



VIA CFTC Portal

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

02 January 2024

LCH Limited Self-Certification: Several changes to LCH Limited's Rulebook

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission ("CFTC") regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization ("DCO") registered with the CFTC is submitting for self-certification several minor proposed rule changes within its Rulebook.

Part I: Explanation and Analysis

LCH intends to make the following changes to its Rulebook:

1. E Account

LCH will re-add two paragraphs which had previously been removed from the Rulebook, which refers to 'Excess Amounts'. These paragraphs have been re-added to provide clarification around the use of this account. The paragraph outlines that LCH may upon request of the FCM Clearing Member open an excess account called 'Excess Accounts'. This account is a sub-account of the Omnibus Client Segregation Account ("C Account") and where the FCM Clearing Member may only deliver FCM Buffer to its Excess Account.

2. Collateral Takebacks

LCH intends to add an explicit obligation that any non-cash collateral used to cover initial margin requirements should be withdrawn from the Clearing Member's account prior to the maturity record date.

3. Registration time

LCH updated several sections of its Rulebook to ensure a consistent definition of 'registration time', which is defined as the time at which the registration of a cleared contract between LCH and a member occurs.

Part II: Description of Rule Changes

The changes will be made to the following parts of LCH's Rulebook:

1. E Account

- FCM Regulations, Excess Account added to the definitions, reference to the account in Regulation 15(c)(ii)(C) and 15(d)(ii).
- FCM Procedures, section 2.1.7 Excess Account and 2.2.7 Excess Account.



2. Collateral Takebacks

- Procedure Section 4 (*Margin and Collateral*), section 1.1.7(e).
- FCM Procedures, section 4.1.10(e).

3. Registration time

- General Regulations, definitions and Regulation 16(c).
- Procedure Section 2C (*SwapClear Clearing Service*), section 1.3.5 Registration of New Trades.
- Procedure Section 2I (*ForexClear Clearing Service*), section 1.2.5(a) and (e).
- Procedure Section 2J (*Listed Interest Rates Clearing Service*), section 1.3 Registration.
- FCM Regulations, definitions and Regulation 46.

The changes to the rules are included in **Appendices I-X** in black line form. The changes will be effective no earlier than **17 January 2024**.

Part III: Core Principle Compliance

LCH has reviewed the Proposed Rule Changes against the requirements of the DCO Core Principles, specifically Core Principle L on Public Information, and finds that it will continue to comply with the requirements and standards therein. The changes have been made to provide LCH's membership with additional clarity with regards to collateral management and consistent definitions across the rulebook.

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: <https://www.lch.com/resources/rulebooks/proposed-rule-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.

Certification

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

Should you have any questions please contact me at ebba.andersson1@lseg.com.

Yours sincerely,

Ebba Andersson
Senior Compliance Officer
LCH Limited



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Appendix I
FCM Regulations – E Account

FCM REGULATIONS OF THE CLEARING HOUSE
LCH LIMITED

pursuant to FCM Regulation 46(q) or FCM Regulation 49(r) and in accordance with the FCM Procedures

“Eligible Transferor”

means an FCM Clearing Member that the Clearing House permits, in its sole and absolute discretion, and subject always to compliance with Applicable Law, to transfer all or part of its Transferring SwapClear Contracts or Transferring ForexClear Contracts to an Eligible Transferee pursuant to FCM Regulation 46(q) or FCM Regulation 49(r) and in accordance with the FCM Procedures

“EMIR Client Clearing”

means the provision of Client Clearing Services on an Individual Segregated Account or Omnibus Segregated Account basis as set out in the Regulation 10 and Regulation 11 of the UK General Regulations (capitalized terms used and not otherwise defined herein bearing the same meanings set out in the UK General Regulations).

“Encumbered FCM Buffer”

has the meaning assigned to it in FCM Regulation 15(c)(ii).

“Exchange”

means an organization (whether an exchange, association, company, corporation, limited partnership or otherwise), including a designated contract market and a foreign board of trade (whether registered as such with the CFTC), responsible for administering a futures, options, or stock market (in its capacity as the administrator of such a market), to which the Clearing House provides FCM Clearing Services. The term **“Exchange”** shall include a Rates Exchange, save where the context otherwise requires.

“Exchange Board”

means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.

“Exchange Rules”

means the rules, regulations, administrative procedures, memorandum and articles of association, charter, certificate of incorporation, by-laws or similar constituent documents which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its Board and any procedures, practices and administrative requirements of the Exchange. The term **“Exchange Rules”** shall include Rates Exchange Rules, save where the context otherwise requires.

“Excess Account”

has the meaning assigned to it in the FCM Procedures.

REGULATION 15 MARGINING OF SWAP PRODUCT CLIENT ACCOUNTS: CERTAIN ADDITIONAL PROVISIONS; WITHOUT CLIENT EXCESS MODEL; WITH CLIENT EXCESS MODEL

The contents of this FCM Regulation 15 apply only with respect to the clearing and margining of Swap Products.

- (a) **FCM Buffer.** An FCM Clearing Member is permitted to furnish Collateral that is the property of such FCM Clearing Member (and not of its FCM Clients) to the Clearing House to be attributed to any of its FCM Omnibus Swaps Client Accounts with LCH as excess Margin for the benefit of all of its FCM Clients with positions registered or to be registered in such account, and the value of such Collateral as determined by the Clearing House in accordance with the FCM Rulebook (such value, the “**FCM Buffer**”) shall be recorded by the Clearing House as attributable to such FCM Clearing Member (for the benefit of its FCM Clients) in a sub-account of the applicable FCM Omnibus Swaps Client Account with LCH designated as an FCM Buffer sub-account (each such sub-account, with respect to each FCM Clearing Member, an “**FCM Buffer Sub-Account**”). The use and application of FCM Buffer in the With Client Excess Model and the Without Client Excess Model is further discussed below in paragraphs (e) and (f), respectively, and in the FCM Procedures.
- (b) **Unallocated Excess.**
- (i) Any Margin attributable to an FCM Omnibus Swaps Client Account with LCH that is not allocated to an FCM Client Sub-Account or the FCM Buffer Sub-Account therein (such Margin, “**Unallocated Excess**”) shall be credited by the Clearing House to the Unallocated Excess sub-account (the “**Unallocated Excess Sub-Account**”) of such FCM Omnibus Swaps Client Account with LCH. The Clearing House shall hold Unallocated Excess for the benefit of the FCM Clients corresponding to such FCM Omnibus Swaps Client Account with LCH as a class (the identities and amounts of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation 15 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus Swaps Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).
- (ii) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.
- (iii) Subject to paragraph (v) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess to the FCM Clearing

Member's Proprietary Account, or (y) except in accordance with an instruction (provided in accordance with the FCM Rulebook) by the applicable FCM Clearing Member, apply Unallocated Excess to an FCM Client Sub-Account or to the FCM Buffer Sub-Account.

- (iv) Upon the request of an FCM Clearing Member (including as a result of a standing instruction of an FCM Clearing Member) in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.
 - (v) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Accounts shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and Applicable Law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent required by Applicable Law and/or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with Applicable Law.
 - (vi) Certain additional procedures relating to Unallocated Excess differ based on whether the FCM Omnibus Swaps Client Accounts with LCH to which such Unallocated Excess corresponds is subject to the Without Client Excess Model or the With Client Excess Model, as such models are described in FCM Regulation 15(c) and FCM Regulation 15(d) (and in other applicable provisions of the FCM Rulebook).
- (c) **Without Client Excess Model.** The provisions of this FCM Regulation 15(c) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which prohibits the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**Without Client Excess Model**"). An alternative model which permits such Excess Margin to be maintained (the With Client Excess Model) is described in FCM Regulation 15(d). The Without Client Excess Model is the default model that shall apply to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH, and such model shall apply to all such accounts except where an FCM Clearing Member, to the extent permitted by the FCM Procedures, applies to and is approved by the Clearing House to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the alternative model (the With Client Excess Model described in FCM Regulation 15(d)).

The provisions of this FCM Regulation 15(c) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the Without Client Excess Model.

- (i) **Restriction on Excess Margin in FCM Client Sub-Accounts on a Day-to-Day Basis.** Excess Margin is not permitted to be maintained in any FCM Client

Sub-Account on a day-to-day basis. However, an FCM Client's FCM Client Sub-Account is permitted to maintain Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Sub-Account of an FCM Client that exists in such sub-account following the time, as determined by the Clearing House, on a Business Day shall be transferred by the Clearing House into the corresponding Unallocated Excess Sub-Account on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); **provided, that** all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus Swaps Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member furnishes Margin to the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client's FCM Client Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.

(ii) **Application of FCM Buffer.**

- (A) The Clearing House shall be permitted to apply any portion of an FCM Clearing Member's FCM Buffer (any portion of FCM Buffer when applied, "**Encumbered FCM Buffer**") to any FCM Client Sub-Account held by such FCM Clearing Member in the same FCM Omnibus Swaps Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.
- (B) At no time shall the Clearing House apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client's FCM Client Sub-Account Balance and the Encumbered FCM Buffer applicable to such FCM Client's FCM Client Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to such FCM Client Sub-Account. In the event that any such excess exists (*e.g.*, due to a decrease in Required Margin, the crediting of additional Margin attributable to such FCM Client, or other reasons) with respect to an FCM Client Sub-Account, the Clearing House shall reduce the amount of Encumbered FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Encumbered FCM Buffer shall again constitute only FCM Buffer (and shall no longer be considered Encumbered FCM Buffer).
- (C) Other than any Encumbered FCM Buffer applied to an FCM SwapClear Suspension Account or recorded to the Excess Account, any Encumbered FCM Buffer that is applied to an FCM Client Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of such FCM Client's FCM Client Sub-Account Balance and shall thereafter no longer constitute Encumbered FCM Buffer or FCM Buffer.

- (D) An FCM Clearing Member that is not a Defaulter may request the return of any of its FCM Buffer that is not Encumbered FCM Buffer at any time in accordance with the FCM Procedures, and upon such request the Clearing House shall return such FCM Buffer.
 - (E) In the event that an FCM Clearing Member furnishes Collateral to be applied to its FCM Omnibus Swaps Client Account with LCH but does not notify the Clearing House as to whether the Margin in respect of such Collateral should be considered Unallocated FCM Collateral or FCM Buffer, and has not notified the Clearing House that the collateral is attributable to individual FCM Clients, the Clearing House shall treat such Margin as furnished as FCM Buffer and credit it to the FCM Clearing Member's FCM Buffer Sub-Account.
- (iii) **Unallocated Excess.**
- (A) An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with, and subject to, the FCM Procedures, and the relevant Margin so furnished shall become Unallocated Excess.
 - (B) An FCM Clearing Member may provide an instruction (provided in accordance with the FCM Rulebook) to the Clearing House directing it to apply all or a portion of its Unallocated Excess to an FCM Client Sub-Account within the corresponding FCM Omnibus Swaps Client Account with LCH.
- (d) **With Client Excess Model.** The provisions of this FCM Regulation 15(d) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which provides for the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**With Client Excess Model**"). FCM Clearing Members may, to the extent provided in the FCM Procedures, apply for the Clearing House's approval to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the With Client Excess Model. Any FCM Omnibus Swaps Client Account with LCH for which no such approval of the Clearing House has been obtained shall be margined in accordance with the Without Client Excess Model (described in FCM Regulation 15(c)).

The provisions of this FCM Regulation 15(d) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the With Client Excess Model.

- (i) **Excess Margin in FCM Client Sub-Accounts.** An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Client Sub-Accounts, in accordance with the provisions of the FCM Rulebook.

- (ii) **Collateral Value Reports (CVRs).** For each FCM Omnibus Swaps Client Account with LCH maintained by an FCM Clearing Member treated in accordance with the With Client Excess Model, an FCM Clearing Member shall provide to the Clearing House, at least once on each Business Day, a “Collateral Value Report” (a “CVR” or “Collateral Value Report”) that is compliant (as determined by the Clearing House in accordance with the FCM Procedures) and that instructs the Clearing House as to the appropriate allocation of the Omnibus Collateral Value attributable to each such FCM Omnibus Swaps Client Accounts with LCH among (A) each FCM Client Sub-Account therein and (B) the FCM Buffer Sub-Account therein. FCM Clearing Members are required to produce and submit CVRs in accordance with Part 22 of the CFTC Regulations and any other Applicable Law, and such CVRs must be compliant with the Clearing House’s policies regarding CVRs as set forth in the FCM Procedures and as may be set forth, from time to time, in other written materials of the Clearing House made available to FCM Clearing Members. Each FCM Clearing Member shall be fully responsible for all information contained in its CVRs and the Clearing House shall be entitled to rely fully on such information and has no obligation to conduct its own investigation (although it may do so) with respect to such information. The Clearing House shall update its applicable records in accordance with the most recently submitted compliant CVR corresponding to an FCM Omnibus Swaps Client Account with LCH, and the most recent compliant CVR with respect thereto shall supersede any prior CVRs. A CVR will not be compliant if (A) its allocation of the Omnibus Collateral Value would trigger a margin call, or (B) it allocates Collateral that is not FCM Buffer to the Excess Account. Additionally, a CVR may not be used to satisfy a margin call and a CVR that reallocates the Omnibus Collateral Value so as to satisfy a margin call shall not be compliant.
- (iii) **Assumed Allocation.** When an FCM Clearing Member furnishes Margin to an FCM Omnibus Swaps Client Account with LCH for the purposes of satisfying a margin call issued by the Clearing House, such Margin shall be automatically allocated (such allocation, the “Assumed Allocation”) by the Clearing House (A) among each of the FCM Client Sub-Accounts therein having at such time an FCM Client Sub-Account Balance shortfall (in respect of the amount of Required Margin then applicable to each such sub-account) and (B) such allocation shall be made on a pro rata basis based on the amount of shortfall in each such sub-account. An FCM Clearing Member is not permitted to deliver a CVR simultaneously with its deposit of Collateral in satisfaction of a margin call so as to avoid the Assumed Allocation. However, an FCM Clearing Member may subsequently deliver a CVR allocating the entire Omnibus Collateral Value in the applicable account and any prior Assumed Allocation shall not limit the ability of subsequently delivered CVRs to allocate the Omnibus Collateral Value in the normal manner as provided in the FCM Rulebook.
- (iv) **Application of FCM Buffer.** The Clearing House will look to FCM Buffer to offset any FCM Client Sub-Account Balance deficits (on an aggregate basis) in the corresponding FCM Omnibus Swaps Client Account with LCH, and will not issue a margin call to an FCM Clearing Member in respect of the amounts of any such deficits to the extent such amounts could be offset by FCM Buffer.

An FCM Clearing Member that is not a Defaulter may request the return of any of its FCM Buffer that is not, at such time, being used by the Clearing House in such manner to offset any such FCM Client Sub-Account Balance deficits.

(v) **Unallocated Excess.**

(A) An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account as set forth in the FCM Procedures. Any Margin furnished by an FCM Clearing Member in respect of an FCM Omnibus Swaps Client Account with LCH that is (1) not furnished in satisfaction of an outstanding margin call and (2) not accompanied by a new and compliant CVR, shall be automatically deemed to be furnished as Unallocated Excess and shall be credited to the applicable Unallocated Excess Sub-Account.

(B) An FCM Clearing Member may deliver a CVR to the Clearing House which has the effect of allocating all or a portion of the applicable Unallocated Excess into FCM Client Sub-Accounts and/or the FCM Buffer Sub-Account in the same FCM Omnibus Swaps Client Account with LCH; **provided, that** such a CVR delivery may not be used for purposes of allocating Unallocated Excess in order to satisfy a margin call.

(e) **Required Margin Increase in an FCM Client Sub-Account Subject to the Without Client Excess Model.** If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the Without Client Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) the application of any Available FCM Buffer (*i.e.*, FCM Buffer that is not Encumbered FCM Buffer and that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Swaps Client Account with LCH) and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance or ForexClear Tolerance, as applicable.

If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House on behalf of the applicable FCM Client; or
- (ii) if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(f) **Required Margin Increase in an FCM Client Sub-Account Subject to the With Client Excess Model.** If the Required Margin applicable to the FCM Contracts



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Appendix II
FCM Procedures – E Account

FCM PROCEDURES OF THE CLEARING HOUSE
LCH LIMITED

SwapClear Contract positions are also recorded within the FCM SwapClear clearing system in SwapClear accounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members and FCM Clients, as applicable, via SwapClear FCM Clearing Member Reporting (see Section 2.1.1(c)). All registered FCM SwapClear Contracts will be maintained only in SwapClear accounts (identified as such by a unique three letter mnemonic). Each FCM SwapClear Contract will also be assigned a unique trade identifier by the Clearing House. The SwapClear FCM Clearing Member Reporting functionality also allows each FCM Clearing Member and FCM Client to identify all FCM SwapClear Contracts registered in its name.

At the request of an FCM Clearing Member or FCM Client, as applicable, the Clearing House may permit the FCM Clearing Member or FCM Client, as applicable and/or its respective agent or designee (that has previously been approved by the Clearing House for such purpose) to assign or amend a trade identifier to an FCM SwapClear Contract in its accounts, provided that no such assignment or amendment shall in any way affect the Clearing House trade identifiers in respect of each such FCM SwapClear Contract. By making such request, such FCM Clearing Member, either on its own behalf or on behalf of an FCM Client acknowledges that the Clearing House shall have no liability for any direct or indirect consequence of the use or assignment of such additional trade identifiers.

Any request for the Clearing House to approve an agent or designee for the purposes of this Section 2.1.5 must be made in writing and using the Clearing House's standard documentation. Through making a request, an FCM Clearing Member, either on its own behalf or on behalf of an FCM Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

Notwithstanding anything in this Section 2.1.5 of the FCM Procedures, the Clearing House trade identifiers and records in relation to FCM SwapClear Contracts shall be the definitive version for all purposes involving the Clearing House or any service or product offered by it, and shall prevail over any versions otherwise maintained by or on behalf of any FCM Clearing Member.

2.1.6 ***Other Accounts***

The Clearing House will open operational accounts, in respect of an FCM Clearing Member, which are used to record cash and securities balances and its SwapClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant FCM Clearing Member. FCM SwapClear Operations will provide details of such accounts to an FCM Clearing Member upon request.

2.1.7 ***Excess Account***

The Clearing House may, upon the request of an FCM Clearing Member, open an excess account for such FCM Clearing Member (“Excess Account”). The Excess Account is a sub-account of the C account and is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations. An FCM Clearing Member may only deliver FCM Buffer to its Excess Account. The Clearing House account code for the Excess Account is “E”.

2.1.72.1.8 *FCM SwapClear Contract Valuation*

(a) *Net Present Value*

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient Margin and other Required Registration Amounts, as determined by the Clearing House, are furnished to the Clearing House to cover the Clearing House's Margin requirement for each FCM SwapClear Transaction (taking into account, for these purposes, SwapClear Tolerance, if any) and other amounts required by the Clearing House to register the FCM SwapClear Contract, except that such Required Registration Amounts shall not be required to be furnished prior to registration as a condition thereto if such FCM SwapClear Transaction is a Sub-Block Trading Venue Transaction.

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 47 (*Daily Settlement of FCM SwapClear Contract and FCM ForexClear Contracts*). Except as expressly provided herein, the amount of Variation Settlement determined to be owing pursuant to FCM Regulation 47 must, subject to Intra-day Registration (see Section 2.1.3(e)) and the netting provisions of FCM Regulation 47), be paid by the FCM Clearing Member or the Clearing House, as applicable, in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the change in net present value is covered with non-cash Collateral, the Clearing House will, the following Business Day, require payment of the full cash amount of Variation Settlement, subject to the netting provisions of FCM Regulation 47.

(b) *Zero Coupon Yield Curve Construction*

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from the Clearing House Risk Management Department at +44 (0)20 7426 7549, but may be subject to change without prior notification.

(c) *Official Quotations*

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted, are London time.

AUD BBSW & OIS	12:00
BRL	8:20, 13:15 and 19:05
CAD	20:00
CHF LIBOR & OIS	16:15
CLP	8:20, 13:15 and 19:05
CNY	8:20, 13:15 and 19:05
COP	8:20, 13:15 and 19:05
CZK	16:15
DKK	16:15
EURO EURIBOR	16:15
GBP LIBOR	16:15
HKD	12:00
HUF	16:15
INR	8:20, 13:15 and 19:05
JPY LIBOR & OIS	12:00
KRW	8:20, 13:15 and 19:05
MXN	20:00
NOK	16:15
NKD	12:00

PLN	16:15
SEK	16:15
SGD	12:00
THB	8:20, 13:15 and 19:05
TWD	8:20, 13:15 and 19:05
USD	
LIBOR, SOFR & OIS	20:00
ZAR	16:15
EURO	
OIS	18:15
GBP	
OIS	17:15

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's member reporting website at intervals during the day as determined by the Clearing House.

(d) *Variation Settlement*

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be calculated in accordance with Section 2.1.7(a).

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be calculated by the Clearing House.

Separate Variation Settlement calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Settlement payment in respect of each house "H" account and each client "C" account (subject to the netting provisions of FCM Regulation 47 and the Default Rules) of each FCM Clearing Member.

(e) *Price Alignment Amount*

The payment of Variation Settlement by the applicable party on a daily basis would, without adjustment, distort the pricing for certain FCM SwapClear Transactions cleared through the Clearing House. In order

to minimise the impact of such Variation Settlement payments, the Clearing House will, for an FCM Clearing Member, either (i) charge a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, received Variation Settlement from the Clearing House, or (ii) pay a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, paid Variation Settlement to the Clearing House. In a negative interest rate environment where the applicable Price Alignment Amount rate is negative, the Clearing House will, for an FCM Clearing Member, either (i) pay a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, received Variation Settlement from the Clearing House, or (ii) charge a Price Alignment Amount if that FCM Clearing Member has, on a cumulative net basis, paid Variation Settlement to the Clearing House.

(f) *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate variation margin, NPV Payments and Price Alignment Amounts in relation to FCM SwapClear Contracts that are non-deliverable interest rate swaps in USD, and all amounts due or payable under such FCM SwapClear Contracts must be paid in USD.

2.1.82.1.9 Coupon Payments

(a) *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section 2.1.2(c)). Changes to the calendar that affect FCM SwapClear Contracts will be published and made available to FCM Clearing Members by the Clearing House in an FCM Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between FCM Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the FCM SwapClear Contract Terms.

Notwithstanding the foregoing, with respect to FCM SwapClear Contracts denominated in Israeli Shekel, the Clearing House will not recognize Sunday as a Business Day.

(b) *Calculation of Fixed Amount*

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (i) if an amount is specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or

- (ii) if an amount is not specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows and in accordance with the ISDA Definitions:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

- (c) *Calculation of Floating Amount*

Subject to (e) below, the Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows and in accordance with the ISDA Definitions:

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate (+/- Spread)} \times \text{Fixed Rate Day Count Fraction}$$

- (d) *Calculation of Compounding Floating Amounts*

If applicable, the Clearing House will calculate the compounding floating amount payable in respect of an FCM SwapClear Contract on a Payment Date as an amount calculated in accordance with Sections 6.2.2, 6.2.3 or 6.2.4 of the ISDA Definitions (as applicable).

- (e) *Calculation of FRA Discounting (Article 4.7 of the ISDA Definitions)*

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD or ZAR, the FRA Amount will be calculated in accordance with formulae in the ISDA Definitions.

- (f) *Business Day and Business Day Convention*

In determining whether a day is a Business Day, the Clearing House will apply the Financial Centers specified in the matched FCM SwapClear Transaction message, except that, with respect to FCM SwapClear Contracts denominated in Israeli Shekel, the Clearing House will not recognize Sunday as a Business Day.

The Clearing House will, in the event of non-Business Days, apply the Business Day Conventions in accordance with, and as specified in, the matched FCM SwapClear Transaction message, except that, with respect to the effective date of an FCM SwapClear Contract, the Clearing House will adjust such effective date as specified under Section 3.9 of the FCM SwapClear Contract Terms.

- (g) *Payment of Coupons*

After adjustment in accordance with the applicable Business Day Conventions, the Clearing House will, subject to the netting provisions of FCM Regulation 47, credit or debit FCM Clearing Members' accounts with the appropriate Fixed Amount or Floating Amount with a value date matching the related Payment Date. In the event of SwapClear being closed on a Payment Date, it will pay the Fixed Amounts and Floating Amounts on the next Business Day following such Payment Date.

(h) *Calculation Periods*

In respect of any Calculation Period that is a not a whole calendar month (a stub period), the applicable rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

(i) *Day Count Fraction*

Day count fractions will be applied to deal legs of an FCM SwapClear Contract independently, as they are communicated via the matched format message of the FCM SwapClear Transaction corresponding to such FCM SwapClear Contract and the Clearing House will determine and apply such day count fractions in accordance with the ISDA Definitions.

(j) *Floating Rate*

Subject always to the terms of any applicable Floating Rate Conversion Annex and Floating Rate Conversion Notice(s), the Floating Rate Options shall have the meanings given to them in the ISDA Definitions, provided that where the rate for a Reset Date (i) is unavailable (including where such rate ceases, or will cease, to be provided by its administrators), (ii) is not sufficiently robust, (iii) is not fit for purpose or (iv) has materially changed, in each case as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative rate at its sole discretion. Each such rate will be provided in regular reports by the Clearing House to members.

(k) *Applying Floating Rate Options*

The Clearing House will determine the rate applicable on a Reset Date in respect of a SwapClear Contract as set out in paragraph (l) above. Such Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual Business Days according to the Business Day Convention specified.

(l) *Negative Interest Rate Method*

FCM Clearing Member should note the provisions of Section 3.2 of Part A of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual regarding the applicability of the Negative Interest Rate Method to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

(m) *Calculation of Inflation Indices*

The Index level used for calculating the Floating Rate for an Inflation FCM SwapClear Contract is determined according to the 2008 ISDA Inflation Definitions in respect of the Index applicable to such Inflation FCM SwapClear Contract.

In the event an Index is no available to calculate the Index Final, the Clearing House will, in its sole discretion, determine a value for the Index Final.

(n) *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate all coupon payments for FCM SwapClear Contracts that are non-deliverable interest rate swaps, including the Fixed Amount or Floating Amount payable under any such FCM SwapClear Contract, in USD, and all amounts due or payable under such FCM SwapClear Contracts must be paid in USD.

2.1.92.1.10 *Initial Margin*

The Clearing House will require FCM Clearing Members to furnish it with Initial Margin. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate Initial Margin requirements for FCM SwapClear Contracts.

Separate Initial Margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub-Account therein. No offset between the "C" and "H" accounts is permitted.

The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 14 (*Margin and Collateral*).

(a) *Liquidity Multiplier*

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an on-going basis. FCM Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

(b) *Intra-day Margin Calls*

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be made at any time throughout the Business Day. Intra-day margin calls will usually be made via the protected payments system (see Section 2.1.11).

In certain circumstances, the Clearing House may wish to make a call for additional funds after the UK PPS cut-off time of 08:00 New York time. In this event, the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.1). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

(c) *Calculation of Initial Margin*

Portfolio Approach to Interest Rate Scenarios (PAIRS)

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the Initial Margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 7428.

(d) *Tenor Basis Risk Margin Add-on*

A margin add-on will be applied in respect of tenor basis risk.

(e) *Default Fund Additional Margin*

The Clearing House may from time to time require an FCM Clearing Member to transfer Collateral to the Clearing House to meet the default fund additional margin requirement as determined and notified by the Clearing House to such FCM Clearing Member (“DFAM”). The methodology by which the Clearing House determines DFAM is available on the secure area of the Clearing House website. The Clearing House will record any Collateral an FCM Clearing Member has provided to meet its DFAM obligation to the FCM Clearing Member’s Proprietary Account.

(f) *Collateral for Stress Loss Exposure*

In response to a request from an FCM Clearing Member, the Clearing House may require additional Collateral to cover such FCM Clearing Member’s stress loss exposure with respect to an FCM Client Sub-

Account (the “**Stress Loss Margin**”). The Stress Loss Margin may be subject to an additional percentage add-on as the Clearing House may require in its sole discretion. The Stress Loss Margin and any add-ons, as applicable, will be called as part of the end of day margin run and by means of morning PPS calls. The request must indicate the percentage of the stress loss exposure that will be covered by Stress Loss Margin. Any request pursuant to this paragraph is subject to the Clearing House’s consent in its sole discretion (and the Clearing house may apply a lower percentage than that requested by the SwapClear Clearing Member).

An FCM Clearing Member may cease paying Stress Loss Margin by giving not less than three (3) business days’ written notice to the Clearing House.

Before making any request to pay or notifying the Clearing House of ceasing to pay Stress Loss Margin, an FCM Clearing Member must obtain the consent of the FCM Client to which the Stress Loss Margin applies. In making any request pursuant to this paragraph, the FCM Clearing Member is deemed to represent that it has obtained such consent.

Where FCM SwapClear Contracts entered into by an FCM Clearing Member in respect of an FCM Client which has requested to pay Stress Loss Margin are transferred to a Receiving Clearing Member, such Receiving Clearing Member may be required to pay additional initial margin to the Clearing House in the event that it does not pay Stress Loss Margin with respect to the transferring FCM Client.

~~2.1.10~~ 2.1.11 ***Intra-Day Margin Call: Collateral Management***

General – Intra-day Margining

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FCM Clearing Member’s PPS account to cover the Margin needed to meet that intra-day margin call.

Cash payments in respect of intra-day Margin requirements are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to avoid any intra-day liquidity issues.

~~2.1.11~~ 2.1.12 ***Compression***

- (a) An FCM Clearing Member may compress or decompress Eligible FCM SwapClear Compression Contracts in accordance with FCM Regulation 46(n) and this Section 2.1.12. FCM Clearing Members

may request the compression or decompression of Eligible FCM SwapClear Compression Contracts as follows:

- (i) an FCM Clearing Member can request that all Eligible FCM SwapClear Compression Contracts entered into (i) on behalf of a designated FCM Client or (ii) in such FCM Clearing Member's Proprietary Account be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue the compression of Eligible FCM SwapClear Compression Contracts.;
- (ii) an FCM Clearing Member may notify the Clearing House through the ClearLink API or SwapClear Portal specifying the Eligible FCM SwapClear Compression Contracts it wishes to be compressed;
- (iii) an FCM Clearing Member may notify the Clearing House through any FCM Approved Trade Source System previously approved for this purpose by the Clearing House, but only where the compression is by way of netting in respect of Eligible FCM SwapClear Compression Contracts in respect of which the position of the FCM Clearing Member (on its own behalf or on behalf of the relevant FCM Client) is (x) in the opposite direction on each leg of such pair (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract that replaces such pair of Eligible FCM SwapClear Compression Contracts to be compressed shall have a notional amount equal to the net notional amount of the original pair of Eligible FCM SwapClear Compression Contracts or (y) in the same direction on each leg of such pair (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed Eligible FCM SwapClear Compression Contracts shall have a notional amount equal to the total notional amount of the original pair of Eligible FCM SwapClear Compression Contracts. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred; or
- (iv) an FCM Clearing Member may request that certain Eligible FCM SwapClear Compression Contracts be decompressed in the manner and form as determined by the Clearing House from time to time (such requests may be subject to the Clearing House's capacity constraints).

Any request for the Clearing House to approve an FCM Approved Trade Source System for the purposes of this Section 2.1.11(a) must be made in writing and using the Clearing House's standard documentation. Through making a request, an FCM Clearing Member is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

- (b) In order to compress Eligible FCM SwapClear Compression Contracts, an FCM Clearing Member must have in its applicable FCM Client Sub-Account or Proprietary Account two or more FCM SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House that indicates that such FCM SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above. By making a request to compress or decompress Eligible FCM SwapClear Compression Contracts, the relevant FCM Clearing Member shall be deemed to represent and warrant that its request is in compliance with Applicable Law.
- (c) In respect of each compression run (which, for the purposes of this Section 2.1.11, shall include the time at which the Clearing House effects the decompression of Eligible FCM SwapClear Compression Contracts, as applicable), the Clearing House will notify Clearing Members of the cut-off time by which the FCM Clearing Members must notify the Clearing House of the requested Eligible FCM SwapClear Compression Contracts to be compressed in order for such Eligible FCM SwapClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible FCM SwapClear Compression Contracts notified to it prior such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable FCM Clearing Member after the relevant compression run of the result of such compression procedure. An FCM Clearing Member may, with the prior approval of the Clearing House and pursuant to the Procedures, elect to receive such notification via any FCM Approved Trade Source System previously approved by the Clearing House for such purpose.

Any request for the Clearing House to approve an FCM Approved Trade Source System for the purposes of this Section 2.1.11(c) must be made in writing and using the Clearing House's standard documentation. Through making a request, an FCM Clearing Member is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

- (d) An FCM Clearing Member that elects to provide notices or reports to the Clearing House through any FCM Approved Trade Source System specifying which Eligible FCM SwapClear Compression Contracts should be compressed, have been compressed or any other

information in relation to compressions acknowledges and agrees that (i) 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 FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any compression-related details by that FCM Approved Trade Source System to the Clearing House of the FCM Clearing Member, (ii) the Clearing House will process and use any compression-related information provided to it via an FCM Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) 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 the FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House or the FCM Clearing Member. In the event that the Clearing House terminates, registers or otherwise effects an action in connection with a compression relating to any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System, the FCM Clearing Member concerned shall be bound by the results of such actions. Such matters form part of the relationship between the FCM Clearing Member and the relevant FCM Approved Trade Source System. Notwithstanding anything in this Section 2.1.11 of the FCM Procedures, the Clearing House records in relation to any compression and the status of any FCM SwapClear Contract prior to, during or following a compression run shall be the definitive record in connection therewith and shall prevail over any such records maintained by any FCM Approved Trade Source System.

- (e) Following the compression or decompression process described above and as further set out in FCM Regulation 46(m) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or decompression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed or decompressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

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.

2.1.122.1.13 **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 2.1.14 *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 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:

- (d) an FCM Client Default has occurred;
- (e) 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;
- (f) 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;

- (g) such transfers and/or registrations and all related instructions to the Clearing House are in compliance with Applicable Law; and
- (h) 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:

- (i) 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
- (j) 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.

2.1.142.1.15 *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 House for the results of compression procedures, Permitted Transfers and non-economic amendments of FCM SwapClear Contracts.

An FCM Clearing Member, either on its own behalf or on behalf of an FCM Client, as applicable, acknowledges and agrees, with respect to an election to receive messages and/or notifications under this Section 2.1.13 from the Clearing House via an FCM Approved Trade Source System, that (i) 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 FCM Approved Trade Source System or the timeliness or

otherwise of the delivery of any notices, reports or details by that FCM Approved Trade Source System to the Clearing House of the FCM Clearing Member or FCM Client, as applicable, (ii) the Clearing House will process and use any information provided to it under this Section 2.1.13 via an FCM Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for (A) any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House, the FCM Clearing Member or any FCM Client or (B) any delay in or failure of the transmission of such data to the Clearing House, the FCM Clearing Member or any FCM Client.

Any request for the Clearing House to approve the submission and receipt of post-trade messages via any FCM Approved Trade Source System must be made in writing and using the Clearing House’s standard documentation. Through making a request, an FCM Clearing Member, either on its own behalf or on behalf of an or FCM Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

2.1.15 2.1.16 ***Basis swap splitting***

From time to time an FCM Clearing Member or an FCM Client may request via the ClearLink API or SwapClear Portal that the Clearing House re-registers one or more of its eligible FCM SwapClear Contracts that are recorded in the books and records of the Clearing House as “basis swaps” (each, an “**Original Basis Swap**”) so that immediately following such re-registration by the Clearing House, the Original Basis Swap is replaced by the following two FCM SwapClear Contracts which, together, shall be economically identical to the Original Basis Swap:

- (a) the first FCM SwapClear Contract shall have a “Floating Rate” (as defined in the ISDA Definitions) equal to the first “Floating Rate” referenced in the Original Basis Swap, a “Fixed Rate” (as defined in the ISDA Definitions) determined by the Clearing House, and the "Floating Rate Payer" or “Floating Amount Payer” (as defined in the ISDA Definitions) shall be the same as the "Floating Rate Payer" or "Floating Amount Payer" in relation to the first "Floating Rate" under the Original Basis Swap; and
- (b) the second FCM SwapClear Contract shall have a “Floating Rate” (as defined in the ISDA Definitions) equal to the second “Floating Rate” referenced in the Original Basis Swap, a “Fixed Rate” (as defined in the ISDA Definitions) equal to the “Fixed Rate” under (a) above, and the "Floating Rate Payer" or "Floating Amount Payer” (as defined in the ISDA Definitions) shall be the same as the "Floating Rate Payer" or "Floating Amount Payer" in relation to the second "Floating Rate" under the Original Basis Swap.

If the Clearing House accepts the FCM Clearing Member or FCM Client’s request, it shall effect the re-registration referred to above no later than the Business Day following the date on which the request is received, subject to and in accordance with such other conditions or provisions as the Clearing

House may from time to time provide or require generally or in relation to any specific request.

2.1.16 2.1.17 *Amendment of Trade References*

An FCM Clearing Member may wish to change its own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements, including those set forth in paragraph (a) below and under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

(a) *Trade Reference Amendment Request Form*

FCM Clearing Members may submit a request to the Clearing House to amend a trade reference (either on behalf of the given FCM Clearing Member or an FCM Client) (a "**Trade Amendment Request**"). Trade Amendment Requests must be submitted in the form and manner prescribed by the Clearing House from time to time, and may be approved by the Clearing House in its sole discretion. Upon approval by the Clearing House, Trade Amendment Requests will typically be processed within two Business Days. In the event the Clearing House is unable, or determines it will be unable, to process an approved Trade Amendment Request within two business days, it shall attempt to notify the given FCM Clearing Member as soon as reasonably practicable.

(b) *Processing*

The Clearing House shall reject a Trade Amendment Request in the event that:

- (i) it is not made in accordance with these FCM Procedures;
- (ii) any trade reference submitted in the Trade Amendment Request does not (a) match the FCM Clearing Member's trade reference in the Clearing House's books and records or (b) refer to a trade registered in the FCM SwapClear clearing system;
- (iii) any trade reference submitted in the Trade Amendment Request is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment; or
- (iv) it determines it advisable, in its sole discretion, for risk, legal, technical, cost or similar considerations.

Upon processing a Trade Amendment Request, the Clearing House will notify the given FCM Clearing Member and will produce a report setting out details of the time and date that it has amended its records

in accordance with the request, details of the old and new FCM Clearing Member trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request. All records of the Clearing House and data held in the FCM SwapClear clearing system will then be updated overnight following the given Business Day.

2.1.172.1.18 **Default Management**

(a) *Portfolio Splitting:*

As part of the Rates Service DMP, the Clearing House may divide an Auction portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing house will, in consultation with the Rates Service DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the Rates Service DMP Annex to the Default Rules), seek to create:

- (i) one or more individual Sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Sub portfolios from those which are more risk neutral; and
- (ii) one or more individual Sub portfolios which are more risk neutral.

(b) *Acceptance of Bids*

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (i) cause the Clearing House to breach Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (ii) cause the Clearing House or its membership any reputational harm;
- (iii) cause legal action or proceedings to be taken against the Clearing House;
- (iv) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same FCM Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a

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

(vi) *Attribution of Auction Results*

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

(vii) *CFTC Regulations*

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

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

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

(h) *Contact Information*

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

2.1.182.1.19 **Payment of Stamp Tax**

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by any such jurisdiction.

2.1.192.1.20 **Section 696, Corporation Tax Act 2009**

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs (“HMRC”) raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable efforts to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

2.1.202.1.21 **Tax Forms**

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

2.1.212.1.22 **Withholding Taxes**

In the event an FCM Clearing Member is required under Applicable Law to withhold an amount in respect of any tax, levy or charge from any payment made to the Clearing House, (i) such amount payable shall be increased such that the Clearing House receives an amount equal to that it would have received had such withholding not been required under Applicable Law and (ii) the FCM Clearing Member shall provide the Clearing House the relevant tax certificates (or similar form) confirming the payment of such withholding.

The Clearing House shall provide reasonable cooperation to the given FCM Clearing Member to ensure that payments made to the Clearing House may be made without deduction or withholding in respect of any tax, levy or charge

2.1.22.1.23 **Sales Tax; Value Added Tax**

All fees and other payments payable under the Clearing House's rules are exclusive of sales tax, purchase or turnover tax, levies, duties and their equivalent in each jurisdiction, which, if applicable, shall be payable by FCM Clearing Members at the applicable rate in force at the given time.

2.1.23.1.24 **[Reserved.]**

2.1.24.1.25 **FCM Portfolio Margining Service**

(a) **Introduction**

The Clearing House offers FCM Clients of FCM Clearing Members an optional service ("**FCM Portfolio Margining Service**") that provides portfolio-margining functionality in respect of pairs of accounts that are held in the FCM SwapClear Clearing Service and FCM Listed Interest Rates Clearing Services by transferring FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts between accounts in each Service (such transferred FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts, "**FCM Portfolio Margined Contracts**").

A list of FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts is published on the Clearing House's website from time to time.

An FCM Joint Rates Service Clearing Member must opt-in to the FCM Portfolio Margining Service in accordance with the procedure set out in paragraph 2.1.25(b) below and meet the FCM Portfolio Margining Eligibility Criteria (as defined below) in order to benefit from the portfolio-margining functionality provided by the service. However, it should be noted that, regardless of whether or not an FCM Joint Rates Service Clearing Member opts in, the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other FCM Clearing Members participating in the other such Service. In particular, the resources of an FCM Clearing Member that is a member of the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services will be made available to cover the Clearing House's losses in a different manner to those of an FCM Clearing Member that is only a member of one of those Services, regardless of whether that FCM Clearing Member opts-in to the FCM Portfolio Margining Service. FCM Clearing Members should therefore familiarise themselves with the provisions of the FCM Rulebook and the Default Rules.

2.2.5 *Position Accounts*

(a) *FCM Accounts*

For identification purposes, each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM ForexClear Transactions and FCM ForexClear Contracts. An FCM Clearing Member's position and financial information are further identified by position-keeping accounts corresponding to a single character code: C for client business and H for house business.

(b) *Position-Keeping Accounts*

FCM Clearing Member Accounts:

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus ForexClear Client Account with LCH). An FCM Clearing Member's FCM ForexClear Contract positions are also recorded within the FCM ForexClear Clearing System in ForexClear accounts.

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via ForexClear Reporting (see Section 2.2.26). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contracts (**provided that** FCM Contracts attributable to any Business Categories of FCM Contracts and related Collateral may be physically commingled in the same depository accounts, subject to the requirements of the Rulebook to properly segregate all FCM Client assets). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM ForexClear Contracts registered in its name.

Sub-accounts within the FX FCM's Proprietary Account may be set up (e.g., for branches). Each such sub-account will carry the unique Bank Identifier Code (“**BIC**”) (or equivalent unique identifier) of the relevant branch.

(c) *Clients*

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 7(a) (*FCM Client Business and Proprietary Account Trading*), the FX FCM must submit an “**FCM Client Static Data**” form to the Clearing House's membership department. Positions of an FCM Client will be identifiable in ForexClear Reporting through that FCM Client's BIC/unique identifier.

2.2.6 *Other Accounts*

The Clearing House will open operational accounts in respect of an FX FCM, which are used to record cash and securities balances and its ForexClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant FX FCM. ForexClear Operations will provide details of such accounts to an FX FCM upon request.

2.2.7 Excess Account

The Clearing House may, upon the request of an FX FCM, open an excess account for such FX FCM (“Excess Account”). The Excess Account is a sub-account of the C account and is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations. An FX FCM may only deliver FCM Buffer to its Excess Account. The Clearing House account code for the Excess Account is “E”.

2.2.7.2.8 Novation and Registration

An FCM ForexClear Transaction must satisfy the FCM ForexClear Product Eligibility Criteria at the Registration Time. Upon an FCM ForexClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM ForexClear Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the FCM ForexClear Transaction, registration shall occur immediately and the FCM ForexClear Transaction shall be automatically replaced by two separate FCM ForexClear Contracts.

Prior and as a condition to the registration of an FCM ForexClear Contract, the Clearing House will require the FX FCM in whose name such FCM ForexClear Contract is to be registered to provide and maintain sufficient Margin for its Liabilities (as defined in Section 2.2.19) (or its estimated Liabilities) (taking into account any MER Buffer and/or ForexClear Tolerance, if any) as a precondition to registration.

If an FX FCM has not transferred sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and/or ForexClear Tolerance, if any) at the time of the relevant Incremental Risk Check or Separate Risk Check (each as defined herein), as applicable, then, subject to Section 2.2.8(b)(iii)(A) in respect of the Incremental Risk Check, such ForexClear Transaction will be rejected.

Once an FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2.2.9(a)), and the Clearing House has determined to accept the FCM ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable), including a date stamp, in accordance with Section 2.2.8(a)(iii). For the purpose of the FCM Regulations, the time of dispatch of such message shall be the “**Registration Time**” of such FCM ForexClear Contract(s).

The definitive report of a registered FCM ForexClear Contract will be shown on the “**All Open Contracts**” report issued by ForexClear Reporting (as defined in Section 2.2.26).

If the Clearing House declares an FX FCM a Defaulter, the Clearing House will not register any ForexClear Contracts in the name of the Defaulter (except pursuant to the Default Rules). FCM ForexClear Transactions in respect of Non-Defaulting FX FCMs will continue to be registered in accordance with, and subject to, the FCM Rulebook.

(a) *Trade Capture*

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs which are parties to such trade, the FCM Approved Trade Source System matches both instructions (a “**trade**”). The FCM Approved Trade Source System validates the trade using the applicable FCM ForexClear Product Eligibility Criteria and will, if appropriate, present a single message containing the names of the FXPs which are parties to the trade and the terms of the trade to the Clearing House for registration and clearing.

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

- (i) an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs, the FCM Trading Venue and, if the originating FCM Approved Trade Source System is different to the FCM Trading Venue, the originating FCM Approved Trade Source System of the registration or rejection of the FCM ForexClear Transaction; or
- (ii) not an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs (via the originating FCM Approved Trade Source System or ClearLink API) of registration or rejection of the FCM ForexClear Transaction,

in each case within the required timeframe under Applicable Law.

(b) *ForexClear FCM Approved Trade Source Systems*

Application for 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 FCM 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 FCM Approved Trade Source System, it will notify FCM Clearing Members via member circular.

FCM ForexClear Transactions presented through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

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

Notwithstanding the designation by the Clearing House of any system as an FCM 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 FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register 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.

2.2.82.2.9 *Trade Validation and Registration*

- (a) *Process flow description*
- (i) The Clearing House performs a validation check on each trade submitted to it for registration as two FCM ForexClear Contracts or as one Non-FCM ForexClear Contract and one FCM ForexClear Contract (as applicable) to ensure that each such trade meets the applicable (A) FCM ForexClear Product Eligibility Criteria and the Counterparty Technical Validation Check (as defined below), (B) Incremental Risk Checks (as defined below) with respect to each FCM ForexClear Transaction, except a Sub-Block Trading Venue Transaction and a FCM Sub-25 NDF DTV Transaction, (C) Acceptance Validation Checks (as defined below), and (D) Separate Risk Checks (as defined below) with respect to each FCM Sub-25 NDF DTV Transaction (collectively, the “**Validation Checks**”).
 - (ii) The Clearing House will create two trade records for an FCM ForexClear Transaction that passes the Validation Checks and is accepted for clearing by the Clearing House:
 - (A) one for the FCM ForexClear Contract between the Clearing House and the relevant FX FCM; and
 - (B) the other for the FCM ForexClear Contract between the Clearing House and the same or another relevant FX FCM or the Non-FCM ForexClear Contract between the Clearing House and the relevant ForexClear Clearing Member (as applicable).
 - (iii) 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; and
 - (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,

If a change is declared that affects the SwapsMonitor Financial Calendar that is referenced on FCM ForexClear, then a corresponding calendar adjustment will be made to the FCM ForexClear system, unless the Clearing House informs FXCCMs by notice on its website (at <https://www.lch.com/services/forexclear>, or such other web page as the Clearing House determines) that the relevant change will not apply to FCM ForexClear Contracts.

The Clearing House may temporarily close the FCM ForexClear Service to process a calendar adjustment in its clearing system. FX FCMs will be notified in advance of the date, time and expected duration of such closure.

Date Adjustment:

As a result of the calendar adjustment process, the Valuation Date, the Settlement Date and/or Premium Payment Date of any affected FCM ForexClear Contracts will automatically be adjusted in accordance with the provisions of the Relevant EMTA Template, relevant LCH Non-EMTA Contract Template or ISDA definitions as applicable.

The Clearing House will notify the FX FCMs via file download from the Clearing Member Reporting as to any FCM ForexClear Contracts affected and the date adjustments made.

2.2.92.2.10 **Risk Status**

- (a) The Clearing House may, in its absolute discretion, determine that an FX FCM is, or has ceased to be, subject to Risk Status (as applicable) and may:
 - (i) only where the Clearing House has determined that an FX FCM is subject to Risk Status, require such FX FCM to transfer additional Collateral (equal to the value determined by the Clearing House) to the Clearing House; and
 - (ii) notify each FCM Designated Trading Venue of such determination in respect of Risk Status, in the manner and at the time determined by the Clearing House.
- (b) Without limitation to FCM Regulation 44, and subject to FCM Regulation 44(e), neither the Clearing House nor any other member of the LCH Group shall have any liability whatsoever to any FX FCM or any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred in connection with:
 - (i) the Clearing House's determination that an FX FCM is, or has ceased to be, subject to Risk Status;

- (ii) any delay in notifying, or failure to notify, a FCM Designated Trading Venue of the Clearing House's determination that an FX FCM is, or has ceased to be, subject to Risk Status; and/or
- (iii) a FCM Designated Trading Venue's use, non-use or transmission of the information in Section 2.2.9(b)(i), or its delaying in transmitting, or failure to transmit, such information to any person.

2.2.10 2.2.11 **Market Data**

(a) *Sources used by FCM ForexClear Service*

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2.2.11(b)) in relation to each Currency Pair:

- (i) FX spot rates ("**FX Spot Rates**");
- (ii) FX swap points ("**FX Swap Points**");
- (iii) Settlement Rate Option;
- (iv) Interest rate curves and overnight index swap curves ("**Interest Rate Curves**");
- (v) Price Alignment Amount rates ("**Price Alignment Amount Rates**"); and
- (vi) Country credit spreads (see Section 2.2.11(f) below) ("**Country Credit Spreads**"),

together, "**Market Data**".

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours.

(b) *Market Data Sources and Frequencies*

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- (i) Source – FXCCMs.
- (ii) Frequency - every time updated by FXCCMs up to a maximum rate of once every five minutes.

FX Swap Points:

- (i) Source - all FXCCMs.

- (ii) Frequency - every time updated by FXCCMs up to a maximum rate of once every five minutes.
- (iii) Tenors – as shown in the table below.

Tenor
O/N
T/N
S/N
1 week
1 month
2 months
3 months
6 months
9 months
12 months
24 months
36 months
48 months
60 months

Settlement Rate Options:

- (i) Source - Reuters.
- (ii) Frequency - when published (as referenced in the Relevant ETMA Template or given LCH Non-EMTA Contract Template, as applicable).

Interest Rate Curves:

- (i) Source - internal Clearing House
- (ii) Frequency - at each SwapClear margin run.

Country Credit Spreads:

- (i) Source - Bloomberg.
- (ii) Frequency - when published.

USD secured overnight financing rate curve:

- (i) Source - SwapClear.
- (ii) Frequency - at each SwapClear margin run.

Price Alignment Amount rates:

- (i) Source - LCH Treasury.

- (ii) Frequency - Daily.
- (c) *[Not Used]*
- (d) *Market Data Provision to FX FCMs*

Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section 2.2.26).

- (e) *Curve Building in ForexClear*

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD secured overnight financing rate curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) (“RTWG”). The USD secured overnight financing rate curve is used for discounting; the FX curve is used for capitalization of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 hours, London time (“EOD”). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 2.2.18(b)):

- (i) FX Spot Rates; and
- (ii) FX Swap Points.
- (f) *Country Credit Spreads*

The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile, South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

~~2.2.11~~2.2.12 **FCM ForexClear Contract Valuation**

(a) *Net Present Value (“NPV”)*

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each FCM ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value.

On the Valuation Date, the Settlement Rate is used to value the FCM ForexClear Contract.

If Valuation Postponement applies, the FCM ForexClear Contract is valued using the current forward price to (and including) the date on which the Settlement Rate is determined in accordance with the FCM ForexClear Contract Terms.

In the event a Settlement Rate or market rate is unavailable, as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative Settlement Rate or market rate.

(b) *Variation Settlement (“VS”)*

VS for each FCM ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FX FCM, the net sum of the VS for all open FCM ForexClear Contracts is, subject to the netting provisions of FCM Regulation 47, credited to or debited from such FX FCM once a day, following the EOD Margin Run.

VS will, subject to the netting provisions of FCM Regulation 47, be paid each business day by or to each FX FCM in respect of all of its open FCM ForexClear Contracts. The VS will be calculated in, and must be paid in, USD.

With respect to each FCM ForexClear Contract, VS is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

Separate Variation Settlement calculations are performed in respect of an FCM Clearing Member's house “H” account and in respect of an FCM Clearing Member's client “C” account. No offset between the “C” and the “H” accounts is permitted. The Clearing House shall make or receive a separate Variation Settlement payment with respect to each house “H” account and each client “C” account (subject to the netting provisions of FCM Regulation 47 and the Default Rules).

(c) *Reporting Breakdown*

ForexClear margin reports show the portfolio of open FCM ForexClear Contracts of each FX FCM by Currency Pairs and in the Settlement Currency (i.e., USD).

(d) *Price Alignment Amount*

The effect of daily cash VS movements results in the need for Price Alignment Amounts. Without this adjustment, the pricing of FCM ForexClear Contracts would differ from identical uncleared trades, as cash earned from favorable daily price moves would be priced into the product.

(e) *Price Alignment Amounts Calculation Methodology*

Price Alignment Amounts are calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section 2.2.12(e), “**T**” means any given business day; “**T-1**” means the business day immediately preceding T; “**T+1**” means the business day immediately following T; and “**Cumulative Variation Settlement**” or “**CVS**” means, in respect of a Swap Product, a value equal to the aggregate of the amounts of Variation Settlement that have become owing from the FCM Clearing Member to the Clearing House in respect of such Swap Product minus the aggregate of the amounts of Variation Settlement that have become owing from the Clearing House to the FCM Clearing Member in respect of such Swap Product; provided that any such amounts shall only be counted to the extent the FCM Clearing Member or Clearing House, as applicable, has discharged its obligation to transfer such amounts in accordance with FCM Regulation 47. The Clearing House calculates Price Alignment Amounts in USD once a day at EOD.

Principles:

- (i) CVS is calculated at EOD on T-1.
- (ii) Variation Settlement in respect of an FX FCM's portfolio of open ForexClear Contracts) is paid/ received, subject to the netting provisions of FCM Regulation 47, on the morning of T.
- (iii) The Price Alignment Amount Rate for T to be applied is known at EOD T.
- (iv) The Price Alignment Amount is calculated on the night of T, for CVS of T-1 for FCM ForexClear Contracts up to the business day before their Settlement Date.
- (v) The Price Alignment Amount is paid or received on morning of T+1 via PPS.

Components:

- (vi) Price Alignment Amount Rate.

- (vii) Cumulative Variation Settlement of the FX FCM's portfolio open FCM ForexClear Contracts.
- (viii) Accrual Factor (factor used to convert the Price Alignment Amount Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- (ix) $\text{Price Alignment Amount T} = \text{Price Alignment Amount T Rate} \times \text{CVS T--1} \times \text{Accrual Factor}$.

The Clearing House uses the Price Alignment Amount Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

2.2.12.13 **Initial Margin ("IM")**

The Clearing House will require FX FCMs to furnish it with IM. This amount will be calculated intraday and at EOD on each business day as part of each Margin Run. Each FX FCM's IM requirement, is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified filtered historical simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the historical (5 year) data submitted by FXCCMs pursuant to Section 2.2.10, which is adapted to current market prices.

Separate Initial Margin calculations are performed for an FX FCM's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub-Account therein. No offset between the "C" and "H" accounts is permitted.

The Clearing House reserves the right to require additional amounts of Margin from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation 14 (*Margin and Collateral*).

- (a) **Credit Risk Multiplier ("CRiM")**

The CRiM applied will consider the FX FCM's credit worthiness, Initial Margin level and/or stress testing exposures in accordance with LCH Credit Risk Policy.

(b) *Liquidity Risk Multiplier (“LRMM”)*

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the LRMM is applied and additional IM is charged. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the “FXDMG”) according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

LRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM's house position-keeping account.

(c) *Sovereign Risk Multiplier (“SRM”)*

SRM reflects the additional risk related to a potential country default or a change in a country's currency regime, including risk relating to a country's external debt or level of foreign exchange reserves, which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM calculation considers the probability of sovereign default occurring and the depreciation or appreciation risk of the Reference Currencies

(d) *Default Fund Additional Margin*

The Clearing House may from time to time require an FX FCM to transfer Collateral to the Clearing House to meet the default fund additional margin requirement as determined and notified by the Clearing House to such FX FCM (“DFAM”). The methodology by which the Clearing House determines DFAM is available on the secure area of the Clearing House website. The Clearing House will record any Collateral an FX FCM has provided to meet its DFAM obligation to the FX FCM's Proprietary Account.

2.2.132.2.14 *Additional Margin, ForexClear Tolerance, MER Buffer, Completion Margin and Intraday Margin Calls*

(a) *Additional Margin*

The Clearing House may require an FX FCM to furnish additional amounts of Margin (in addition to Initial Margin) as security for the performance by an FX FCM of its obligations to the Clearing House in

respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation 14 (*Margin and Collateral*). This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party is not adequately covered by Initial Margin. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Supplement have increased.

(b) *Minimum Excess Requirement Buffer (“MER Buffer”)*

To facilitate the intraday registration of FCM ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FX FCM, separately in respect of its Proprietary Account and each of its FCM Client Sub-Accounts, an amount of IM in respect of its and its FCM Clients' potential intraday Liabilities (as defined below in Section 2.2.19) for the following day (“**MER Buffer**”), provided that the Clearing House shall not call MER Buffer from an FX FCM that (i) opted-in to ForexClear Tolerance in accordance with paragraph (c) below and (ii) opted-out of MER Buffer (the form and manner of such “opt-out” notice shall be prescribed by the Clearing House from time to time). MER Buffer is part of the FX FCM's Required Margin. An FCM's MER Buffer is calculated in respect of an FCM's Proprietary Account and each of its FCM Client Sub-Accounts, and Margin furnished in respect of MER Buffer is credited to each account (as applicable) as IM. Notwithstanding the foregoing, for purposes of calculating a given FCM's MER Buffer, the Clearing House may from time to time, and in its sole discretion, exclude an FX FCM's given FCM ForexClear Suspension Sub-Accounts from such calculation.

The required amount of MER Buffer for each applicable account of an FX FCM is expressed as a percentage of start-of-day portfolio IM for such account. The MER Buffer for each account is calibrated daily based on recent activity within the relevant account such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative IM changes over a given number of historical business days.

The parameters of MER Buffer are: MER percentile, MER look-back period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FX FCM's IM history across the ForexClear Service.

As FCM ForexClear Contracts are registered in an FX FCM's relevant accounts, the Clearing House will, in accordance with the Margin Run process, calculate the FX FCM's intraday Liabilities (or, in the case of an Incremental Risk Check, the FX FCM's estimated Liabilities), taking into account any IM posted as MER Buffer in the applicable account.

At each EOD Margin Run, the Clearing House will recalculate and call the FCM's Required Margin, which includes MER Buffer for all accounts.

(c) *ForexClear Tolerance*

In order to facilitate the registration of FCM ForexClear Contracts by FX FCMs, the Clearing House may, in its sole discretion, provide FX FCMs with temporary “**tolerance**” in the form of initial margin forbearance (“**ForexClear Tolerance**”). In the event an FX FCM wishes to utilize ForexClear Tolerance, it must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time). FX FCMs who are approved to utilize ForexClear Tolerance may choose not to utilize MER Buffer in connection with the registration of FCM ForexClear Contracts (for the avoidance of doubt, the utilization of MER Buffer is compulsory for FX FCMs that do not opt-in to ForexClear Tolerance).

The Clearing House may apply ForexClear Tolerance between Margin Runs in an amount equal to the value of the Collateral that would have been required to be transferred by the FX FCM to the Clearing House to cover the relevant Liabilities (or estimated Liabilities) to facilitate the registration of FCM ForexClear Contracts. For the avoidance of doubt, ForexClear Tolerance is provided in the form of temporary initial margin forbearance and an FX FCM’s utilization of ForexClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of default fund resources (except following a Default).

The Clearing House will determine, in its sole discretion, the maximum value of the ForexClear Tolerance (which may be zero) that it will make available to an FX FCM from time to time (“**ForexClear Tolerance Limit**”). The Clearing House will notify each FX FCM of its ForexClear Tolerance Limit and will, as soon as reasonably practicable, notify an FX FCM following any adjustment to the amount of its ForexClear Tolerance Limit. Except where the Clearing House exercises its right to reduce an FX FCM’s ForexClear Tolerance Limit in accordance with the foregoing, each FXCCM utilizing ForexClear Tolerance shall have an equal ForexClear Tolerance Limit.

The Clearing House may require an FX FCM to transfer Collateral to the Clearing House in respect of any utilization of ForexClear Tolerance at any time and without prior notice to the FX FCM. Without limiting the foregoing, the Clearing House will call for Collateral to replenish the ForexClear Tolerance utilized by an FX FCM at (i) the last ITD/Ad-hoc Day Margin Run and EOD Margin Run of each Business Day and (ii) in the event an FX FCM utilizes at least 75% of its ForexClear Tolerance during a business day, at the next relevant ITD/Ad-hoc Day Margin Run. Any failure of an FX FCM to satisfy a call for Collateral relating to ForexClear Tolerance may give rise to a Default by such FX FCM.

The Clearing House will not apply ForexClear Tolerance for FCM ForexClear Contracts with a Trade Date earlier than the previous Business Day.

(d) *Completion Margin*

The Clearing House shall calculate and call each FX FCM for “**completion margin**.” Completion margin is a component of each FX FCM’s initial margin obligation, and represents potential increases in an FX FCM’s initial margin obligations due to position changes resulting from next-day fixing. Completion margin is calculated as the incremental difference between an FX FCM’s aggregate initial margin obligations on its FCM ForexClear Contracts and its initial margin obligations in relation to FCM ForexClear Contracts due to fix the next Business Day.

(e) *Intra-day Margin Calls*

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for furnishing of Margin on the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls may be made at any time throughout the business day. Intra-day margin calls will usually be made via the protected payments system (see Section 2.2.27(c)).

In certain circumstances, the Clearing House may wish to make a call for additional Margin after the UK PPS cut-off time of 08:00 hours (New York time). In this event, the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2.2.142.2.15 *Initial Margin Management Events Service (“IMMES”)*

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts among participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations at 0207 426 7527. To be eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the “**IMMES Agreement**”).

(a) *Step-by-step details*

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the “**IMMES Trades**”).

The Clearing House then analyses the relevant FX FCM's FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the FCM Approved Trade Source System for registration.

2.2.15 2.2.16 ***Intra-Day Margin Call: Collateral Management***

(a) *General – Intra-day Margining*

Following an intra-day margin call (except as notified otherwise by an FX FCM at the time of an intra-day margin call), the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

Cash payments in respect of intra-day Margin are accepted only in USD by the Clearing House.

Each FCM Clearing Member must ensure that it has sufficient cash funds in place with their PPS bank(s) in order to avoid any intra-day liquidity issues.

2.2.16 2.2.17 ***General Margining Process***

A “**Margin Run**” is the process by which the Clearing House calculates an FX FCM's Initial Margin requirement (if any) and, during an EOD Margin Run, its Variation Settlement and Price Alignment Amount requirements (together, its “**Transfer Requirements**”) and applies that FX FCM's Margin to satisfy the Transfer Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio.

2.2.17 2.2.18 ***Types of Margin Runs***

There are three types of Margin Run:

(a) *ITD / Ad Hoc – Day Margin Run*

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the “**Schedule**”) or as necessary, and are performed in the time period during which a PPS call can be made (the “**ITD/Ad-hoc Day Margin Run**”), which PPS time period is available from the Clearing House on request.

ITD/Ad-hoc Margin Runs are calls in respect of Initial Margin only. Variation Settlement and Price Alignment Amounts are not included in ITD/Ad-hoc Margin Runs.

(b) *EOD Margin Run*

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 24:00 hours, London time, on that business day (the “**EOD Margin Run**”).

EOD Margin Runs are calls in respect of Initial Margin as well as Variation Settlement, NSA and Price Alignment Amounts.

(c) *ITD / Ad Hoc - Night Margin Run*

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “**ITD/Ad-hoc Night Margin Run**”).

ITD/Ad-hoc Night Margin Runs are calls in respect of Initial Margin only. Amounts that are anticipated to be owed in respect of Variation Settlement, NSA and Price Alignment Amounts may be considered in the determination of the amount of Initial Margin called in such ITD/Ad-hoc Night Margin Run.

2.2.182.2.19 **Margin Run Process**

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- (a) EOD Margin Run on the Settlement Date; or
- (b) EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the Initial Margin required and (where applicable) the Variation Settlement and Price Alignment Amounts required to cover each FX FCM's relevant open FCM ForexClear

Contracts and FCM ForexClear Transactions (each a “**Liability**” and together the “**Liabilities**”).

Each FX FCM's Liability is offset against that FX FCM's non-cash Collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VS/Price Alignment Amounts/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Settlement, NSA and Price Alignment Amounts may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)) and are directed to the ForexClear Services portal (being a secure website made available to FXCCMs) (the “**ForexClear Service Portal**”) which provides reports (at the times specified in Section 2.2.24) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for the FCM ForexClear Service (including MER Buffer and/or ForexClear Tolerance, if any); and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional Collateral or funds, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FX FCM's Liabilities exceed its available cover and any MER Buffer and/or ForexClear Tolerance, then the Clearing House will issue a margin call for the amount of the shortfall plus 50 per cent. of the FX FCM's MER Buffer amount.

2.2.19 2.2.20 **Compression**

- (a) An FCM Clearing Member may compress Eligible FCM ForexClear Compression Contracts in accordance with FCM Regulation 49(o) and this Section 2.2.20. There are two options available to an FCM Clearing Member that wishes to compress Eligible FCM ForexClear Compression Contracts:
 - (i) an FCM Clearing Member can request that all Eligible FCM ForexClear Compression Contracts entered into (i) on behalf of a designated FCM Client and in respect of a particular FCM Client Sub-Account (including an FCM ForexClear Suspension Sub-Account), or (ii) on such FCM Clearing Member's own behalf, be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue the compression of Eligible FCM ForexClear Compression Contracts. FCM Clearing Members

should contact the Clearing House's Membership Department to request such a compression of Eligible FCM ForexClear Compression Contracts; or

- (ii) an FCM Clearing Member may notify the Clearing House through the ClearLink API specifying the Eligible FCM ForexClear Compression Contracts it wishes to be compressed. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.
- (b) In order to compress an Eligible FCM ForexClear Compression Contracts, an FCM Clearing Member must follow the process for compression as set out above and must, at the time of compression, have in its applicable FCM Client Sub-Account (or FCM ForexClear Suspension Sub-Account, if applicable) or Proprietary Account two or more FCM ForexClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such FCM ForexClear Contracts are eligible for compression).
- (c) In respect of each compression run, the Clearing House will notify Clearing Members of the cut-off time by which the FCM Clearing Members must notify the Clearing House of the requested Eligible FCM ForexClear Compression Contracts to be compressed in order for such Eligible FCM ForexClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible FCM ForexClear Compression Contracts notified to it prior to such cut-off time and shall notify the applicable FCM Clearing Member after the applicable compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.
- (d) Following the compression process described above and as further set out in FCM Regulation 49(o) (*Registration of FCM ForexClear Contracts; Compression; ForexClear Accounts*), the applicable FCM 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.

~~2.2.20~~ 2.2.21 **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 2.2.21. 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.

- (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;
- (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;
- (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;
- (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;
- (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;
- (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

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 2.2.21, 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.

2.2.21-2.2.22 *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

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:

- (i) an FCM Client Default has occurred;
- (ii) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the Defaulting FCM Client in respect of (i) such FCM Client Default and (ii) any of the actions described in paragraphs (a) to (c) above;
- (iii) 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;
- (iv) such transfers and/or registrations and all related instructions to the Clearing House are in compliance with Applicable Law; and
- (v) 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:

- (vi) 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

- (vii) 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.

2.2.22.2.23 **Automatic Exercise of FCM ForexClear NDO Contracts**

If, at the Expiration Time on the Expiration Date, the In-the-Money Amount of an FCM ForexClear NDO Contract equals or exceeds the product of:

- (a) the number of basis points as published by the Clearing House from time to time as being applicable to the ForexClear Currency Pair referenced in that FCM ForexClear NDO Contract; and
- (b) the Call Currency Amount or the Put Currency Amount, as appropriate,

in each case as calculated at or immediately prior to the Expiration Time on the Expiration Date of the given FCM ForexClear Contract, such FCM ForexClear NDO Contract shall be deemed exercised as of such time.

For the purposes of this Section 2.2.19, the Clearing House may change the number of basis point applicable to any ForexClear Currency Pair by giving three business days' prior notice to affected FX CCMs (or such shorter notice period as determined by the Clearing House following consultation with the affected FX CCMs).

The "In-the-Money Amount" in relation to an FCM ForexClear NDO Contract shall, in respect of the Exercise Date, be equal to:

- (c) in the case of a Call, the excess of the FX Spot Reference Price over the Strike Price, multiplied by the Call Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Put Currency to be paid per one unit of Call Currency; and
- (d) in the case of a Put, the excess of the Strike Price over the FX Spot Reference Price, multiplied by the Put Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Call Currency to be paid per one unit of Put Currency.

Capitalised terms used in this Section 2.2.19 and not otherwise defined shall have the meanings specified for such terms in (i) the FCM ForexClear Contract

Terms applicable to the given FCM ForexClear NDO Contract or, if not defined therein, (ii) the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Trade Association and The Foreign Exchange Committee.

2.2.23 2.24 *Proprietary Account Position Transfers*

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account. Any such transfer may only occur if the Receiving Clearing Member is an affiliate of the Carrying Clearing Member.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FX FCM regarding any additional collateral that may be required in order to complete the portfolio transfer. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department. Transfers will only be effected once adequate cover has been provided by both parties to the transfer.

2.2.24 2.25 *FCM Clearing Member's Client Fund Transfer*

The FCM ForexClear Clearing System provides functionality for the transfer of FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- (a) A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per Schedule 2.2B.
- (b) The FCM ForexClear Contract is registered by the Clearing House, and sufficient Margin has been furnished to cover the FCM ForexClear Contract.
- (c) Transfers are only handled within the accounts of a single FCM Clearing Member (i.e., not a transfer between two FCM Clearing Members).

Transfer requests received by FCM ForexClear Operations prior to 15:00 London time will be managed and included in the 18:00 London time margin run. The transfer of the FCM ForexClear Contract will occur **provided that** sufficient Margin is held for the FCM Clearing Member and outstanding payments of Variation Settlement and other obligations have been made as necessary.

2.2.25 2.2.26 **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 member of another service. The terminology used in a report in respect of Margin, Variation Settlement 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.

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

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 data or trade repositories (including swap data repositories) or similar body the details of all FCM ForexClear Transactions and FCM ForexClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FX FCM acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

(a) *Margin Liability Reports*

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section 2.2.19 and where additional Collateral or other payment has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level. A report will also be provided detailing an FX FCM's Margin utilization level. If an FX FCM's Liabilities exceed its total available Margin, ForexClear will alert the FX FCM.

(b) *Market Data Reports*

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

(c) *Trade Reports*

Reports are **provided that** enable FX FCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

(d) *Trade Fixing and Settlement Reports*

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the “**NDF Fixings**” report), FCM ForexClear Contracts that have been settled during that current business day (the “**Settlements Today**” report) and FCM ForexClear Contracts that will settle the next business day (the “**NDF's Fixed with Settlement Tomorrow**” report).

(e) *Fees Reports*

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

(f) *Banking Reports*

Reports relating to an FX FCM's Collateral are available from the Clearing House portal at <https://clearingservices.lch.com/portal/login>.

(g) *Real-time Reporting*

A near real-time view of member liabilities, Collateral pledged, Margin and credit utilization will be available from the ForexClear Service Portal (referred to in Section 2.2.17).

In accordance with CFTC Part 45 requirements (where the FX FCM has a reporting obligation), FX FCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., “OriginalSwapRepository” or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

~~2.2.26~~ **2.2.27 Treasury Operations & Collateral Management**(a) *Cover Distribution*

The Clearing House nets each FX FCM's Liabilities (i.e., margins, settlements, Price Alignment Amounts and multipliers) and then the total of Cash collateral and non-cash Collateral are applied to offset those net Liabilities. This process is known as cover distribution (“**Cover Distribution**”). FX FCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section 2.2.27(c) below) call for additional Collateral, settlement amounts or Price Alignment Amounts is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 hours be repaid to the FX FCM.

(b) *Cover Distribution Notification*

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 2.2.26) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

(c) *Protected Payment System*

The Clearing House operates the protected payments system (“**PPS**”) for transferring funds to and from its FX FCMs to cover their Transfer

Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FX FCMs are obliged to hold an account with a UK PPS bank in USD, as well as a USD account with a PPS bank in the USA.

The list of PPS banks operating in the UK and US is available from the Clearing House on request.

(d) *Acceptable Forms of Collateral Cover*

A detailed description of acceptable collateral and applicable processes is available from the Clearing House on request.

(e) *Interest and Accommodation*

Interest is payable to or by FX FCMs on cash Collateral with respect to the ForexClear Service held by the Clearing House. The rate to be applied will be either LDR – London Deposit Rate, or CDR – Client Deposit Rate, as further described in Section 1.6.3 of Section 3 of the Procedures and as prescribed by the Clearing House from time to time by publication on its website.

A utilization fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House's Treasury Operations.

The Clearing House shall notify FX FCMs of any change to the LDR for the ForexClear Service via member circular.

~~2.2.27~~ 2.2.28 ***Default Management***

(a) *Portfolio Splitting*

As part of the ForexClear DMP (contained in the ForexClear DMP Annex to the Default Rules), the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear DMG (as defined in the ForexClear DMP Annex to the Default Rules), seek to create:

- (i) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (ii) one or more individual Auction Portfolios which are more risk neutral.

DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.

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

(vi) *Attribution of Auction Results*

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

(vii) *CFTC Regulations*

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

2.2.28 2.2.29 *Payment of Stamp Tax*

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by any such jurisdiction.

~~2.2.29~~2.2.30 **Section 696, Corporation Tax Act 2009**

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs (“HMRC”) raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable efforts to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

~~2.2.30~~2.2.31 **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 FCM 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 Clearing House rules or any FCM 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 FCM 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.

~~2.2.31~~2.2.32 **Prescribed Terms**

Pursuant to FCM Regulation 7 the Clearing House may prescribe certain provisions that an FCM ForexClear Clearing Member must include in its agreement with an FCM Client.

There an FCM ForexClear Clearing Member provides FCM Clearing Services to an FCM Client that is a registered investment company, as defined in the Investment Company Act of 1940, it shall include provisions in its agreement with that FCM Client to the following effect:

- (a) the FCM ForexClear Clearing Member shall comply with Applicable Law relating to the segregation of FCM Client Funds including without limitation Part 22 of the CFTC Regulations;
- (b) FCM Client Funds delivered by the FCM Client shall be held in accordance with the CEA and the CFTC Regulations and the FCM ForexClear Clearing Member shall obtain an acknowledgement, to the extent required by Parts 1.20 and 22 of the CFTC Regulations,

that those FCM Client Funds are being held in accordance with the CEA and the CFTC Regulations;

- (c) the FCM ForexClear Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the FCM Client's assets as the Securities Exchange Commission, through its employees or agents, may request;
- (d) any gains on FCM ForexClear Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM ForexClear Clearing Member only until the next Business Day following receipt;
- (e) the FCM Client has the ability to withdraw its assets from the FCM ForexClear Clearing Member as soon as reasonably practicable if the FCM ForexClear Clearing Member's or the Clearing House's custody of FCM Client Funds no longer meets the requirements of Rule 17f-6 under the Investment Company Act of 1940.



Appendix III

Procedure Section 4 (*Margin and Collateral*) – Collateral Takebacks

LCH LIMITED
PROCEDURES SECTION 4
MARGIN AND COLLATERAL

such Depository as the Clearing House may select or allow, subject to the conditions of such Depository, to any Applicable Law and subordinate rules relating thereto, as well as to the terms of the relevant Deed of Charge, Client Charge, Collateral Management Agreement, charge documentation and these Procedures.

1.1.7 *Coupons*

The Clearing House will record coupons that arise in respect of non-cash Collateral of a Clearing Member, taking into account any withheld tax, ("**Coupons**") to such Clearing Member's relevant Client Account or Proprietary Account and to the non-cover ledger within such account (see Section 1.1.4(a)(i) of Section 3 of the Procedures (*Financial Transactions*)) on the appropriate payment date, and such Coupons will be cash Collateral forming part of the Clearing Member Current Collateral Balance of such Client Account or Proprietary Account.

The Clearing House will promptly on or after the appropriate payment date take such steps as are necessary to transfer Coupons to the relevant Clearing Member (except Coupons which are automatically transferred to such Clearing Member by operation of a triparty transaction), provided that the Clearing House shall only be obliged to take such steps pursuant to this Section 1.1.7:

- (a) to the extent that they constitute excess collateral;
- (b) if the Clearing Member is not a Defaulter;
- (c) to the extent the Clearing House is permitted to take such steps and make such transfer under Applicable Law and the contractual provisions of any relevant Depository;
- (d) if the Clearing House considers it is not necessary or desirable to retain such Coupons in order to effect (or seek to effect) a transfer of Contracts and Collateral from an account of a Clearing Member to another account of a Clearing Member or FCM Clearing Member in accordance with the Rulebook, the FCM Regulations, the FCM Procedures and/or any relevant Collateral Management Agreement; and
- (e) if there is no overnight margin and/or cash call (including an EOD Margin Run call) in respect of the relevant Clearing Member which remains outstanding.

Clearing Member shall withdraw all securities collateral used to cover their initial margin requirements prior to the maturity record date for the relevant securities, which is the cut-off date used to determine which security holder is entitled to final redemption funds for the relevant securities ("**Final Redemption Record Date**").



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Appendix IV
FCM Procedures – Collateral Takebacks

FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

4. COLLATERAL

4.1 General Information

4.1.1 *Non-Cash Collateral*

FCM Clearing Members wishing to lodge securities (of the type permitted by the Clearing House) with the Clearing House as Collateral may do so. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (in respect of Collateral furnished on behalf of FCM Clients, the Clearing House shall hold such securities in the applicable LCH Client Segregated Depository Account).

Collateral provided in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a house account (see FCM Regulation 14(j) (*Margin and Collateral*)).

FCM Clearing Members are warned that the transfer of Collateral and the grant of a security interest are complex legal matters. The FCM Rulebook and any communication with the Clearing House (whether of an oral or written nature) are not to be taken as legal or other advice. An FCM Clearing Member should seek its own independent professional advice.

4.1.2 *General Information*

LCH Security Arrangements

FCM Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the FCM Clearing Membership Agreement and the FCM Regulations.

Collateral provided in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a House account (see FCM Regulation 14(j) (*Margin and Collateral*)).

Unless stated otherwise in the FCM Rulebook, Collateral provided in respect of an FCM Clearing Member's House account may be applied by the FCM Clearing House towards the payment of any sum whatsoever due by the FCM Clearing Member to the Clearing House, **provided, that** no Collateral furnished in respect of an FCM Clearing Member's Client accounts shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on any of the FCM Clearing Member's House accounts.

As set out in FCM Regulation 14(c) (*Margin and Collateral*), where an FCM Clearing Member wishes to furnish Collateral on behalf of an FCM Client to the Clearing House, the FCM Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the FCM Client that the FCM Clearing Member may provide the Collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. The Clearing

House gives no undertaking that, on the Default of an FCM Clearing Member, it will not utilize Collateral furnished on behalf of an FCM Client which has been passed to it by an FCM Clearing Member, before utilizing any other form of Collateral the Clearing House may hold.

4.1.3 ***Additional General Information***

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as Collateral and to determine when a security will cease to be acceptable as Collateral.

If any cash, instrument or security lodged in accordance with any of the following FCM Procedures is in any way found to be unacceptable, it will immediately be given a zero value in the FCM Clearing Member's relevant account with the Clearing House. Replacement Collateral may be required immediately from the FCM Clearing Member.

4.1.4 ***Instructions***

The Clearing House accepts instructions to lodge, release and transfer cash and securities via the CMS and/or any other operational process the Clearing House determines. If there is an outage of the CMS, an FCM Clearing Member may send certain instructions using the appropriate form in the Schedules of these FCM Procedures by email to collateral.clientservice@lseg.com.

Collateral Operations can be contacted on +44 (0) 207 426 7505.

The Clearing House is entitled to act upon CMS instructions or communications appearing to have been issued by or on behalf of, or to have come from, an FCM Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (a) to be inaccurate, whether in whole or in part; or
- (b) not to have been given by the FCM Clearing Member or with the authority of the Clearing Member.

The Clearing House will only accept delivery of securities Collateral from an FCM Clearing Member in accordance with these FCM Procedures and will not sell or purchase cash or securities Collateral for FCM Clearing Members, except in so far as it is acting under its Default Rules and related provisions of the FCM Rulebook or in relation to Exchange Rules.

The Clearing House reserves the right to change the information required on instructions received via the CMS, whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

4.1.5 ***Excess Margin Maintained in Proprietary Accounts***

In accordance with FCM Regulation 14(bb) (*Margin and Collateral*), FCM Clearing Members are permitted to maintain Excess Margin in their

Proprietary Accounts (regardless of whether any such FCM Clearing Member has elected to have one or more of its FCM Omnibus Swaps Client Accounts with LCH subject to the With Excess Client Model), but subject to the right of the Clearing House, in its sole discretion, to return such Excess Margin to the FCM Clearing Member. Alternatively, the Clearing House may notify that FCM Clearing Member of the intention to levy a charge in respect of Excess Margin with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove Excess Margin before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point per day until Excess Margin is removed by the FCM Clearing Member. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's PPS sterling account. This charge applies only to Margin lodged with respect to FCM Contracts registered to the FCM Clearing Member's Proprietary Account.

The Clearing House shall have absolute discretion to decide whether and to what extent it is holding Excess Margin at any time.

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Omnibus Futures Client Accounts with LCH is governed by the provisions of the FCM Rulebook, including FCM Regulation 14(aa)(ii) (*Margin and Collateral*).

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Client Sub-Accounts is governed by the provisions of the FCM Rulebook, including FCM Regulation 15 (*Margining of Swap Product Client Accounts*).

4.1.6 ***Return and Provision of Cash Excess Margin***

Requests for the return of USD cash Excess Margin must be received by the Clearing House before 09:30 hours (New York time) on a U.S. Business Day. In respect of any such request received by the Clearing House after 09:30 hours (New York time) on a U.S. Business Day, the Clearing House shall have sole discretion as to whether or not to return the relevant USD cash Excess Margin to the requesting FCM Clearing Member except with the consent of the Clearing House. Additionally, if the Clearing House does not repay the relevant excess USD cash requested by an FCM Clearing Member after 09:30 hours (New York time) on a U.S. Business Day, such request shall be deemed void.

The Clearing House will not accept deposits of USD cash Collateral as Excess Margin on any date that is not a U.S. Business Day or at any time after 14:00 hours (New York time) on a U.S. Business Day.

4.1.7 ***Lodgment of Collateral as Replacement for Cash Cover for Margin***

This Section 4.1.7 applies only to Proprietary Accounts of FCM Clearing Members. FCM Clearing Members should note that they must give Collateral Operations no less than two (2) Business Days' notice of their intention to lodge Collateral with a value of £50 million sterling or more, and which is

reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgment. In the event that an FCM Clearing Member seeks to withdraw such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice or vary the minimum Collateral value by written notice to FCM Clearing Members.

4.1.8 ***Force Majeure***

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to FCM Clearing Members with regard to Collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as (but not limited to) the failure (whether partial or total), interruption or suspension of any Depository that the Clearing House is using, the termination or suspension of the Clearing House's membership or use of any Depository or any variation of a Depository's operational timetable, whether or not occasioned by action of the Depository operator or any other party, any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the Depository, or any other emergency. This provision is without prejudice to the force majeure provisions of FCM Clearing Members' agreements with the Clearing House.

4.1.9 ***Regulatory and Supervisory Information***

In every case, the Clearing House will be entitled to supply a Depository with all the information it requires for any purposes relating to an FCM Clearing Member or relating to Collateral received by the Clearing House from an FCM Clearing Member which is, or may at any time have been, held by the Depository. Securities Collateral will be lodged and held within such Depository as the Clearing House may select or allow, subject to the conditions of such Depository and to any Applicable Law and subordinate rules relating thereto, as well as to the terms of the FCM Rulebook and these FCM Procedures.

4.1.10 ***Coupons***

The Clearing House will record coupons that arise in respect of non-cash Collateral of an FCM Clearing Member, taking into account any withheld tax, ("**Coupons**") to such FCM Clearing Member's relevant FCM Omnibus Swaps Client Account with LCH, FCM Omnibus Futures Client Account with LCH or Proprietary Account and to the non-cover ledger within such account (see Section 3.1.3(a)(i) of these FCM Procedures) on the appropriate payment date, and such Coupons will be cash Collateral.

The Clearing House will promptly on or after the appropriate payment date take such steps as are necessary to transfer Coupons to the relevant FCM Clearing Member (except Coupons which are automatically transferred to such FCM Clearing Member by operation of a triparty transaction), provided

that the Clearing House shall only be obliged to take such steps pursuant to this Section 4.1.10:

- (a) to the extent that they constitute Excess Margin;
- (b) if the FCM Clearing Member is not a Defaulter;
- (c) to the extent the Clearing House is permitted to take such steps and make such transfer under Applicable Law and the contractual provisions of any relevant Depository;
- (d) if the Clearing House considers it is not necessary or desirable to retain such Coupons in order to effect (or seek to effect) a transfer of FCM Contracts and Collateral from an account of an FCM Clearing Member to another account of an FCM Clearing Member or Non-FCM Clearing Member in accordance with the FCM Rulebook, the FCM Procedures, the UK General Regulations and/or UK General Procedures; and
- (e) if there is no overnight margin and/or cash call (including an EOD Margin Run call) in respect of the relevant FCM Clearing Member which remains outstanding.

FCM Clearing Member shall withdraw all securities collateral used to cover their initial margin requirements prior to the maturity record date for the relevant securities, which is the cut-off date used to determine which security holder is entitled to final redemption funds for the relevant securities (“Final Redemption Record Date”).

4.1.11 *Record Date*

The Clearing House may restrict the lodgement, release and/or transfer of non-cash Collateral on a record date for the payment of a Coupon applicable to such non-cash Collateral where the Clearing House considers this necessary in order to correctly pay such Coupon to the relevant FCM Clearing Member on the Coupon payment date.

4.2 **Securities**

4.2.1 *General Information*

Securities must be lodged in the Clearing House's relevant settlement accounts (see Schedule 4D).

4.2.2 *Settlement procedures – Securities*

All transactions to deposit or withdraw securities Collateral with or from the Clearing House will be executed free of payment.



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Appendix V
General Regulations – Registration Time

**GENERAL REGULATIONS OF
LCH LIMITED**

"Register of RepoClear Dealers"

means the register which lists RepoClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as RepoClear Contracts or RepoClear Term £GC Contracts by the Clearing House or to deal through one or more Automated Trading Systems specified by the Clearing House in respect of each such RepoClear Dealer pursuant to which the Clearing House becomes a party to RepoClear Contracts or RepoClear Term £GC Contracts, as the case may be, in accordance with the terms of the RepoClear Dealer Clearing Agreement and Regulation 19

"Register of SwapClear Dealers"

means the register which lists SwapClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as SwapClear Contracts by the Clearing House

"Registration Time"

~~(i) — in respect of SwapClear Contracts, shall have the meaning given in Regulation 55(f);~~

~~(ii) — in respect of Listed Interest Rates Contracts, shall have the meaning given in the Procedures; and~~

~~(iii) — in respect of RepoClear Contracts, RepoClear Term £GC Contracts, EquityClear Contracts and ForexClear Contracts, shall have the meaning given in the Procedures,~~

in each case, subject to Regulation 16(e)

"Regulations"

means the Clearing House's General Regulations, Default Rules and Clearing House Settlement Finality Regulations, from time to time in force

"Regulatory Body"

means the Bank of England, the Secretary of State, the Prudential Regulation Authority, the Financial Conduct Authority or professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Commodity Futures Trading Commission of the United States (CFTC) or any other body or authority, in each case, that has jurisdiction to exercise in relation to the provision or use of clearing services a regulatory or supervisory function over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member under the laws of the United Kingdom, the United States or any other applicable jurisdiction

REGULATION 16 REGISTRATION

- (a) The Clearing House shall not register an original exchange contract in the name of a Member unless such contract has been confirmed or deemed confirmed pursuant to Regulation 12, 14 or 27 by or on behalf of a Member as a buyer and a Member as a seller who thereby have consented to such contract being registered in his name. For the avoidance of doubt, the same Member may act in a capacity of seller and buyer in respect of such registration of a contract. The Clearing House shall register a contract in the name of a Member which is a Co-operating Clearing House in accordance with the terms of any agreement made with the Co-operating Clearing House and none of the following paragraphs shall apply in respect of a Member which is a Co-operating Clearing House.
- (b) Where the Procedures so provide the Clearing House may require the Members in whose names one or more contracts are to be registered to transfer Collateral to the Clearing House in respect of their initial and variation margin obligations as a condition of registration of such contract or contracts, and such Collateral shall be transferred to the Clearing House in accordance with Regulation 20 and, if applicable, the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the ForexClear Regulations and the Listed Interest Rates Regulations.
- (c) The Clearing House may decline to register a contract in the name of a Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral by both Members in whose name any such contract is to be registered.
- (d) No original exchange contract for a commodity shall be registered in the name of a Member who is not entitled under Exchange Rules to have original exchange contracts for such commodity registered in his name.
- (e) The Clearing House shall be deemed to register a Contract in the name of a Member ~~a Contract n original contract or RepoClear Transaction~~ at the Registration Time in respect of such the relevant type of Contract, provided that, in the case of a 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 Regulation 16 shall take effect.
- (f) Without prejudice to the Clearing House's rights under paragraph (g) of this Regulation, a Clearing Member shall be bound by a Contract registered in its name pursuant to the presentation of particulars of an Exchange Transaction, an OTC Transaction, an EquityClear Novation Transaction, or a Listed Interest Rates Novation Transaction, as the case may be, by him or on his behalf, including: (i) in the case of a RepoClear Transaction or RepoClear Term £GC Transaction, where such particulars are presented by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement; (ii) in the case of a ForexClear Transaction, where such particulars are presented by a ForexClear Dealer with whom it is party to a FDC Agreement; (iii) in the case of an EquityClear Novation Transaction, where such particulars are presented by an NCP; and (v) in the case of a Listed Interest Rates Novation Transaction, where such particulars are presented by an NCP.



Appendix VI

Procedure Section 2C (*SwapClear Clearing Service*) – Registration Time

LCH LIMITED
PROCEDURES SECTION 2C
SWAPCLEAR CLEARING SERVICE

received properly reflect the trade entered into by the relevant Executing Parties or that the Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by a Trading Venue to the Clearing House or to a SwapClear 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 SwapClear Contract on the basis of incorrect or corrupted data sent to it by a Trading Venue and accepted (whether automatically or manually, as applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

1.3.5 *Registration of New Trades*

The following section does not apply to Backloaded Trades, which are dealt with in section 1.3.6 below.

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to transfer to the Clearing House adequate Collateral in respect of initial margin requirements, variation margin requirements, and/or the settlement payment obligations (as applicable) relating to such Contract as a precondition to registration (taking into account any Client Buffer and/or SwapClear Tolerance, if any). In accordance with Regulation 55(e)(iv) (*Registration of SwapClear Contracts*), a SwapClear Clearing Member becomes obligated to transfer such Collateral (taking into account any Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House at the time when the relevant SwapClear Transaction (that is not a Sub-Block Trading Venue Transaction) has been submitted or deemed to be submitted (as applicable) by the SwapClear Clearing Member and such SwapClear Clearing Member shall transfer such Collateral to the Clearing House prior to registration of the resulting SwapClear Contract. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall transfer to the Clearing House sufficient Collateral in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a SwapClear Contract resulting from a SwapClear Transaction that is not a Sub-Block Trading Venue Transaction where one or both of the relevant SwapClear Clearing Members has not provided sufficient Collateral prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 55 and any other applicable

provision of the Rulebook, and (ii) if the Clearing House rejects a SwapClear Transaction that is a Sub-Block Trading Venue Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the SwapClear Transaction within the required timeframe under all Applicable Law.

Where the Clearing House determines to accept the SwapClear Transaction, registration shall occur immediately and the SwapClear Transaction shall be automatically replaced with (as applicable) (i) two separate SwapClear Contracts, one between the relevant SwapClear Clearing Member and the Clearing House and the other between the same or another SwapClear Clearing Member and the Clearing House, or (ii) one SwapClear Contract between the relevant SwapClear Clearing Member and the Clearing House and one FCM SwapClear Contract between the relevant FCM Clearing Member and the Clearing House. The time of registration of a SwapClear Contract shall be when registration of such SwapClear Contract occurs as described under this Section 1.3.5+ above (the “Registration Time”). The SwapClear clearing system will respond, after processing, with a message confirming the registration. ~~—A~~The registration notification message will be sent using the SwapClear Clearing Member reporting system and/or the FCM Clearing Member reporting system (as applicable) (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 1.1.3) on the SwapClear Clearing Member reporting account.

Non-Standard Fixing Offsets for SwapClear Transactions

SwapClear Clearing Members may submit for registration SwapClear Transactions that are OIS transactions with non-standard fixing offsets of [-1 to -10] Business Days, where the fixing for any Business Day ‘i’ in an interest period is equal to the fixing in respect of the Business Day falling [-1 to 10] Business Days prior to such day ‘i’. For the avoidance of doubt, SwapClear Contracts registered as OIS transactions with non-standard fixing offsets will retain the underlying set of compounding coupon sub-periods and their respective weights.

Open Access

The Clearing House provides access to Approved Trade Source Systems, Trading Venues and Approved Compression Services Providers on an open and non-discriminatory basis.

1.3.6 *Backloading of Existing Trades*

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of presentation of such SwapClear Transaction to the



Appendix VII

Procedure Section 21 (*ForexClear Clearing Service*) – Registration Time

LCH LIMITED
PROCEDURES SECTION 2I
FOREXCLEAR CLEARING SERVICE

Individual Segregated Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, each Indirect Gross Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, and each Omnibus Segregated Account will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account.

In the case of Omnibus Gross Segregated Accounts, the relevant segregated sub-accounts of the "C" position-keeping account and the client "C" collateral account will be further segregated into sub-accounts for each Omnibus Gross Segregated Clearing Client or, where applicable, a group of Combined Omnibus Gross Segregated Clearing Clients together.

In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

1.2.4 Branches

- (a) Submission of a static data form to LCH's Onboarding department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that FXCCM's "H" position-keeping account.
- (b) Because the single account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs and/or per branch will be provided as an estimate (if applicable).
- (c) Where a ForexClear Transaction is presented for clearing by a branch of an FXCCM, it is deemed to have been presented by, and in the name of, the relevant FXCCM.

1.2.5 Novation and Registration

- (a) A ForexClear Transaction must satisfy the applicable ForexClear Eligibility Criteria (set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time) at the Registration Time. Upon a ForexClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under Applicable Law. Where the Clearing House determines to accept the

ForexClear Transaction, registration shall occur immediately and the ForexClear Transaction shall be automatically replaced with (as applicable) (i) two separate ForexClear Contracts, one between the relevant FXCCM and the Clearing House and the other between the same or another FXCCM and the Clearing House, or (ii) one ForexClear Contract between the relevant FXCCM and the Clearing House and one FCM ForexClear Contract between the relevant FCM Clearing Member and the Clearing House. The time of registration of a ForexClear Contract shall be when registration of such ForexClear Contract occurs as described under this Section 1.2.5(a)(the "Registration Time").

- (b) Prior to and as a condition to the registration of a ForexClear Contract, an FXCCM must transfer to the Clearing House all required Collateral in respect of its Liabilities or estimated Liabilities (as applicable, and taking into account MER Buffer and/or ForexClear Tolerance, if any).
- (c) If an FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account MER Buffer and/or ForexClear Tolerance, if any) at the time of 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



Appendix VIII

Procedure Section 2J (*Listed Interest Rates Clearing Service*) – Registration Time

LCH LIMITED
PROCEDURES SECTION 2J
LISTED INTEREST RATES CLEARING SERVICE

Listed Interest Rates Service, will be available on the Clearing House's website.

(c) System Requirements

Clearing Members must have in their office, at a minimum, a PC configured to access the clearing system GUI, a printer and back-up connectivity to the clearing system as required by the Clearing House.

1.2.2 *Member Reporting*

The Clearing House makes available appropriate clearing information via reports, real-time confirmations and other means. Full details are contained in the relevant Service Description documentation.

1.2.3 *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a Listed Interest Rates Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

1.2.4 *Static Data*

Prior to presentation of any Listed Interest Rates Novation Transaction or Rates Exchange Match for registration as a Listed Interest Rates Contract, a Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such Listed Interest Rates Novation Transaction or Rates Exchange Match will be presented ("**Rates Exchange Information**"). This applies also to any Listed Interest Rates Eligible Product traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

The format, contents and completion process of the static data form for the provision of Rates Exchange Information, in respect of each Rates Exchange, is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

Failure to provide the correct Rates Exchange Information in respect of the particular Rates Exchange may result in the rejection of a Listed Interest Rates Novation Transaction or Rates Exchange Match.

1.3 **Registration**

1.3.1 *General*

Listed Interest Rates Contracts may arise through either a novation or an open offer clearing mechanism.

(a) Novation

Novation applies to each Listed Interest Rates Eligible Product executed as a Listed Interest Rates Novation Transaction on a Rates Exchange. Where a Listed Interest Rates Novation Transaction is presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the Listed Interest Rates Novation Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the Listed Interest Rates Novation Transaction, registration shall occur immediately and the Listed Interest Rates Novation Transaction shall be automatically replaced with (as applicable) (i) two separate Listed Interest Rates Contracts, one between the relevant Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another Listed Interest Rates Clearing Member and the Clearing House, or (ii) one Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House and one FCM Listed Interest Rates Contract between the relevant FCM Clearing Member and the Clearing House. ~~(such time, the “Registration Time”):~~

Novation of Listed Interest Rates Novation Transactions is described in greater detail in Regulation 12 and Regulation 98.

The time of registration of a Listed Interest Rates Contract shall be when registration of such Listed Interest Rates Contract occurs as described under Section 1.3.1(a) above (the “Registration Time”).

(b) Open Offer

The Clearing House also provides an open offer in respect of Listed Interest Rates Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this “open offer”, once the particulars of a Rates Exchange Match are presented to the Clearing House, then, subject to the Regulations and the Procedures, the Clearing House shall automatically and immediately register either (i) two separate Listed Interest Rates Contracts, one between the relevant Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another Listed Interest Rates Clearing Member and the Clearing House, or (ii) one Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House and one FCM Listed Interest Rates Contract between the relevant FCM Clearing Member and the Clearing House. ~~(such time, the Registration Time):~~

The Clearing House’s open offer arrangements for Rates Exchange Matches are described in greater detail in Regulation 97.

The time of registration of a -Listed Interest Rates Contract shall be when registration of such Listed Interest Rates Contract occurs as described under Section 1.3.1(b) above (the “Registration Time”).

1.3.2 Confirmation

Presentation of a Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) for registration to the Clearing House constitutes

immediate confirmation in accordance with the Regulations by the Listed Interest Rates Clearing Member in whose name such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) is presented. However, the Clearing House will only accept for registration, as Listed Interest Rates Contracts, the particulars of a Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) presented by a Rates Exchange in a message format and manner acceptable to the Clearing House.

Each Listed Interest Rates Clearing Member authorised to participate in the Listed Interest Rates Service must be familiar with the operating procedures and deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

1.3.3 *Intra-Day Registration*

The Clearing House registers all Listed Interest Rates Contracts on an intra-day basis.

1.3.4 *Risk Pending Trades*

Except as otherwise required by Applicable Law, trades presented to the Clearing House for registration can be validated against a number of risk parameters, including quantity, price, premium, strike price, trade value or mark-to-market profit/loss parameters (“**Risk Parameters**”). Any trades that fall outside of the validation parameters will enter a pending state (the “**Risk Pending Queue**”) and require validation by Risk Management before being accepted or rejected by the Clearing House.

The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day’s trading range.

1.3.5 *Conditions for Acceptance of Risk Pending Trades*

Except as otherwise required by Applicable Law, registration of trades held in the Risk Pending Queue is conditional on the transfer of sufficient Collateral to the Clearing House.

If the Clearing House decides that additional Collateral is required it will advise the Listed Interest Rates Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing House and the Listed Interest Rates Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Listed Interest Rates Clearing Member to ensure that any trades likely to require acceptance are input as early as possible in the



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Appendix IX
FCM Regulations – Registration Time

FCM REGULATIONS OF THE CLEARING HOUSE
LCH LIMITED

carries the Transfer Account that will receive the transfer of Transferring SwapClear Contracts or Transferring ForexClear Contracts and, where applicable, associated Collateral held in respect of the Eligible Transferor from a Carrying Clearing Member pursuant to FCM Regulation 46(q) or FCM Regulation 49(r). For the avoidance of doubt, where the Transferring SwapClear Contracts or Transferring ForexClear Contracts are FCM SwapClear Contracts or FCM ForexClear Contracts, respectively: (a) an entity that is an FCM Client may also be a Receiving Clearing Member, and (b) a Receiving Clearing Member that is an FCM Clearing Member may be nominated to receive the transfer of Transferring SwapClear Contracts or Transferring ForexClear Contracts and Associated Collateral Balance from a Carrying Clearing Member that is not an FCM Clearing Member pursuant to Regulation 60 or Regulation 95 of the UK General Regulations (and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa).

Capitalized terms used in this definition having the meanings set out in the UK General Regulations as modified by FCM Regulation 46(q) or FCM Regulation 49(r).

“Reference Currency Buyer”

has the meaning assigned to it in the UK General Regulations or FCM Contract Terms, as applicable.

“Reference Currency Seller”

has the meaning assigned to it in the UK General Regulations or FCM Contract Terms, as applicable.

“Reference Price”

means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.

“Registration Time”

- (i) ~~means,~~ in respect of an FCM SwapClear Contract, shall have the meaning given in the FCM Procedures subject to FCM Regulation 46(m);
- (ii) in respect of an FCM ForexClear Contract, shall have the meaning given in the FCM Procedures subject to FCM Regulation 49(n); and
- (iii) in respect of an FCM Listed Rates Contract, shall have the meaning given in the FCM Procedures subject to FCM Regulation 52(d).

“Regulatory Body”

means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of

CHAPTER XII - FCM SWAPCLEAR REGULATIONS

REGULATION 46 REGISTRATION OF FCM SWAPCLEAR CONTRACTS; NOVATION AND POST-NOVATION COMPRESSION AND DECOMPRESSION; SWAPCLEAR ACCOUNTS; PORTFOLIO TRANSFERS; BULK EVENTS

- (a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear 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 SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear 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.
- (b) Once an FCM SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2.1.3 of the FCM Procedures) request the consent of the relevant FCM Clearing Member with whom an FCM SwapClear Contract shall be registered as a result thereof to such registration. Upon the FCM Clearing Member providing its consent, such FCM SwapClear 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 SwapClear Transaction on behalf of a third party Executing Party will (only where such FCM SwapClear Transaction is not an FCM Trading Venue Transaction) be notified by the Clearing House of such FCM SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such FCM SwapClear Transaction and the FCM SwapClear Contract resulting from such FCM SwapClear Transaction. Where:
- (i) an FCM Clearing Member is an Executing Party to an FCM SwapClear Transaction and is to clear an FCM SwapClear Contract resulting from such FCM SwapClear Transaction; or
 - (ii) an FCM SwapClear Transaction is an FCM Eligible Trading Venue Transaction in respect of an FCM Clearing Member, and a third party Executing Party to such FCM SwapClear Transaction has nominated such FCM Clearing Member to clear an FCM SwapClear Contract resulting from such FCM SwapClear Transaction,

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

- (d) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 46, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name.
- (e) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where the following are conditions for registration of an FCM SwapClear Contract:
 - (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;
 - (ii) the relevant FCM SwapClear Transaction meets the FCM SwapClear Product Eligibility Criteria prescribed in the FCM Product Specific Contract Terms and Eligibility Criteria Manual at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
 - (iii) each FCM SwapClear Contract resulting from an FCM SwapClear Transaction is consented to by the relevant FCM Clearing Member in accordance with paragraph (c) above and Section 2.1.3 of the FCM Procedures;
 - (iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 14 and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM SwapClear Contract prior to registration (taking into account SwapClear Tolerance, if any); provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM SwapClear Contract where such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Sub-Block Trading Venue Transaction; and
 - (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction have been satisfied.

If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including any SwapClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

- (f) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 46 in the name of an FCM Clearing Member, at the Registration Time ~~prescribed in the FCM Procedures (“Registration Time”)~~. At

the Registration Time, the FCM Clearing Member, and the FCM Client if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

- (g) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the FCM SwapClear Product Eligibility Criteria in existence at the Registration Time (an “**Ineligible FCM SwapClear Transaction**”), the Clearing House shall, immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this paragraph (any such FCM SwapClear Contract, an “**Ineligible FCM SwapClear Contract**”): (i) the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including Settlement Payments) (if any) paid by the Clearing House or by an FCM Clearing Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the time when such Ineligible FCM SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 46, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an Ineligible FCM SwapClear Contract.
- (h) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with Margin as a condition of registration of such FCM SwapClear Contract(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation 14 and such other applicable provisions in the FCM Rulebook.
- (i) Notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, **provided that** the Clearing House may (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear

rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;

- (ii) each FCM SwapClear Contract registered under FCM Regulation 46(j) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
- (iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
- (iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (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 SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear 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.

- (l) If an FCM SwapClear 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 SwapClear Contract arising under this FCM Regulation 46 or any other applicable provision of the FCM Rulebook.
- (m) In the case of an FCM SwapClear 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 46 shall take effect.
- (n) **Compression.**
 - (i) The Clearing House may from time to time determine FCM SwapClear Contracts that are eligible for compression or decompression in accordance with this Regulation 46(n) and the FCM Procedures (such FCM SwapClear Contracts, “**Eligible FCM SwapClear Compression Contracts**”), which may include FCM SwapClear Contracts that, inter alia, have substantially similar economic terms.
 - (ii) An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, (1) to compress and combine all such FCM SwapClear Contracts that are either (i) registered on the FCM Clearing

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 Contract.

- (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.**
 - (i) The Clearing House may from time to time determine FCM ForexClear Contracts that are eligible for compression in accordance with this FCM Regulation 49(o) and the FCM Procedures (such FCM ForexClear Contracts, “**Eligible FCM ForexClear Compression Contracts**”), which may include FCM ForexClear Contracts that, inter alia, have substantially similar economic terms.
 - (ii) An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, to compress and combine all such FCM ForexClear Contracts (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.
 - (iii) The Clearing House will effect the compression of Eligible FCM ForexClear Compression Contracts by terminating the relevant Eligible FCM ForexClear Compression Contracts and, in some instances, compressing them into one or more FCM ForexClear Contracts having a net future cash flow equal to the net future cash flow of the original Eligible FCM ForexClear Compression Contracts.
 - (iv) For the avoidance of doubt, the Clearing House may determine FCM ForexClear Contracts are Eligible FCM ForexClear Compression Contracts

CHAPTER XIV - FCM LISTED INTEREST RATES REGULATIONS

REGULATION 52 REGISTRATION OF FCM LISTED INTEREST RATES CONTRACTS

- (a) In order to utilize the FCM Listed Interest Rates Clearing Services, an FCM Listed Interest Rates Clearing Member must cause particulars of each relevant Rates Exchange Match and each relevant FCM Listed Interest Rates Novation Transaction to be presented for registration as an FCM Listed Interest Rates Contract, through such means as shall be prescribed by the FCM Procedures.
- (b) An FCM Listed Interest Rates Clearing Member shall not allow the presentation for registration of a match which is not a Rates Exchange Match or a transaction which is not an FCM Listed Interest Rates Novation Transaction in connection with the FCM Listed Interest Rates Clearing Service.
- (c) The Clearing House may decline to register an FCM Listed Interest Rates Contract in the name of an FCM Listed Interest Rates Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM Listed Interest Rates Contract subject to any conditions stipulated by the Clearing House including the furnishing of Margin by the FCM Listed Interest Rates Clearing Member(s) in whose name any such FCM Listed Interest Rates Contract is to be registered.
- (d) The Clearing House shall register an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction in the name of an FCM Listed Interest Rates Clearing Member at the Registration Time for that type of FCM Listed Interest Rates Contract in accordance with FCM Regulation 53 or FCM Regulation 54, as applicable, provided that, in the case of an FCM Listed Interest Rates 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 52 will take effect.

Without prejudice to the Clearing House's rights under paragraph (g) an FCM Listed Interest Rates Clearing Member shall be bound by an FCM Listed Interest Rates Contract registered in its name pursuant to the presentation of particulars of a Rates Exchange Match or of an FCM Listed Interest Rates Novation Transaction.

- (e) Without prejudice to the Clearing House's rights under paragraph (f), a Rates Exchange Match or FCM Listed Interest Rates Novation Transaction presented for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time such particulars are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time in order to be registered as two FCM Listed Interest Rates Contracts (or, if applicable, one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract). An FCM Listed Interest Rates Clearing Member may not revoke, cancel or transfer a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction unless permitted by the FCM Rulebook and FCM Procedures or with the consent of the Clearing House.