear Contract(s) is provided to the Clearing House; and
 - (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.
- (b) Such a ForexClear Contract submitted for registration in the name of a defaulted ForexClear Clearing Client must reference the applicable ForexClear Clearing Client and Client Account as would ordinarily occur; however, the transaction may be submitted using either the ForexClear Clearing Client's ~~ForexClear~~-Approved Trade Source System identification number or an alternative ForexClear Approved Trade Source System identification number other than that of the ForexClear Clearing Client (e.g., the FXCCM's ~~ForexClear~~-Approved Trade Source System identification numbers), as applicable.

1.12.5 Backup Clearing Members:

A ForexClear Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the ForexClear Contracts entered into by a ForexClear Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a ForexClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a ForexClear Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a ForexClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that ForexClear Contracts will always be transferred to that Backup Clearing Member. Porting of ForexClear Contracts, following a ForexClear Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

1.13 Provision of Tax Forms

The Clearing House and each FXCCM shall provide to each FXCCM or the Clearing House, as relevant, (i) any forms or documents specified in the ForexClear Contract between the Clearing House and the FXCCM and (ii) any other form, document, statement or certification reasonably requested in writing by the FXCCM or the Clearing House in order to allow the FXCCM or the Clearing House to make a payment under the Rules of the Clearing House or any ForexClear Contract without deduction

1.23 **ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions – Reporting of Hedge Transactions**

1.23.1 ForexClear Option Clearing Members shall, in a manner and at such time as prescribed by the Clearing House from time to time, provide to the Clearing House a report of the ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions entered into by the given ForexClear Option Clearing Member that were not concluded for the purposes of (A) hedging some or all of such ForexClear Option Clearing Member's foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk, in each case arising under, or in connection with, (i) one or more ForexClear Option Transactions submitted by that ForexClear Clearing Member or (ii) one or more ForexClear Option Contracts then registered in its name.

The foregoing shall not include any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction resulting from the exercise of a ForexClear Option Contract.

1.24 **Actions in Respect of an FCM Client Default**

1.24.1 Following an FCM Client Default (as defined in the FCM Regulations) and in connection with a request from an FCM Clearing Member to the Clearing House to transfer one or more FCM ForexClear Contracts (including those submitted for registration pursuant to Section 2.2.20 of the FCM Procedures) from (i) a Defaulting FCM Client's FCM Client Sub-Account or (ii) an FCM Clearing Member's Proprietary Account to the Proprietary Account of a ForexClear Clearing Member, such ForexClear Clearing Member shall transfer (or make available) required margin into its Proprietary Account.

SCHEDULE 1
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 Default Management Process, (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 FXDMG.
- 1.4 **"Permitted Purpose"** means proper fulfilment 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 ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.
- 1.5 References denoting the masculine (including "his" and "he") shall be construed as the feminine if the FXDMG 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 below, 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

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 FXDMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

11. **Warranty and Representation**

The FXCCM represents and warrants that it will procure that:

- (a) the Nominating FXCCM and the FXDMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Procedure; and
- (b) nothing in this Schedule 1 will cause the FXDMG 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 FXDMG Member.

12. Antitrust

12.1 The FXCCM acknowledges that the FXDMG comprises representatives of competing companies and that antitrust law prohibits the sharing of competitively sensitive information as between competitors. The FXCCM shall procure that its FXDMG Member has been made aware of the relevant obligations under antitrust laws prior to attending any meetings or calls of the FXDMG.

12.2 The FXCCM shall procure that the FXDMG Member does not share any competitively sensitive information relating to the FXCCM with any other members of the FXDMG. In particular, the FXDMG Member should not:

- (a) enter into general business discussions about the FXCCM's business or ventures in which it has an interest, except where strictly necessary for the purposes of the FXDMG;
- (b) disclose or enter into discussions relating to the FXCCM's spreads, margins, commissions (paid or received), fee schedules, pricing policies, current or future margins, trading volumes or the FXCCM's customers;
- (c) disclose or enter into discussions relating to the FXCCM's future plans (such as new products or changes to trading arrangements, prospective clients, business opportunities or product development plans), strategic plans, or expansion plans;
or
- (d) disclose or enter into discussions relating to prices, commissions paid or payable to, or any other terms and conditions of arrangements between the FXCCM and other clearing houses, suppliers, brokers or other intermediaries.

12.3 At the beginning of each meeting, the Chairman of the FXDMG will remind the participants of their obligations under antitrust law.

- 12.4 The Clearing House will circulate to FXDMG Members an agenda in advance of all meetings of the FXDMG. All meetings of the FXDMG must proceed strictly in accordance with the agenda and will be recorded in minutes circulated by the Clearing House. Participants must notify the Clearing House to the extent the minutes do not reflect the relevant meeting.
- 12.5 If any disclosure or discussions that may be contrary to antitrust law are initiated, the Chairman of the FXDMG should immediately cease such disclosure or discussions and, if specific participants have raised concerns, allow them to record these concerns in the minutes.

~~12.~~13. **Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

The Clearing House will treat all Confidential Material in the terms envisaged in Schedule 1 (*Confidentiality, non-disclosure and participation in the ForexClear Default Management Group*), 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.