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**LCH** The Markets'  
Partner

**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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## 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 [to the Clearing House for clearing](#) 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 ~~being met)~~; be

~~cleared by processed and stored within~~ the FCM SwapClear clearing system ~~to create two FCM SwapClear Contracts (or one FCM SwapClear Contract and one SwapClear Contract)~~. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see Section 2.1.1(c)).

(b) *Clearing House System Requirements*

An FCM Clearing Member must, in order to present FCM SwapClear Transactions to the Clearing House, be a user of an FCM Approved Trade Source System.

(c) *SwapClear FCM Clearing Member Reporting*

There are three methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations and other information:

- (A) Report 001;
- (B) via the FCM Approved Trade Source System; and
- (C) via ClearLink API.

An end-user report generation and analytical capability is provided by the Clearing House to FCM Clearing Members. All FCM SwapClear reports will be disseminated via the Clearing House's secure password access FCM Clearing Member-only website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any FCM Approved Trade Source System.

FCM Clearing Members will be able to produce reports either to print locally or to download in machine-readable data-file format. Queries about the FCM Clearing Member-only website should be directed to the Clearing House's Service Desk at +44 (0)20 7426 7200.

The terminology used in a report in respect of Margin, Variation Settlement, daily settlement amounts or Price Alignment Amount may reflect terminology commonly used in the industry. Such terminology shall not affect the interpretation or construction of any provisions or terms of the FCM Regulations or FCM Procedures.

(d) *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) Applicable Law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more

in relation to Inflation SwapClear Contracts referencing the relevant Index and may only share the Inflation Derived Data with:

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

#### 2.1.2 **Operating Times ~~and~~ Calendars**

(a) *Opening Days*

The ~~Clearing House will publish a circular detailing the days on which the FCM SwapClear service clearing system will be open every day, except weekends, Christmas Day, New Year's Day and Good Friday<sup>1</sup>.~~

(b) *Opening Hours*

Unless notified otherwise, the FCM SwapClear ~~clearing system~~service will be operational on each Business Day that is:

- (A) a Monday from 02:00 London time to 19:00 New York time; and

<sup>1</sup> While the FCM SwapClear service is generally closed on Good Friday, the Clearing House may, by prior written notice to FCM Clearing Members within such service, open the FCM SwapClear service on such day, in which case it will be a Business Day.

~~during the following (B) not a Monday from hours:~~

06:00 London time to 19:00 hours New York time ~~(a “Business Day”)~~<sup>2</sup>

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

(c) *FCM SwapClear Clearing System Calendars*

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. ~~This~~ will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2.1.1(c)).

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

### 2.1.3 **Registration**

(a) *Submission for Registration*

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

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade

<sup>2</sup> ~~However, the Clearing House will continue to accept FCM Acceptances until one minute after closure of the FCM SwapClear service. The FCM SwapClear clearing system may, in the Clearing House’s absolute discretion, be operational beginning 04:00 London Time.~~

<sup>3</sup> ~~The FCM SwapClear service may, in the Clearing House’s absolute discretion, be operational beginning (a) 00:00 London time on a Business Day that is a Monday, or (b) 04:00 London time on a Business Day that is not a Monday.~~

**SCHEDULE 2.1A  
SWAPCLEAR PROCESSING SCHEDULE**

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a “**Business Day**” for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

<b>SWAPCLEAR PROCESSING SCHEDULE</b>	
<b>Time</b>	
05:00	SwapClear Opens
by 09:30	Registration of Backloaded Trades and confirmation of deleted trades from T-1 (see Section 2.1.3(e))
16:00	Deadline for PPS calls in London
24:00	SwapClear Closes

**SCHEDULE 2.1A<sup>B</sup>**  
**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN**  
**THE 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 FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the Rates Service DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FCM Clearing Member).
- 1.2 “**DMG Member**” means an individual appointed by a Nominating FCM Clearing Member.
- 1.3 “**Nominating FCM Clearing Member**” means a SwapClear Member who, through their obligations under the Rates Service DMP, makes available a representative to serve on the Rates Service DMG.
- 1.4 “**Permitted Purpose**” means proper fulfillment by the FCM Clearing Member of its duties under the Rates Service DMP Annex and includes, after the completion of the Auction, the use by the FCM Clearing Member, 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 on-going portfolio management and to enable it to comply with on-going legal or regulatory requirements.
- 1.5 References denoting the masculine (including “his” and “he”) shall be construed as the feminine if the DMG Member is female.
- 1.6 All other terms have the meaning ascribed to them in the FCM Rulebook, which includes the Default Rules (including the Rates Service DMP Annex).

**General Obligations of the FCM Clearing Member**

The obligations of an FCM Clearing Member set forth in this Schedule shall only apply in the event such FCM Clearing Member does not have an affiliated SwapClear Clearing Member that has agreed to participate in the Rates Service DMP on behalf of such FCM Clearing Member.

**Confidentiality and Non-Disclosure**

**2. Confidentiality**

- 2.1 The FCM Clearing Member 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 Schedule in respect thereof and, subject to paragraph 2.3, 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