

VIA CFTC PORTAL

29th March 2023

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

LCH Limited Self-Certification: Changes to fix broken web links in LCH Rulebook

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rulebook required to fix, remove, or amend broken website links and contact details.

Part I: Explanation and Analysis

LCH’s rulebook covers the clearing house’s general regulations, default rules, settlement finality regulations, sponsored clearing regulations, and procedures. This resource is used by members and clients as a reference point to understand their obligations to the clearing house. Each of the rulebook parts contains numerous web links to the LCH website, many of which have become outdated as content and pages have been altered across the services.

LCH proposes to alter or remove several of these broken web links and to replace them with more generic references where appropriate to avoid future situations whereby the links become unusable, as well as updating departmental email contact addresses. This will impact all of LCH’s services, but there will be no operational changes to how LCH functions.

Part II: Description of Rule Changes

LCH will amend the following parts of the rulebook to replace or remove the broken web links:

- FCM Procedures
- Procedures Section 1 (Clearing Member, Non-Member Market Participant and Dealer Status)
- Procedures Section 2D (EquityClear Clearing Service)
- Procedures Section 2I (ForexClear Clearing Service)

An LSEG Business

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- Procedures Section 3 (Financial Transactions)
- Procedures Section 4 (Margin and Collateral)
- Sponsored Clearing Procedures

Key changes are focused on sections of the procedures and regulations referring to Protected Payment System (“PPS”) banks, acceptable forms of collateral covers, fees, settlement procedures, reporting, and jurisdictional requirements.

The form of the changes is principally removing specific URL reference to pages of the LCH website, and replacing them with more generic language including ‘available from the Clearing House on request’ and ‘available from the LCH website’. Where it was not suitable to entirely remove website links, they have been reviewed and updated as highlighted in the appendices. References to reporting have been amended to include direction to LCH’s member portal, and more general references to website pages have been removed where appropriate. LCH’s contact details (in the form of departmental email addresses) have also been updated.

Part III: Core Principle Compliance

LCH reviewed the proposed changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, these rulebook changes have potential relevance to Core Principle L under CFTC regulation §39.21 (Public Information).

The changes described in this filing ensure that LCH meets the objectives of Core Principle L (§39.21) on Public Information, which requires DCOs to make information concerning the rules and the operating and default procedures governing the clearing and settlement systems of the derivatives clearing organisation available to market participants. Updating the website link references into a more standardised format will better enable LCH’s members and clients to find information and will negate the risk of users relying on outdated links, thereby increasing accessibility.

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 CFTC, 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 james.woolley@lseg.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Woolley', with a long horizontal flourish extending from the bottom of the signature.

James Woolley
Regulatory Compliance Analyst
LCH Limited

Appendix I
FCM Procedures of the Clearing House LCH Limited
Changed Pages



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

approval process involving the Risk Committee and Board of the Clearing House.

- 1.7.2 Each FCM Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant FCM Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, an FCM Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.
- 1.7.3 Pursuant to, and in accordance with, FCM Regulation 14 (*Margin and Collateral*), where an FCM Clearing Member provides clearing services to an FCM Client which the FCM Clearing Member considers to have a heightened risk profile, then that FCM Clearing Member shall collect from that FCM Client additional FCM Client Funds with a value that is 10 percent above the amount that the Clearing House would normally require for such FCM Client.

FCM Clearing Members are not required to furnish the Clearing House with the additional margin described in this section. However, for the avoidance of doubt, FCM Clearing Members are required to furnish the Clearing House with the Required Margin for every FCM Client.

1.8 Other Conditions

The Clearing House may, at any time, impose additional conditions in relation to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions, provided that any conditions which restrict, or may be considered to have the effect of restricting, access of an FCM Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. FCM Clearing Members are referred to the Clearing House's website for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on an FCM Clearing Member may include, but are not limited to, a requirement to furnish additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

1.9 Other Conditions

1.9.1 Singaporean Clients

FCM Clearing Members are required to provide a copy of the 'Notice to Singapore Clearing Clients' to FCM Clients incorporated in or operating through a branch in Singapore. The 'Notice to Singapore Clearing Clients' is available ~~here: <http://www.lch.com/members-clients/members/fees-ltd/annual-account-structure-fees-from-the-clearing-house-on-request>~~.

1.9.2 Restrictions on Japanese FCM Clients

- (a) FCM Clearing Members shall not permit FCM Clients incorporated in or domiciled in Japan to participate in the Portfolio Margining Service.
- (b) FCM Clearing Members shall not clear Yen-denominated FCM SwapClear Contracts on behalf of FCM Clients incorporated in or domiciled in Japan.

1.10 Prescribed Terms

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

Where an FCM 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 Clearing Member shall comply with Applicable Law relating to the segregation of FCM Client Funds, including 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 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 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 Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM Clearing Member only until the next Business Day following receipt; and
- (e) the FCM Client has the ability to withdraw its assets from the FCM Clearing Member as soon as reasonably practicable if the FCM 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.

(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.

2.2.15 *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.

2.2.16 *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. PPS times are published on the Clearing House's website at: <http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system>.

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.

2.2.17 *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)).

House's Risk Management Department. Transfers will only be effected once adequate cover has been provided by both parties to the transfer.

2.2.23 *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.

2.2.24 *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. ~~Follow this link to the information available from the LCH website: <https://www.lch.com/membership>.~~ 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 2.2.17 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*

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

<https://www.lch.com/membership>

(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.

2.2.25 *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 2.2.25(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 2.2.24) 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 ~~p~~Protected ~~p~~Payments ~~s~~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.

~~Follow the link below for a~~The list of PPS banks operating in the UK and US ~~is available from the Clearing House on request.~~ ⁴

~~List of PPS Banks~~⁴

(d) *Acceptable Forms of Collateral Cover*

~~Follow the link below for a~~A detailed description of acceptable collateral and ~~applicable~~ processes ~~applicable from time to time~~:

~~Risk Management/LCH/Acceptable Collateral~~⁵ ~~is available from the Clearing House on request.~~

⁴ ~~<https://www.lch.com/risk-collateral-management/sa-collateral-management/sa-acceptable-collateral/sa-acceptable-cash-0>~~

(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, ~~or follow the link below:~~

~~Overview of interest and charges⁶~~

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

2.2.26 *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:

- (A) 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
- (B) one or more individual Auction 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:

⁵ ~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral>~~

⁶ ~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-fees-collateral>~~

3.2.1 **PPS Mandates**

(a) *Introduction*

An FCM Clearing Member is required to maintain a:

- (i) US dollar PPS account with any US PPS bank; and
- (ii) PPS bank account with any UK PPS bank in EUR, USD and GBP, and each currency in which it incurs settlement obligations, and provides Securities Collateral, to the Clearing House. An FCM Clearing Member may use different UK PPS banks for different currencies.

Please refer to the ~~following link~~ [Clearing House's website](#) for details.:

~~www.lch.com/risk_management/ltd/pps/~~

FCM Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account PPS mandates.

The GBP non-segregated PPS account will, *inter alia*, be used to process Contributions for all services other than the ForexClear Service. For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Client Funds must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Furthermore, PPS accounts that contain FCM Client Funds held with respect to Futures/Options Contracts may not contain FCM Client Funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations.

Each FCM Clearing Member is required to complete a standard form UK PPS Mandate and US PPS Mandate (copies are available from treasury.ops.uk@lch.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Onboarding Department.

(b) *Currency Conversion*

The Clearing House supports cross currency collateral, which allows the FCM Clearing Member to elect to use cash cover denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. FCM Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with the Clearing House's Treasury Operations.

(c) *Morning PPS Calls*

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see section 3.3) any shortfall is called through UK PPS with separate calls made for each currency. Each FCM Clearing Member must ensure that its UK PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 London time, or within one hour of a subsequent call, on the day on which the PPS call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to an FCM Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

(d) *Intra-day PPS Calls*

The intra-day margin call by the Clearing House is for intra-day Margin payments.

The Clearing House will call intra-day margin through UK PPS accounts, except where it wishes to make such a call after the UK PPS cut-off time (08:00 New York time), in which case such a call will be made upon the FCM Clearing Member's nominated US PPS account.

Only USD will be called by default during the hours of UK PPS for each mnemonic/sub-account. FCM Clearing Members may request a change to the default currency no later than 09:30 London time in order for the change to be implemented the following day. ~~FCM Clearing Member's may submit a request to change their currency at the following link:~~

www.lch.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the FCM Clearing Member being declared in default. Late confirmation of PPS calls is reported to the regulators of the LCH Group.

(e) *Auto repay*

FCM Clearing Members may request that they are automatically repaid any excess USD cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lch.com or telephone +44 (0)20 7426 7505). In certain circumstances and following notification to one or more Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all FCM Clearing Members of a clearing service. The Clearing House will notify FCM Clearing Members via Clearing Member Circular in the event that the functionality is disabled. This Section 3.2.1(e) only applies to Proprietary Accounts.

(f) *Value Date*

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(c) and 3.2.1(d), subject to Section 3.2.1(h), all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP, MXN and USD, which are processed with value for the same business day.

(g) *Foreign Bank Holidays*

The Clearing House has made arrangements with UK PPS banks to operate the PPS on all UK banking days including foreign bank holidays.

In respect of currency holidays for EUR, GBP and USD ("**Major Currencies**"), FCM Clearing Members are required to be able to meet PPS calls in all of the three Major Currencies and therefore must have an account with a PPS Bank in London in each of EUR, GBP and USD. If an FCM Clearing Member's preferred currency is available to be settled on a currency holiday, the Clearing House will call such

preferred currency. In the event that such currency is not available to be settled on a particular day, the Clearing House will (i) firstly apply excess it may hold in respect of an FCM Clearing Member and then (ii) issue calls in the following order:

- (i) on a USD holiday, the Clearing House will issue a call in EUR;
- (ii) on a GBP, holiday the Clearing House will issue a call in USD;
- (iii) on an EUR holiday the Clearing House will issue a call in GBP;
- (iv) on a day which is both a USD holiday and a EUR holiday, the Clearing House will issue a call in GBP; and
- (v) on a day which is both a USD holiday and a GBP holiday the Clearing House will issue a call in EUR.

The Clearing House will observe an FCM Clearing Member's currency preferences on all days, other than currency holidays.

Confirmation that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(c) and 3.2.1(d). However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA, but not in the UK. 21 August is a normal banking day in the USA.

On 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS call, for value on 21 August.

Please refer to ~~the Clearing House's website and FCM Clearing Member circulars~~ for details of the Clearing House's opening days and currency holidays ~~s at the following link~~ www.leh.com/member-notices/.

(h) *UK Bank Holidays*

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday.

However, the Clearing House may sometimes be open for business on a UK bank holiday and in such circumstances PPS calls will be made as normal that day. Value will be given the same day provided that the relevant currency center is open for business.

(i) *Use of UK PPS and US PPS*

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS calls. Generally, UK PPS will be used for Morning PPS calls (including Contributions to the default fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 London time. However, FCM Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS call or intra-day margin calls before 16:00 London time to an FCM Clearing Member's US PPS account in exceptional circumstances (an “**Exceptional PPS Call**”). The Clearing House will use all reasonable commercial efforts to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

(j) *Contingency Payment Arrangements*

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

(k) *Recovery from Insolvent PPS Banks*

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected FCM Clearing Member(s) make alternative payments, should the Clearing House make a recovery from the estate of the PPS bank, it will credit such recovery, net of costs, to the accounts of the affected FCM Clearing Members in proportion to the amount of the original missed payment.

3.3 **Acceptable Forms of Cover**

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form as Collateral against liabilities of the relevant FCM Clearing Member.

Please refer to the [Clearing House's website following link](#) for further details.:

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

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing

House may vary the types of collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.

3.3.1 *Cash*

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from FCM Clearing Members only in relation to current or anticipated obligations.

Cash cover need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

FCM Clearing Members must give LCH Limited Treasury Operations no less than two business days' notice of their intention to request withdrawal of cash Collateral and its replacement by the lodgment of non-cash Collateral or the replacement of one currency for another. Where an FCM Clearing Member fails to give such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. This paragraph applies only to the Proprietary Account of an FCM Clearing Member.

3.3.2 *Securities*

Please refer to the ~~Clearing House's following pages on our~~ website for ~~both~~ prevailing haircuts and ~~notes on the~~ types of collateral acceptable to the Clearing House as Collateral. ~~;~~

~~http://www.lch.com/risk_management/ltc/acceptable_collateral.asp~~

3.3.3 *Securities Value Notification*

FCM Clearing Members may obtain details on the Margin value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

3.3.4 *Investment of FCM Client Funds*

Pursuant to the application of FCM Regulation 7(n)(ii)(A), the investment of cash Collateral held on behalf of FCM Clients by the Clearing House in respect of clearing Swaps Products and Futures Products (“**Swaps and Futures Cash Collateral**”) is limited to investment in U.S. Treasury securities (through outright purchases, repurchase or reverse repurchase transactions) and in Euro-denominated sovereign debt issued by the French Republic or the Federal Republic of Germany (through repurchase or reverse repurchase transactions), in each case, as permitted by and in accordance with Applicable Law.

- (a) Each FCM Clearing Member shall instruct the Clearing House, in the form and manner specified by the Clearing House, whether or not to invest Swaps and Futures Cash Collateral that is held on behalf

3.4.2 *Cash currency preference*

FCM Clearing Members may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, an FCM Clearing Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

FCM Clearing Members may define their own sequence of cash currency utilization for each mnemonic and each account type (i.e. House or Client). The sequence does not have to be on a like for like basis and an FCM Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

Any changes to an FCM Clearing Member's nominated currency sequence, or a request to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

3.4.3 *Record of cover provided*

Charges and interest shall be calculated in accordance with the information published on the website of the Clearing House.

3.4.4 *Use of a Defaulter's cover*

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

3.4.5 *Overnight FCM Funding Account*

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

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

3.5.1 *Cash Balance Interest Rate*

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

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding Contributions). The LDR calculation methodology utilizes

published market rates minus a spread. The current spread rates are published on the ~~Clearing House's LCH~~ website ~~at the following link: http://www.lch.com/fees/ltc/custody_services.asp; and~~

- (b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances on Client financial accounts. The CDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the ~~Clearing House's LCH~~ website ~~at the following link: http://www.lch.com/fees/ltc/custody_services.asp; and~~

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

- (c) Default Fund Rate.

Rates are available from the ~~Clearing House's w~~ ~~Member Reporting Website~~.

The Clearing House reserves the right to alter the basis of calculating each above listed interest rates. Any alteration will be effective on the date notified.

Where the Clearing House provides FCM Clearing Members with at least three days written notice (which may be way of member circular), the Clearing House may increase or decrease the LDR by up to 10bps. The foregoing shall not apply in the event of extreme market conditions, during which the Clearing House may freely and without notice increase or decrease the LDR for up to five consecutive Business Days.

Where the Clearing House provides FCM Clearing Members with two weeks' written notice (which may be way of member circular), the Clearing House may increase or decrease the CDR. In the event of extreme market conditions, the Clearing House may freely and without notice increase or decrease the CDR for up to five consecutive Business Days.

3.5.2 ***Price Alignment Amount Rate***

The calculation of the Price Alignment Amount shall use the applicable interest rate specified and published on the Clearing House's website. The Clearing House shall not change the interest rates used for the calculation of Price Alignment Amount in respect of USD, EUR, GBP, JPY and CHF without the consent of all FCM Clearing Members holding open FCM SwapClear Contracts in such currencies.

Notwithstanding the foregoing, in the event the interest rate source used for the calculation of Price Alignment Amount (a) is unavailable (including where such rate ceases, or will cease, to be provided by its administrator), (b) is not sufficiently robust, (c) is not fit for purpose, or (d) has materially changed, in each case as determined in the Clearing House's sole discretion, 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 ~~fax and~~ email to collateral.clientservices@lseg.com. ÷

~~Email to collateral.ops.uk@lch.com~~

~~Fax: +44 (0)20 7375 3518~~

Collateral Operations can be contacted on +44 (0)207 426 ~~7505-7593~~.

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.

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.

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.

4.3 **Instructions via the CMS**

The Clearing House will action instructions relating to Collateral that have been input and authorized via the CMS in accordance with, and subject to, this Section 4 of the FCM Procedures. The details input on the CMS will form the basis of the matching

instruction sent to the relevant Depository. FCM Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions

It is the responsibility of the FCM Clearing Member to input a cancellation request of any incorrectly input instruction and to subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction (please refer to Section 4.4.7 below for further details).

The Clearing House will update the status of the instruction in the CMS to reflect the status of the corresponding instruction at the relevant Depository. On settlement of the transaction at the relevant Depository, the Clearing House will reflect the balance of the securities on the relevant account of the FCM Clearing Member and take them into account for the purposes of calculating the value of the FCM Clearing Member's Margin.

The relevant account details that an FCM Clearing Member should use for matching transactions at a Depository are [available from the Clearing House on request located at ~~www.leh.com/documents/731485/762486/leh-custodian-settlement-accounts-for-margin-collateral-ltd-2809.pdf/6857526e-1d18-4b86-9e4a-be1b7e2a4234~~](http://www.leh.com/documents/731485/762486/leh-custodian-settlement-accounts-for-margin-collateral-ltd-2809.pdf/6857526e-1d18-4b86-9e4a-be1b7e2a4234).

The Clearing House will not be liable for any losses to FCM Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a Depository or the FCM Clearing Member (save for any liability which may not be excluded by Applicable Law).

4.4 Settlement Procedures – Securities

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

4.4.1 *Instruction Deadlines*

FCM Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

Collateral Operations' operational hours are Monday to Friday 07:00 to 21:00 UK time.

Instruction deadlines [are available on the Clearing House's website](#). The Clearing House will (subject to Section 4.1.11) input matching instructions to the relevant Depository for same day settlement when the instructions are received prior to the [applicable](#) deadlines ~~above~~.

4.4.2 *Deliveries to and from Local Markets*

The Clearing House is bound by the settlement deadlines of the relevant Depository. FCM Clearing Members should refer to the relevant Depository for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (*i.e.* on

Appendix II

Procedures Section 1 (Clearing Member, Non-Member Market Participant and Dealer Status)
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LCH LIMITED

PROCEDURES SECTION 1

**CLEARING MEMBER, NON-MEMBER MARKET
PARTICIPANT AND DEALER STATUS**

The Clearing House shall be entitled to charge Clearing Members fees, charges, levies and other dues as prescribed by the Clearing House from time to time, provided, that the Clearing House shall provide Clearing Members no fewer than fourteen (14) days' prior notice of any increase to such fees, charges, levies or other dues. The Clearing House may provide the aforementioned notice by way of Clearing Member circular or notification, which may include notification via the Clearing House's website.

1.11 Other Conditions

The Clearing House may, at any time, impose additional conditions in relation to continued Clearing Member status, and at any time vary or withdraw any such conditions, provided that any such conditions which restrict, or may be considered to have the effect of restricting, access of a Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. Clearing Members are referred to the Clearing House's website for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on a Clearing Member may include, but are not limited to, a requirement to transfer additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

1.12 Jurisdictional Requirements

1.12.1 Singaporean Clients

Clearing Members are required to provide a copy of the 'Notice to Singapore Clearing Clients' to Clearing Clients incorporated in or operating through a branch in Singapore. The 'Notice to Singapore Clearing Clients' is available [from the Clearing House on request at: https://www.lch.com/system/files/media_root/singapore%20client%20disclosure.pdf](https://www.lch.com/system/files/media_root/singapore%20client%20disclosure.pdf).

1.12.2 Restrictions on Clearing Members and SCM Branches incorporated in or domiciled in Japan (each a "**Japanese Clearing Member**" or "**Japanese SCM Branch**", respectively)

- (a) Japanese Clearing Members and Japanese SCM Branches are not permitted to participate in the Portfolio Margining Service.
- (b) Japanese Clearing Members and Japanese SCM Branches shall not clear Yen-denominated SwapClear Contracts.

1.12.3 Restrictions on Clearing Clients incorporated in or domiciled in Japan ("**Japanese Clearing Clients**")

- (a) Clearing Members may not participate in the Portfolio Margining Service on behalf of Japanese Clearing Clients.
- (b) Clearing Members shall not clear Yen-denominated SwapClear Contracts on behalf of Japanese Clearing Clients.

Appendix III
Procedures Section 2D (EquityClear Clearing Service)
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LCH LIMITED

PROCEDURES SECTION 2D

EQUITYCLEAR CLEARING SERVICE

In the event that nil paid rights are delivered by a Selling Member after the last time for delivery, the Clearing House will attempt to deliver the securities back to the Selling Member, who will remain liable for delivering the chosen option as required by the Buying Member.

Registration of Documents

Where the Clearing House has made delivery of application forms/allotment letters to a Buying Member by the last date and time for delivery and such Selling Member Fails or omits to register/complete such forms in respect of lapsed rights proceeds, then the Clearing House may in its absolute discretion, charge an administration fee of a minimum of £50 plus VAT to the Buying Member in the event that the Clearing House has to pass on such proceeds.

1.17 [INTENTIONALLY LEFT BLANK]

1.18 EquityClear Client Clearing

1.18.1 EquityClear Client Clearing – Ancillary Documentation

(a) Security Deed

Unless specified otherwise by the Clearing House, an EquityClear Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.

(b) Prescribed Language and End-User Notice

Pursuant to the Clearing House's General Regulations, each EquityClear Clearing Member is required to ensure that it includes certain language in its agreement with its EquityClear Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 1 of Section 1 of the Procedures.

EquityClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website: [End User Notice | LCH Group](#).

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

1.18.2 Backup Clearing Members

An EquityClear Clearing Client may, at any time, appoint one or more Backup Clearing Member(s) in respect of the EquityClear Service, for the purpose of porting EquityClear Contracts entered into by an EquityClear Clearing Member

Appendix IV
Procedures Section 2I (ForexClear Clearing Service)
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LCH LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

the Collateral transferred in respect of the initial margin or any variation margin obligations. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Rules have increased.

- 1.5.7 *Initial Margin Management Events Service ("IMMES")*: IMMES aims to find risk and initial margin reducing ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest Collateral requirement.

FXCCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Risk on 0207 426 7527. To be eligible to participate in IMMES, an FXCCM must enter into an IMMES agreement with the Clearing House (the "**IMMES Agreement**").

1.6 General Margining Process

A "**Margin and Settlement Run**" is the process by which the Clearing House calculates an FXCCM's initial margin requirement (if any) and, during an EOD Margin and Settlement Run (i) in respect of each ForexClear CTM Contract, its variation margin requirement and PAI adjustment (if required) or (ii) in respect of each ForexClear STM Contract, its NPV Payment and PAA adjustment (if required) (together the "**Margin or Settlement Requirements**"), and in the case of (i) only, applies that FXCCM's Collateral to satisfy the Margin Requirements for that FXCCM in respect of the ForexClear Contracts within that FXCCM's portfolio.

- 1.6.1 *Types of Margin and Settlement Runs*: There are three types of Margin and Settlement Run:

(a) *ITD/Ad Hoc - Day Margin and Settlement Run*

- (i) ITD/Ad-hoc London daytime Margin and Settlement Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FXCCMs 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 and Settlement Run**"), ~~which PPS time period is available from the Clearing House on request. PPS times are published on the Clearing House's website at: <http://www.lch.com/en/risk-collateral-management/collateral-management/protected-payments-system/pps-concentration-activities>.~~
- (ii) ITD/Ad-hoc Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation, NPV Payment obligation, PAI and PAA are not included in ITD/Ad-hoc Margin Runs.

- (b) *EOD Margin and Settlement Run*
 - (i) The EOD Margin and Settlement Run is the final ITD/Ad-hoc Day Margin and Settlement Run that completes by 24:00 local London time on that business day (the "**EOD Margin and Settlement Run**").
 - (ii) EOD Margin and Settlement Runs are calls in respect of initial margin as well as (i) in the case of ForexClear CTM Contracts, variation margin obligations and PAI; and (ii) in the case of ForexClear STM Contracts, NPV Payment obligations and PAA.
- (c) *ITD / Ad Hoc - Night Margin Run*
 - (i) 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**").
 - (ii) ITD/Ad-hoc Night Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation, NPV Payment obligation, PAI and PAA are not included in ITD/Ad-hoc Night Margin Runs.

1.6.2 *Margin and Settlement Run Process*

- (a) Margin and Settlement Runs cover all registered ForexClear Contracts with the status "**NOVATED**".
- (b) Margin and Settlement Runs will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:
 - (i) EOD Margin and Settlement Run on the Settlement Date; or
 - (ii) EOD Margin and Settlement Run after the Settlement Rate is published.
- (c) During every Margin and Settlement Run the Clearing House calculates the Collateral required in respect of the initial margin obligations and (i) in the case of an FXCCM who is party to ForexClear CTM Contracts, the Collateral required in respect of the variation margin obligations and PAI required to cover that FXCCM's relevant open ForexClear CTM Contracts; or (ii) in the case of an FXCCM who is party to ForexClear STM Contracts, the NPV Payments and the PAA required in respect of that FXCCM's relevant open ForexClear STM Contracts (each a "**Liability**" and together the "**Liabilities**"). For these purposes, liabilities in respect of the open ForexClear Contracts and ForexClear Transactions registered in an FXCCM's Proprietary Account, each of the FXCCM's Client Accounts (other than Indirect Gross Accounts) and each Indirect Gross Sub-

Account within an Indirect Gross Account of such FXCCM will be calculated separately.

- (d) Each FXCCM's Liability:
- (i) in respect of the open ForexClear Contracts registered in an FXCCM's Proprietary Account, is offset against that FXCCM's non-cash collateral account (being a sub-account of the FXCCM's "H" collateral account) (for Collateral in respect of initial margin only) or funds in that FXCCM's "H" house cash account (being a sub-account of the FXCCM's "H" collateral account) (for variation margin/PAI/initial margin); and
 - (ii) in respect of the open ForexClear Contracts registered in a particular FXCCM's Client Account, is offset against the relevant non-cash collateral account (being a sub-account of the FXCCM's Client Account) (for Collateral in respect of initial margin only) or funds in the relevant "C" client cash account (being a sub-account of the FXCCM's Client Account) (for variation margin/PAI/initial margin).
- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 1.7.1 (*Margin and NPV Payment Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for the ForexClear Service; and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).
- (f) If following a Margin and Settlement Run an FXCCM is required to provide additional Collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin and Settlement Runs, where an FXCCM's Liabilities exceed its available Collateral, then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FXCCM's MER Buffer.

1.7 ForexClear Reporting

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of ForexClear Contracts, including terminations and modifications to a 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 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 Clearing Clients of the list of Approved LCH SDRs, and inform such Clearing Clients that the Clearing House is only able to report details of a ForexClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the FXCCM has a reporting obligation), FXCCMs 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.

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, thus an FXCCM will receive reports in respect of ForexClear and may also receive cross-service reports where it is a member of another service. ~~Follow this link to the information available from the LCH website: <https://www.lch.com/membership/>~~

In respect of the ForexClear Service, on each business day the Clearing House will provide two sets of reports to FXCCMs: (1) Banking Reports; and (2) reports direct from the ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the ForexClear Service specific reports. Each day's report will remain available for download by FXCCMs from the 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 obligation) shall report to a trade repository or similar body the details of a ForexClear 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.

1.7.1 *Margin and NPV Payment Liability Reports:* Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin and Settlement Run in accordance with Section 1.6.2 (*Margin and Settlement Run Process*) and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin and Settlement Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that certain Liabilities of FXCCMs are not discharged at the relevant time. A report will also be provided detailing an FXCCM's Collateral utilisation level. If an FXCCM's Liabilities exceed its total available Collateral, ForexClear will alert the FXCCM.

1.7.2 *Market Data Reports:* Reports detailing Market Data are provided to FXCCMs following every scheduled Margin and Settlement Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in the initial margin requirement calculations.

- 1.7.3 *Trade Reports*: Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.
- 1.7.4 *Trade Fixing and Settlement Reports*: Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "**FX Transaction Fixings**" report), ForexClear Contracts that have been settled during that current business day (the "**Settlements Today**" report) and ForexClear Contracts that will settle the next business day (the "**FX Transactions' Fixed with Settlement Tomorrow**" report).
- 1.7.5 *Fees Reports*: Reports on trading volumes on a daily and monthly basis are provided to FXCCMs. 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 FXCCMs choosing to have tariffs levied per transaction.
- 1.7.6 *Banking Reports*: Reports relating to an FXCCM's Collateral are available from the Clearing House portal at <https://clearingservices.lch.com/portal/login>. Follow this link for a full list of banking reports.²
- 1.7.7 *Real-time Reporting*: A near real-time view of member liabilities, collateral pledged, collateral and credit utilisation will be available from the ForexClear Service Portal (referred to in paragraph (e) of Section 1.6.2 (*Margin and Settlement Run Process*)).
- 1.7.8 *Settlement Limit Reports*: As further described in Section 1.19 (*Settlement Limits for ForexClear Deliverable Contracts*).

1.8 Treasury Operations & Collateral Management

- 1.8.1 *Cover Distribution*: The Clearing House nets each FXCCM's Liabilities (i.e. margins 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 collateral distribution ("**Collateral Distribution**"). FXCCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FXCCM has a shortfall, a PPS (as defined in Section 1.8.2 (*Protected Payment System*) below) call for additional Collateral is made. Conversely, any excess cash remaining after the final overnight Margin and Settlement Run can, if requested before 09:30 local London time, be repaid to the FXCCM.

² <https://www.lch.com/membership>

(a) *Cover Distribution Notification*

- (i) FXCCMs are informed via email of their: Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral 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 1.7.1 (*Margin and Settlement Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).
- (ii) The reports accessed via the ForexClear Service Portal will enable FXCCMs to log in and examine the underlying data.

1.8.2 *Protected Payment System:* The Clearing House operates the ~~p~~Protected ~~s~~Payments ~~s~~ystem ("PPS") for transferring funds to and from its FXCCMs to cover their obligations to transfer Margin, NPV Payments, PAA and PAI. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FXCCMs are obliged to hold an account with a London PPS bank in USD, as well as a USD account with a PPS bank in the USA.

~~Follow the link below for a~~ The list of PPS banks operating in the UK and US is available from the Clearing House on request. ~~:- <https://www.lch.com/risk-collateral-management/sa-collateral-management/sa-acceptable-collateral/sa-acceptable-cash-0>~~

1.8.3 *Acceptable Forms of Collateral Cover:* ~~Follow the link below for~~ A detailed description of acceptable collateral and ~~applicable~~ processes ~~applicable from time to time~~ is available from the Clearing House on request. ~~:- <https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral>~~

1.8.4 *Interest and Accommodation:* Interest is payable to or by FXCCMs on cash Collateral 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 utilisation 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. ~~or follow the link below:~~

~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-fees-collateral>~~

"**Daily Calculation Period**" means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for ForexClear Contracts for such business day.

1.11 Provision of Tax Forms

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

1.12 ForexClear Client Clearing

1.12.1 *ForexClear Clearing Client Clearing – Ancillary Documentation*

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

ForexClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website at www.lch.com/membership/ltd-membership/end-user-notice. ÷

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

Appendix V
Procedures Section 3 (Financial Transactions)
Changed Pages



LCH LIMITED

PROCEDURES SECTION 3

FINANCIAL TRANSACTIONS

Clearing Members should note that the PPS (in each location mentioned above) is a system for facilitating payment to the Clearing House of moneys due from Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating bank through the PPS to make any payment, and the receipt of that commitment by the Clearing House, is not to be regarded as satisfaction of any payment due to the Clearing House.

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and the Regulations, Default Rules and Procedures. Payment will only be recognised for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House), and (ii) any time permitted by the relevant payment system for the recall of any such payment has expired or funds received have been paid out to another Clearing Member using the same PPS bank.

Where payments are due to a Clearing Member, payments will be recognised by the Clearing House as having been made as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognised to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

1.3.1 *PPS Mandates*

(a) *Introduction*

A Clearing Member is required to maintain a:

- (i) US dollar PPS account with any US PPS bank; and
- (ii) PPS bank account with any UK PPS bank in EUR, USD and GBP, and in each other currency in which it incurs settlement obligations, and provides Securities Collateral, to the Clearing House (except that it may maintain a PPS bank account at an Australian PPS bank for all of its AUD settlement and margin obligations to the Clearing House). A Clearing Member may use different UK PPS banks for different currencies.

Please refer to the [Clearing House's website following link](http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system) for details: www.lch.com/risk-collateral-management/collateral-management/protected-payments-system.

Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank account or related to any activity on that account must be paid by the Clearing Member holding the relevant account PPS mandate.

Each Clearing Member is required to complete a standard form UK PPS Mandate, US PPS Mandate and, where applicable, Australian PPS Mandate (copies are available from collateral.operations@lch.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Onboarding Department.

(b) *Currency Conversion*

The Clearing House supports cross currency Collateral, which allows the Clearing Member to elect to use Collateral denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with LCH Limited Treasury Operations.

(c) *Morning PPS Calls*

Clearing Members' liabilities are calculated overnight UK time. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see Section [1.6](#)) any shortfall is called through either UK or Australian PPS with separate calls made for each currency. It is the responsibility of each Clearing Member to ensure that its PPS bank(s) meets all call instructions received from the Clearing House.

Confirmation of calls, as notified, must be received by the Clearing House from the relevant UK PPS bank(s) by 09:00 London time on the day on which the PPS call is made, or by 09:00 London time on the next day on which the Clearing House is open for business if the PPS call is made on a day on which the Clearing House is not open for business.

Confirmation of calls, as notified, must be received by the Clearing House from the relevant Australian PPS bank(s) within one hour of receipt of the PPS Call Instruction if the PPS Call Instruction is received on a day on which the Clearing House is open for business, or by 10:00 the next day on which LCH is open for business if the PPS Call Instruction is received on a day on which LCH is not open for business.

(d) Failure of a bank to confirm a PPS call within the required deadline may result in the Clearing Member being declared in Default. Late confirmation of PPS calls are reported to the regulators of the Clearing House.

(e) *Intra-day PPS Calls*

An intra-day margin call by the Clearing House is for same-day payments. GBP, EUR or USD can be used to cover margin obligations intra-day. Between 14:30 – 16:00 (London time), GBP and USD will be called through UK PPS.

Normally the Clearing House will call intra-day margin through UK PPS accounts. However, where the Clearing House wishes to make such an intra-day call after UK PPS closes (16:00 London time), such a call will be made upon the Clearing Member's nominated US PPS account.

Clearing Members must designate a currency ("**GBP**", "**EUR**" or "**USD**") that will be called by default during the hours of UK PPS for each mnemonic/sub-account. Clearing Members must request a change to the default currency no later than 09:30 London time in order for the change to be undertaken the following day. ~~Members can submit a request to change their currency at the following link: <http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral/preferred-currency>.~~

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

The Clearing House may not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank.

Failure of a bank to confirm a PPS call within one hour may result in the Clearing Member being declared in Default. Late confirmation of PPS calls are reported to the regulators of the Clearing House.

(f) *Use of UK and US PPS*

Generally UK PPS will be used for Morning PPS Calls (including Contributions to the Default Fund), remitting surplus cash balances to a Clearing Member, and for intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct a morning PPS call or intra-day margin calls before 16:00 hours London time to a Clearing Member's US PPS account in exceptional circumstances (an "**Exceptional PPS Call**"). The Clearing House will use all reasonable commercial endeavours to notify the Clearing Member in advance of issuing any such Exceptional PPS Call.

(g) *Auto-Repay Service*

The Clearing House may, at its discretion, provide an auto-repay service to a Clearing Member ("**Auto-Repay Service**") by which a Clearing Member may, in respect of one or more accounts it notifies to the Clearing House (each, a "**Selected Account**") and one or more of the currencies it notifies to the Clearing House (each, a "**Selected Currency**"), request that the Clearing House automatically repay to the Clearing Member, at such time as determined by the Clearing House on each business day, any cash

Collateral (other than Client Collateral) which is in a Selected Currency and which constitutes "excess collateral" (as defined in Section 1.1.2 of Section 4 of the Procedures (*Margin and Collateral*)) in respect of a Selected Account in accordance with, and subject to, Section 1.1.2 of Section 4 of the Procedures (*Margin and Collateral*) (each such request, a "**Request**").

A Clearing Member must contact Collateral Operations in order to make a Request (collateral.operations@lch.com or +44 (0)20 7426 7505). A Clearing Member represents and warrants to the Clearing House, at the time at which it makes a Request, that the individual making such Request on its behalf is duly authorised to do so.

The Clearing House may, at its discretion, cease to provide the Auto-Repay Service in respect of:

a Clearing Member, in which case it will notify the affected Clearing Member accordingly; or

any Service or entirely, in which case it will notify the affected Clearing Members and each relevant Regulatory Body accordingly.

(h) *Value Date*

PPS calls and payments are for same-day value for CAD, EUR, GBP, MXN and USD, and with value on the next day for all other currencies, subject to this paragraph (h). Call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP, MXN and USD, and for value two days after the given instruction for all other currencies. Payment instructions will not be issued on a day when the Clearing House is not open for business.

(i) If, under paragraph (h) above, a PPS call or payment in a particular currency would be due to be made for value on a day ("**Payment Date**") which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and

(ii) in respect of AUD, if the PPS call or payment is instructed on a day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currency holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

Example 2: 20 August is a currency holiday in the UK. The Clearing House is open. 21 August is a currency holiday in Japan. 22 August is not a currency holiday in Japan.

On 20 August, the Clearing House will issue JPY instructions to PPS banks, and receive confirmations in response to the PPS calls on the same day; the value date for such calls will be 22 August.

Example 3: 16 January is a Saturday. The Clearing House is not open. 18 and 19 January are not currency holidays in Australia.

On Saturday 16 January, the Clearing House will issue AUD instructions to PPS banks, and receive confirmations in response to the PPS calls on Monday 18 January; the value date for such calls will be Tuesday 19 January.

Example 4: 23 January is a Saturday. The Clearing House is not open. 26 January is a currency holiday in Australia. 25 and 27 January are not currency holidays in Australia.

On Saturday 23 January, the Clearing House will issue AUD instructions to PPS banks, and receive confirmations in response to the PPS calls on Monday 25 January; the value date for such calls will be Wednesday 27 January.

In respect of currency holidays for EUR, GBP and USD ("**Major Currencies**"), Clearing Members are required to be able to meet PPS calls in all of the three Major Currencies and therefore must have an account with a PPS bank in London in each of EUR, GBP and USD. If a Clearing Member's preferred currency is available to be settled on a currency holiday, the Clearing House will call such preferred currency. In the event that such currency is not available to be settled on a particular day, the Clearing House will (i) firstly apply excess it may hold in respect of a Clearing Member and then (ii) issue calls in the following order:

- (i) on a USD holiday, the Clearing House will issue a call in EUR;
- (ii) on a GBP holiday, the Clearing House will issue a call in USD;
- (iii) on a EUR holiday, the Clearing House will issue a call in GBP;
- (iv) on a day which is both a USD holiday and a EUR holiday, the Clearing House will issue a call in GBP; and
- (v) on a day which is both a USD holiday and a GBP holiday, the Clearing House will issue a call in EUR.

The Clearing House will observe a Clearing Member's currency preferences on all days, other than currency holidays.

Please refer to Clearing ~~Member House's website and member circulars for details of the Clearing House's opening days and currency holidays, at the following link www.lch.com/news-events/members-updates/general-information.~~

(i) *Contingency Payment Arrangements*

Clearing Members are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming a Clearing Member. The Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House's request.

(j) *Recovery from Insolvent PPS Banks*

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of cost, to the accounts of the affected Clearing Members in proportion to the amount of the original missed payment.

1.4 New MAS Electronic Payment and Book-Entry System

1.4.1 The Monetary Authority of Singapore ("MAS") operates a real-time gross settlement system ("RTGS") known as the New MAS Electronic Payment and Book-Entry System ("MEPS+"). The Clearing House maintains an account on MEPS+, exclusively for the purpose of facilitating the transfer of cash denominated in SGD to and from Clearing Members in respect of initial margin.

1.4.2 The Clearing House will accept delivery of SGD via MEPS+ only to meet initial margin requirements. Cash collateral denominated in SGD cannot be used to meet the requirements of on demand initial margin calls

1.4.3 Any payment by a Clearing Member denominated in SGD to satisfy variation margin requirements will be collected via PPS.

1.4.4 To transfer cash denominated in SGD to the Clearing House's account on MEPS+ on a certain business day, a Clearing Member or its agent must submit a valid and complete payment instruction on that business day. MAS will not action such instructions on a SGD holiday. If a payment instruction, which a Clearing Member or its agent submits to the Clearing House on a business day is not subsequently fulfilled by the Clearing Member, or if the Clearing Member inputs an incorrect CMS Reference (as defined in Section 1.3 of Section 4 of the Procedures (*Collateral*), meaning that the Clearing House cannot action the payment instruction, the Clearing House will delete the instruction at 09:00 hours London

time on that business day. The Clearing Member or its agent must then submit a valid and complete instruction on the next business day.

- 1.4.5 The CMS process by which Clearing Members may transfer cash denominated in SGD to the Clearing House is described in Section 1.3 of Section 4 of the Procedures (*Collateral*). In accordance with, and subject to, that process, the amount of the Clearing Member's payment will appear as Collateral against that Clearing Member's account and may be used to satisfy the Clearing Member's initial margin liabilities.
- 1.4.6 If a Clearing Member instructs a payment to the Clearing House's account on MEPS+ on a certain business day, the value date for that payment will be that business day. The Clearing House will process only same day value instructions and will not process forward-dated instructions.
- 1.4.7 PPS calls and payments in respect of SGD to satisfy variation margin requirements are for value on the next business day.
- 1.4.8 The Auto-Repay Service described in Section [1.3.1\(g\)](#) of these Procedures is not available in respect of MEPS+.
- 1.4.9 Clearing Members intending to use this service to transfer cash denominated in SGD to the Clearing House to satisfy initial margin requirements must notify the Clearing House in advance. Further details (including information about deposit and withdrawal deadlines) are available on the Clearing House's website. ~~at the following link:~~

~~<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable-cash>~~

1.5 Acceptable Forms of Collateral

The Clearing House accepts certain types of Collateral as determined by the Clearing House from time to time. Please refer to the [Clearing House's website following link](#) for further details.

~~www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral~~

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section 1.5, either generally or in a particular case, without giving prior written notice to Clearing Members. Further, the Clearing House may vary the types of Collateral acceptable to it.

1.5.1 Cash

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from Clearing Members only in relation to current or anticipated obligations.

Cash used as Collateral need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

Clearing Members must give the Clearing House's Treasury Operations no less than two business days' notice of their intention to substitute existing cash Collateral with non-cash Collateral or cash Collateral in a different currency where the amount of cash is GBP 50 million or greater. Where a Clearing Member fails to give such notice, the Clearing House may decline to transfer or release the cash Collateral to be withdrawn until the end of the required notice period.

1.5.2 *Securities*

Please refer to the ~~Clearing House's following pages on our~~ website for prevailing haircuts and the types of notes on-cCollateral acceptable to the Clearing House as Collateral. ÷

~~<http://www.lch.com/risk-management/ltd/acceptable-collateral.asp>~~

1.5.3 *Value Notification*

Clearing Members may obtain details on the value ascribed to Collateral recorded to their account via the relevant reports available on the Clearing House website portal:

- (a) the CMS; and/or
- (b) SWIFT message sent from the Clearing House to the relevant Clearing Member.

Please refer to the ~~Clearing House's website following pages on our secure website~~ for haircuts on Collateral. ÷

~~www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable~~

1.5.4 *Use of Credits as Collateral*

The following credit amounts are not paid in cash, but may (subject to the restrictions described below) be offset against certain specific margin obligations, with the result that the relevant Clearing Member will need to provide less Collateral in respect of those margin obligations:

- (a) EquityClear credit contingent margin may be used to offset EquityClear debit contingent variation margin and initial margin across currencies; and
- (b) Rates Exchange credit contingent variation margin may be used to offset Rates Exchange debit contingent variation margin and initial margin across currencies.

1.6 Distribution of Collateral

The following Procedures are not in any way intended to restrict, vary or alter the Clearing House's rights to apply any Collateral held by it to meet the Clearing Member's liabilities and obligations to the Clearing House.

1.6.1 *Collateral Application*

The Clearing House will apply Collateral (in turn) to each liability in relation to the Collateral utilisation fees charged in respect of each collateral group categorisation by the Clearing House, as published from time to time ~~on the Clearing House's website, at the following link~~

~~www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-fees-collateral,~~

such that the least expensive collateral group will be applied first and, thereafter, each collateral group will be applied in ascending order of fees. In the event that the amount charged is the same for more than one collateral group, they will be applied in alphabetical order by Collateral group.

1.6.2 *Cash Currency Preference*

Clearing Members may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, a Clearing Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

Clearing Members may define their own sequence of cash Collateral utilisation for each mnemonic and each account type (i.e. House or Client). The sequence does not have to be on a like for like basis and a Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

Any changes to a Clearing Member's nominated currency sequence, or a request relating to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

1.6.3 *Proprietary Account – SwapClear*

The Clearing House will, in general, apply available Standard Collateral (in the order specified in Sections 1.6.1 and 1.6.2) to satisfy the liabilities of a SwapClear Clearing Member in respect of its Proprietary Account, before it applies available Overnight Funding Collateral (in the order specified in Sections 1.6.1 and 1.6.2) to such liabilities, but may, at its sole discretion, determine to apply some or all available Overnight Funding Collateral before applicable Standard Collateral to any such liabilities.

VAT on accommodation charges is subject to the standard rate; some markets may be excluded.

1.7.3 Cash Balance Interest Rate

The Clearing House applies interest to a Clearing Member's cleared cash balances. The following rates are applied:

- (a) LDR – London Deposit Rate – ~~T~~he rate at which the Clearing House may pay or charge interest on credit cash balances (excluding Contributions). The LDR calculation methodology utilises published market rates minus a spread. The current spread rates are published on the Clearing House's website ~~at the following link; and:~~

~~<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-fees-collateral>;~~

~~-and~~

- (b) CDR – Client Deposit Rate – ~~T~~he rate at which the Clearing House may pay or charge interest on credit cash balances on Client Accounts. The CDR calculation methodology utilises published market rates minus a spread. The current spread rates are published on the Clearing House's website ~~at the following link.:~~

~~<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-fees-collateral>.~~

Where the Clearing House provides Clearing Members with at least three days' written notice (which may be way of member circular), the Clearing House may increase or decrease the LDR by up to 10bps. The foregoing shall not apply in the event of extreme market conditions, during which the Clearing House may freely and without notice increase or decrease the LDR for up to five consecutive Business Days.

Where the Clearing House provides Clearing Members with two weeks' written notice (which may be way of member circular), the Clearing House may increase or decrease the CDR. In the event of extreme market conditions, the Clearing House may freely and without notice increase or decrease the CDR for up to five consecutive Business Days.

1.8 Fees

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to collateral accounts.

The invoice/credit note displays the type of fee, contract, future or option type, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to a collateral account.

Appendix VI
Procedures Section 4 (Margin and Collateral)
Changed Pages



LCH LIMITED

PROCEDURES SECTION 4

MARGIN AND COLLATERAL

1. Collateral

1.1 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 collateral will cease to be acceptable as Collateral.

If any cash, instrument or security, lodged in accordance with any of the following Procedures, is in any way found to be unacceptable, it will immediately be given a zero value for the purposes of calculating the value of the Clearing Member Current Collateral Balance (the "**Current Collateral Value**").

1.1.1 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash, securities and triparty Collateral via its online CMS and/or any other operational process the Clearing House determines.

If there is an outage of the CMS (or if the Clearing House decides it is appropriate), a Clearing Member may send certain instructions using the appropriate form, by email to:

collateral.clientservices@lseg.com collateral.ops.uk@lch.com

Collateral Operations can be contacted on [+44 20 7426 7505](tel:+442074267505) ~~+44 (0)20 7426 7593~~.

A copy of the appropriate form is available here:

[LCH Ltd Acceptable Securities | LCH Group](#)

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>

The Clearing House may act upon instructions or communications appearing to have been issued by or on behalf of, or to have come from, a 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 Clearing Member or with the authority of the Clearing Member.

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

The Clearing House reserves the right to require a Clearing Member to execute revised versions of the Deed of Charge ~~and Client Consent documentation~~ whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

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

1.1.2 *Excess Collateral*

The Clearing House shall, at least once on each business day, notify each Clearing Member of the Required Margin Amount and the Total Required Margin Amount.

If a Clearing Member's Current Collateral Value exceeds the sum of that Clearing Member's Total Required Margin Amount and any other amounts which the Clearing Member is required to transfer to the Clearing House under Applicable Law (such excess, "**excess collateral value**"), then that Clearing Member may, in accordance with Sections 1.3 and 1.4 of these Procedures, Section 1.3.1(f) of Section 3 of the Procedures (*Financial Transactions*) and/or any other operational process the Clearing House determines, request that some or all of the Collateral comprising its Clearing Member Current Collateral Balance (other than any Client Collateral) having a value not exceeding the excess collateral value (such Collateral being referred to in these Procedures as "**excess collateral**") be returned or repaid by the Clearing House to, or to the order of, that Clearing Member. For the avoidance of doubt, for the purposes of determining whether there is an excess collateral value (for the purposes of this Section 1.1.2) at the time of the Clearing Member's request, the Clearing Member's Total Required Margin Amount shall not include the amounts of any margin requirements from the Clearing Member to the Clearing House (whether or not demanded of the Clearing Member) in respect of which the time for performance has not occurred at the time of such request.

In the event that the Clearing House expressly notifies the Clearing Member of a positive excess collateral value and that the Clearing House intends to levy a charge in respect of the excess collateral with effect from a date notified in that notification, and the Clearing Member does not take all reasonable steps to eliminate the positive excess collateral value before the date so notified, the Clearing House may, in its discretion, but only from the date so notified, charge the Clearing Member in respect of the excess collateral at the rate of 1 basis point per day until the excess collateral is eliminated. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS sterling account.

If the Clearing House has received a request to return excess collateral, the Clearing House shall promptly take such steps as are necessary to transfer the amount of excess collateral specified in that request to or to the order of the

1.2 DOCUMENTATION

1.2.1 *Deed of Charge*

Clearing Members wishing to transfer non-cash Collateral to the Clearing House must complete and maintain a Deed of Charge. This document establishes a fixed charge over the Clearing Member's interests pursuant to the custody relationship which arises upon specified non-cash Collateral being transferred into an account with the Clearing House by the Clearing Member. The document is required to be executed in accordance with the instructions which accompany it. The Deed of Charge covers, *inter alia*, non-cash Collateral that is transferred to the Clearing House via bilateral settlement or via triparty arrangements. To operate triparty arrangements with the Clearing House, additional documentation must also be executed with the relevant triparty provider.

The Deed of Charge is available from the Clearing House. Where a Clearing Member transfers non-cash Collateral to the Clearing House in respect of a Proprietary Account and a Client Account, it must execute two separate Deeds of Charge.

1.2.2 *Segregation Rules*

Instructions relating to transfers and requests for the return of Collateral must indicate the particular account to which they relate. Any Collateral transferred to the Clearing House in respect of an account will be applied against the Clearing Member's margin liabilities on such account.

Collateral transferred to the Clearing House in respect of a Clearing Member's Client Account will not be applied by the Clearing House to the Clearing Member's liabilities on a Proprietary Account (see Regulation 10(d) (*Accounts*)) or on another Client Account, except in the case of a Cross-ISA Client Excess Deduction or pursuant to Rule 15(a)(ii) of the Default Rules or any Insufficient Resources Determination Rule.

Collateral transferred to the Clearing House in respect of a Clearing Member's Proprietary Account may be applied by the Clearing House towards the payment of any sum whatsoever due by the Clearing Member to the Clearing House, save that, subject to Rule 8(d) of the Default Rules and any Insufficient Resources Determination Rule, no Collateral (other than House Excess and, to the extent not already included in the relevant Clearing Member Current Collateral Balance, Client Buffer) transferred in respect of a Clearing Member's Proprietary Account shall be applied on or towards payment or satisfaction of any of the Clearing Member's liabilities to the Clearing House on any of the Clearing Member's Client Accounts.

1.2.3 *Clearing Client Collateral*

Where a Clearing Member wishes to transfer a Clearing Client's Collateral to the Clearing House, the Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the Clearing Client that the Clearing

Member may charge the Collateral to the Clearing House, on the Clearing House's terms and free of the Clearing Client's or another owner's interest, to secure the Clearing Member's obligations to the Clearing House.

~~Where a Clearing Client's Collateral is to be transferred to the Clearing House, the Clearing Member must ensure that a *Client Consent Form* is completed by the beneficial owner (see Schedule 1).~~

The Clearing House gives no undertaking that, on the Default of a Clearing Member, it will not utilise Clearing Clients' Collateral which has been transferred to it by a Clearing Member, before utilising any other form of Collateral the Clearing House may hold.

Clearing Members are warned that the transfer of Collateral and the grant of a security interest are complex legal matters. The 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. A Clearing Member should seek its own independent professional advice.

1.3 INSTRUCTIONS VIA CMS

The Clearing House will action instructions relating to Collateral that have been input and authorised via the CMS in accordance with, and subject to, this Section 4 of the Procedures.

For non-cash instructions to transfer securities and triparty Collateral, the details input on the CMS will form the basis of the matching instruction sent to the relevant Depository. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

For cash instructions via PPS, the details the Clearing Member inputs into the CMS will form the basis of the call or the SWIFT MT202 payment instruction sent to the relevant PPS Bank.

For cash instructions via any real-time gross settlement system (“RTGS”):

- 1.3.1 The Clearing Member must input the relevant details into the CMS, to ensure that the Clearing House credits/debits the correct amount of cash to the Clearing Member’s Collateral Account.
- 1.3.2 If the Clearing House’s policies in respect of concentration limits are satisfied, the Clearing Member will supply the Unique End-to-End Transaction Reference (the “UETR”) of the SWIFT MT202 payment instruction into the UETR field in the CMS.
- 1.3.3 If the payment does not match up with an authorised CMS instruction featuring the same UETR, the Clearing House will return the cash to the Clearing Member on or after the cash deadline for the relevant currency, on the business day the payment was credited to the Clearing House’s account in the relevant RTGS.

The deadlines are published at the following link of the Clearing House's web site, under the heading *Cash Collateral Deposit and Withdrawal Cut-Off Times*:

[LCH Ltd Acceptable Cash | LCH Group](#)

<https://www.leh.com/collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable-cash>

It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and to subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction (please refer to Section 1.4.7 below for further details).

The Clearing House will update the status of an instruction in the CMS to reflect the status of the corresponding instruction at the relevant Depository, Central Bank or PPS Bank. On settlement of the relevant transaction at the relevant Depository, Central Bank or PPS Bank, the Clearing House will reflect the balance of the securities or cash on the relevant account of the Clearing Member and take them into account for the purposes of calculating the Clearing Member's Current Collateral Value.

The Clearing House will not be liable for any losses to Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a Depository, Central Bank or PPS Bank or the Clearing Member (save for any liability which may not be excluded by Applicable Law).

1.4 **SETTLEMENT PROCEDURES – SECURITIES PROVIDED BY A CLEARING MEMBER TO THE CLEARING HOUSE ON A BILATERAL BASIS**

All transactions to transfer non-cash Collateral from a Clearing Member to the Clearing House or from the Clearing House to a Clearing Member will be executed free of payment. Members are encouraged to instruct with provisions to allow settlement in late day windows (e.g. Daylight, Priority 90 and other such local market indicators).

1.4.1 *Instruction Deadlines*

Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Operations' operational hours are Monday to Friday 07:00 – 21:00 (UK time).

For settlement in Austraclear, the Collateral Team in Sydney are available Monday to Friday 09:00 – 16:30 (AEST).

Instruction deadlines are available on the [Clearing House's LCH website at the following location](#).

<https://www.lch.com/collateral-management/ltc-collateral-management/ltc-acceptable-collateral/ltc-acceptable-securities>

1.4.2 *Deliveries to and from Local Markets*

The Clearing House is bound by the settlement deadlines of the relevant Depository. Clearing Members should refer to the relevant Depository for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (i.e. on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

Deliveries from Local Market	Depository Deadline	Instruction Deadline to Clearing House (UK time)
Japan	07:55	17:00 on S-1
Belgium	14.:0	13:50 on S
Italy	15:00	14:00 on S

1.4.3 *Transfer of Securities Collateral from a Clearing Member to the Clearing House*

Subject to Section 1.1.8, instructions for the transfer of securities Collateral from a Clearing Member to the Clearing House that are input via the CMS or, when directed by the Clearing House, via one of the forms available on the website prior prior to the deadlines advised by the Clearing House for same day settlement will be actioned and settled transactions will be taken into account for the purposes of calculating the Clearing Member's Current Collateral Value following settlement.

Transfer instructions for future settlement dates will (subject to Section 1.1.8) be instructed same day if received prior to the deadlines. Instructions received after the deadlines will (subject to Section 1.1.8) be instructed the following day only where the intended settlement day is in the future. The Clearing House will reject instructions for same day settlement, which are received after the deadline.

1.4.4 *Transfer of Securities Collateral from the Clearing House to a Clearing Member*

(a) *Release where Sufficient Collateral is Available*

Instructions to release existing securities Collateral of a Clearing Member that are received before the deadlines above for same day

1.4.8 *Instruction Status*

The status of an instruction can be monitored via the CMS. Statuses reflect the status of the instruction at the Clearing House and not at the relevant Depository, Central Bank or PPS Bank. Please refer to the CMS user guide for status definitions.

1.5 TAX ARRANGEMENTS

1.5.1 *US Securities*

For tax reasons, the Clearing House is required to segregate foreign (i.e. non-US) owners' securities from US owners' securities. Clearing Members must deliver securities to the correct account. The Clearing House operates accounts with Citibank N.A., BMO Harris and Bank of New York Mellon.

In order to reduce or to eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, Clearing Members will be expected to provide one of the forms noted below to the Clearing House. A current form will be required for each ~~owner~~Clearing Member (i.e. the Clearing Member or the person named in the Client Consent Form).

The relevant forms will be valid for three calendar years and will normally be one of:

- (a) 'W-9 (Request for Taxpayer Identification Number and Certification)'; which applies to a US corporation including a foreign branch of a US corporation and is valid indefinitely; or
- (b) 'W-8BEN (Certificate of Foreign Status)'; which applies to non-resident alien individuals, foreign corporations, partnerships and estates; and

Clearing Members may obtain originals of forms W-8BEN and W-9 from Collateral Operations.

Note: The Clearing House's arrangements with its Depositories only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Collateral Operations.

The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.

Completed tax forms should be returned to Collateral Operations for onward transmission to the relevant Depository.

Clearing Members any relevant recovery in withholding tax credited to the Clearing House's account by the relevant Depository.

In certain cases, the Clearing House or the relevant Depository will withhold tax on a Coupon if the correct documentation is not lodged with the Clearing House or such Depository.

1.6 REFERENCES

These Procedures should be read in conjunction with the relevant contractual provisions, user guides and/or manuals of the relevant Depository. Please also refer to each relevant Depository for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

1.7 CONTINGENCY ARRANGEMENTS

In the event of an outage of the CMS, the Clearing House will notify Clearing Members via member circular and Clearing Members may send certain instructions, using the appropriate form, to the Clearing House by email (see Section 1.1.1 of these Procedures). Forms are available [on the Clearing House's website here:](#)

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>

Normal service hours will apply to such instructions. However, deadlines for manual instructions are earlier. Please refer to the following page of the LCH website for details:

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable>

The Clearing House will notify Clearing Members via a member circular when the CMS is available again.

1.8 TRIPARTY SERVICE OF EUROCLEAR AND CLEARSTREAM

1.8.1 General Information

In order for a Clearing Member to transfer securities to the Clearing House using a triparty arrangement, such Clearing Member, the relevant triparty agent and the Clearing House must have completed and signed the relevant documentation. Please contact the Clearing House on +44 (0)207 426 7237 for more information.

Clearing Members may execute a triparty transaction to cover initial margin requirements at the Clearing House. Triparty instructions must be provided to the Clearing House via the CMS. Instructions may be input for future settlement dates.

If a Clearing Member is unable to make triparty instructions via the CMS, it will be possible to instruct using the relevant triparty contingency forms found

~~at the following page of on the LCH Clearing House's website.:~~

~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>~~

Triparty transactions must be a minimum of one million GBP, EUR or USD.

Settlement deadlines can be found on the ~~LCH Clearing House's website at the following location.:~~

~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>~~

Sufficient Collateral:

Where the Clearing Member has sufficient Collateral available, the closure of a triparty transaction or the decrease of the transaction amount of a triparty transaction will be processed on the same day and the resulting reduction of Collateral will be taken into account for the purpose of calculating the Clearing Member's Current Collateral Value.

Insufficient Collateral:

Where the Clearing Member has insufficient Collateral to close a triparty transaction or to decrease the transaction amount of a triparty transaction, the Clearing Member's Current Collateral Value will be deemed to be decreased overnight and, the following morning, the Clearing House will only close the triparty transaction or decrease the transaction amount of the triparty transaction after 09.00 (UK time) when any PPS cash calls have been confirmed.

Triparty deficits:

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities provided or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation to shortfalls will be called in accordance with Section 1.3 (*Protected Payments System (PPS)*) of Section 3 of the Procedures (*Financial Transactions*). Such cash shall either be credited to the Clearing Member upon the Clearing Member or the relevant Custodial Segregated Client making good the deficit pursuant to the triparty arrangement or retained as Collateral if the Clearing Member or a relevant Custodial Segregated Client does not make good the deficit.

1.9 CUSTODIAL SEGREGATED ACCOUNTS

A Clearing Member may, in respect of a Custodial Segregated Account, affirm an increase or decrease of the transaction amount of a triparty transaction between the

Schedule 1
CLIENT CONSENT FORM

Client Consent Form can be found at the following link:

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable>

Appendix VII
Sponsored Clearing Procedures of LCH Limited
Changed Pages



**SPONSORED CLEARING PROCEDURES OF
LCH LIMITED**

1.8.4 *Reduction in Financial Resources*

All Sponsored Members and Agent Members must immediately notify the Clearing House of any significant reduction (usually 10 % or more), from the figures shown in their last financial returns.

1.9 **Additional Requirements**

Notification of Changes of Ownership

Sponsored Members and Agent Members are required, under the terms of their Sponsored Membership Agreement or Agent Membership Agreement, (as applicable) to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). The Clearing House recognises that, in the case of Sponsored Members and Agent Members which are part of large financial groups, changes in controllers may occur with relative frequency, which may only be known after the event and are unlikely to be significant to the Clearing House. However, in cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in the firm are not known to the Clearing House, Sponsored Members and Agent Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House.

1.10 **Other Conditions**

The Clearing House may, at any time, impose additional conditions in relation to continued Sponsored Member or Agent Member status, and at any time vary or withdraw any such conditions, provided that any such conditions which restrict, or may be considered to have the effect of restricting, access of a Sponsored Member or Agent Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. Sponsored Members and Agent Members are referred to the Clearing House's website ~~_____ at _____~~ <https://www.leh.com/risk-collateral-management/group-risk-management/risk-management-ltd> for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on a Sponsored Members or Agent Member may include, but are not limited to, a requirement to transfer additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

Each Sponsored Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House for its account as required, *inter alia*, by the Sponsored Membership Agreement, clearing extension documentation and the SC Regulations, SC Default Rules and SC Procedures.

Each Agent Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House for the account of its Sponsored Members as required, *inter alia*, by the Agent Membership Agreement, clearing extension documentation and the SC Regulations, SC Default Rules and SC Procedures.

Payment will only be recognized for this purpose if the relevant PPS bank: (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House); and (ii) any time permitted by the relevant payment system for the recall of any such payment has expired or funds received have been paid out to another Clearing Member, Agent Member or Sponsored Member using the same PPS bank.

Where payments are due to a Sponsored Member or Agent Member, payments will be recognised by the Clearing House as having been made as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognised to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

3.3.1 ***PPS Mandates***

(a) *Introduction*

An Agent Member is required to maintain a:

- (i) US dollar PPS account with any US PPS bank; and
- (ii) PPS bank account with any UK PPS bank in EUR, USD and GBP, and in each other currency in which it incurs settlement or margin obligations, and provides Securities Collateral, to the Clearing House. An Agent Member may use different UK PPS banks for different currencies.

Where a Sponsored Member is providing Back-up Agent Services or, where applicable, Back-up Paying Agent Services, such Sponsored Member is required to maintain a:

- (i) US dollar PPS account with any US PPS bank; and
- (ii) PPS bank account with any UK PPS bank in EUR, USD and GBP, and in each other currency in which it incurs settlement or margin obligations, and provides Securities Collateral, to the Clearing House. A Sponsored Member may use different UK PPS banks for different currencies.

Please refer to the [Clearing House's website following link](http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system) for details: www.lch.com/risk-collateral-management/collateral-management/protected-payments-system

Agent Members are responsible at all times for ensuring that their PPS banks accounts have sufficient funds or credit lines to be able to meet calls from the Clearing House for their own account and/or the account of their Sponsored Members.

Sponsored Members providing Back-up Agent Services and where applicable, Back-up Paying Agent Services are responsible at all times for ensuring that their PPS banks accounts have sufficient funds or credit lines to be able to meet calls, for their own account, from the Clearing House.

Any bank charges connected with the holding of any PPS bank account or related to any activity on that account must be paid by the Agent Member or relevant Sponsored Member, as applicable, holding the relevant account PPS mandate.

Each Agent Member and each Sponsored Member providing Back-up Agent Services and, where applicable, Back-up Paying Agent Services, is required to complete a standard form UK PPS Mandate and US PPS Mandate (copies are available from collateral.clientServices@lch.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Agent Member, or relevant Sponsored Member institution (as applicable) and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Onboarding Team.

onboarding@lch.com

(b) *Currency Conversion*

The Clearing House supports cross currency Collateral, which allows the Agent Member to elect to use Collateral denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. Agent Members must nominate the currency in which they wish to cover margin liabilities for their own account and/or the account of their Sponsored Members, by prior arrangement with LCH Limited Collateral Operations.

A Sponsored Member providing Back-up Agent Services and where applicable, Back-up Paying Agent Services can elect to use Collateral denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. A Sponsored Member providing Back-up Agent Services and where applicable, Back-up Paying Agent Services must nominate the currency in which they wish to cover margin liabilities for their own account, by prior arrangement with LCH Limited Collateral Operations.

(c) *Morning PPS Calls*

Sponsored Members' and Agent Members' liabilities are calculated overnight UK time. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see Section 3.4) any shortfall is called through UK PPS with separate calls made for each currency and each collateral sub-account. It is the responsibility of each Agent Member and relevant Sponsored Member to ensure that its UK PPS bank(s) meets all payment instructions received from the Clearing House.

Confirmation of PPS calls, as notified, must be received by the Clearing House from the relevant UK PPS bank(s) by 09:00 London time on the day on which the PPS call is made.

Failure of a bank to confirm a PPS call within the required deadline may: (i) in respect of the Agent Member performing the Agent Member Services, constitute an Agent Close-out Event; or (ii) with respect to the Sponsored Member performing Back-up Agent Services and where applicable, the Back-up Paying Agent Services, result in a Default in respect of such Sponsored Member.

Where with respect to an Agent Member performing the Back-up Agent Services and where, applicable, the Back-up Paying Agent Services, such Agent Member's nominated PPS bank fails to confirm a PPS call within the required deadline and there is not sufficient Agent Buffer in the relevant Agent Buffer Account to cover the relevant margin call, such Agent Member's corresponding Sponsored Member will be required to meet such margin call themselves within one hour of being notified of the failed PPS call. Late confirmation of PPS calls are reported to the regulators of the LCH Group.

(d) *Intra-day PPS Calls*

An intra-day margin call by the Clearing House is for same-day payments. GBP, EUR or USD can be used to cover margin obligations intra-day. Between 14:30 – 16:00 (London time) only GBP and USD will be called through UK PPS.

Normally the Clearing House will call intra-day margin through UK PPS accounts. However, where the Clearing House wishes to make such an intra-day call after UK PPS closes (16:00 London time), such a call will be made upon the Agent Member's or relevant Sponsored Member's nominated US PPS account.

Agent Members must designate a currency ("**GBP**", "**EUR**" or "**USD**") that will be called by default during the hours of UK PPS for each mnemonic/sub-account. Agent Members and Sponsored Members providing Back-up Agent Services and where applicable, the Back-up Paying Agent Services may request a change to the default currency no later than 09:30 London time in order for the change to be undertaken

the following day. ~~Agent Members and relevant Sponsored Member's may submit a request to change their currency at the following link:~~

~~<http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral/preferred-currency>~~

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

It is noted that the Clearing House will not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

The Clearing House must receive confirmation of payment from the Agent Member's or, as applicable, relevant Sponsored Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may: (i) in respect of the Agent Member performing the Payment Services, constitute an Agent Close-out Event; or (ii) with respect to the Sponsored Member performing Back-up Agent Services and where applicable, the Back-up Paying Agent Services, result in such Sponsored Member being declared in default.

Where with respect to an Agent Member performing the Back-up Agent Services and where, applicable, the Back-up Paying Agent Services, such Agent Member's nominated PPS bank fails to confirm a PPS call within one hour and there is not sufficient Agent Buffer in the relevant Agent Buffer Account to cover the relevant margin call, the Sponsored Member attributed to such Agent Member may elect to meet such margin call themselves within one hour of being notified of the failed PPS call. Late confirmation of PPS calls are reported to the regulators of the LCH Group.

(e) *Auto repay*

Agent Members may, provided that there has not been an Agent Close-out Event, request that they are automatically repaid any excess cash balances that remain on their accounts or the accounts of such Agent Member's corresponding Sponsored Member, at the end of each day where the relevant Clearing Service of which the Agent Member is a member provides an auto-repay mechanism. Agent Members must contact Collateral Operations in order to have auto-repay applied to their accounts or the accounts of such Agent Member's corresponding Sponsored Member (collateral.clientservices@lch.com -or +44 (0)20 7426 7505).

Those Agent Members who are not on auto-repay or whose corresponding Sponsored Member accounts are not on auto-repay may

These SC Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS calls. Generally UK PPS will be used for morning PPS calls (including Contributions to the Default Fund), remitting surplus cash balances to an Agent Member and for intra-day margin calls up to 16:00 London time. However, Agent Members and relevant Sponsored Members should be aware that the Clearing House reserves the right to direct a morning PPS Call or intra-day margin calls before 16:00 London time to an Agent Member's or, as applicable, relevant Sponsored Member's US PPS account in exceptional circumstances (an “**Exceptional PPS Call**”). The Clearing House will use all reasonable commercial endeavours to notify the Agent Member or, as applicable, relevant Sponsored Member in advance of issuing any such Exceptional PPS Call.

(h) *Contingency Payment Arrangements*

Agent Members and Sponsored Members that have elected to provide Back-up Agent Services and where applicable, the Back-up Paying Agent Services are required to have contingency payment arrangements in place to ensure that they can continue to meet the margin obligations of their Sponsored Members or their own margin obligations (as applicable) in the event of failure of their nominated PPS bank(s). Furthermore, Sponsored Member^s are required to have contingency payment arrangements in place to ensure that it continues to meet its' margin obligations where its' corresponding Agent Member fails to meet the Payment Services obligations in SC Regulation 6. During the application process, the Clearing House will require the applicant for Agent Members or Sponsored Members status to provide evidence of these arrangements and will test these prior to the applicant becoming an Agent Member or Sponsored Member (as applicable). Such Agent Member or relevant Sponsored Member (as applicable) will be required to provide evidence of their contingency payment arrangements on an annual basis at the Clearing House's request.

(i) *Recovery from Insolvent PPS Banks*

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected Agent Member(s) and relevant Sponsored Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of cost, to the accounts of the affected Agent Members or relevant Sponsored Members in proportion to the amount of the original missed payment.

3.4 **Acceptable Forms Of Collateral**

The Clearing House accepts certain types of Collateral as determined by the Clearing House from time to time. Please refer to the [Clearing House's website following link](#) for further details.†

~~<http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral>~~

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section 3.4, either generally or in a particular case, without giving prior written notice to Sponsored Members or Agent Members. Further, the Clearing House may vary the types of collateral acceptable to it.

3.4.1 *Cash*

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from: (i) Agent Members for their own account; (ii) Agent Members for the account of their Sponsored Members; and (iii) from Sponsored Members and in all cases only in relation to current or anticipated obligations.

Cash used as Collateral need not be provided in the same currency as that of the liability of the related Sponsored Member. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

Agent Members or Sponsored Members (where applicable) must give the Clearing House no less than two business days' notice of their intention to substitute existing cash Collateral with non-cash Collateral or cash Collateral in a different currency where the amount of cash is GBP 50 million or greater, whether for their own account or for the account of its Sponsored Members. Where an Agent Member or Sponsored Member (where applicable) fails to give such notice, the Clearing House may decline to transfer or release the cash Collateral until the end of the required notice period.

3.4.2 *Securities*

Please refer to the ~~Clearing House's following pages on our~~ website for ~~prevailing haircuts and the types of notes on c~~Collateral acceptable to the Clearing House ~~as Collateral~~.

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

3.4.3 *Value Notification*

Agent Members and Sponsored Members may obtain details on the value ascribed to non-cash Collateral on their account via:

- (a) the relevant reports available on the Clearing House website portal;
- (b) the CMS; and/or
- (c) SWIFT message sent from the Clearing House to the relevant Agent Member / Sponsored Member.

Please refer to the ~~Clearing House's following pages on our~~ website for haircuts on Collateral.:

~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable>~~

3.4.4 *Use of Credits as Collateral*

RepoClear credit variation margin may be used to offset RepoClear debit variation margin and initial margin across currencies. Amounts are not paid in cash, but may be offset against certain specific margin obligations of the relevant Sponsored Member, with the result that the related Agent Member or the Sponsored Member which is itself providing Back-up Agent Services and where applicable, Back-up Paying Agent Services, will need to provide less Collateral in respect of those margin obligations.

3.5 **Distribution of Collateral**

The following SC Procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply any Collateral held by it to meet the relevant Sponsored Member's or Agent Member's liabilities/obligations to the Clearing House.

3.5.1 *Collateral Application*

The Clearing House will apply Collateral to each liability (in turn) in relation to the collateral utilisation fees charged in respect of each collateral group categorisation by the Clearing House, as published from time to time on the Clearing House's website. at the following link:

~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-fees-collateral>~~

The Clearing House will apply the least expensive collateral group first and thereafter, will apply each collateral group in ascending order of fees.

If the amount charged is the same for more than one collateral group, they will be applied in alphabetical order by collateral group.

The Clearing House will not (i) require the assets of a sub-fund of an umbrella fund to be applied towards the liabilities of another sub-fund or (ii) otherwise prejudice the application of any Irish rule of law concerning segregated liability between sub-funds of umbrella funds. Notwithstanding any provision of the Default Rules:

- (a) if the Clearing House succeeds by any means whatsoever or wheresoever in having recourse to any assets of any sub-fund in the discharge in all or any part of a liability which was not incurred on behalf of that sub-fund,

the Clearing House shall be liable to the umbrella fund to a sum equal to the value of the benefit thereby obtained by the Clearing House; and

if the Clearing House succeeds in seizing or attaching by any means, or otherwise levying execution against, any assets of a sub-fund in respect of a liability which was not incurred on behalf of that sub-fund, the Clearing House shall hold those assets or the direct or indirect proceeds of the sale of such assets on trust for the umbrella fund and shall keep those assets or proceeds separately and identifiable as such property.

3.5.2 ***Cash Currency Preference***

Agent Members (and Sponsored Members, where a Sponsored Member is providing Back-up Agent Services and where applicable, Back-up Paying Agent Services) may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, a Sponsored Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

Agent Members and Sponsored Members (where a Sponsored Member is providing Back-up Agent Services and where applicable, Back-up Paying Agent Services) may define their own sequence of cash Collateral utilisation for each mnemonic and each account type (i.e. House or Buffer). The sequence does not have to be on a like for like basis and a Agent Members and Sponsored Members (where a Sponsored Member is providing Back-up Agent Services and where applicable, Back-up Paying Agent Services) may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

Any changes to an Agent Member's or a Sponsored Member's nominated currency sequence, or a request relating to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

3.5.3 ***Record of Collateral Provided***

Charges and interest shall be calculated in accordance with the information published on the website of the Clearing House.

3.5.4 ***Use of Collateral - Default or Agent Close-out Event***

The order of priority (in which cash and non-cash Collateral are applied to cover Sponsored Members' liabilities or Agent Members' liabilities, as applicable), set out elsewhere in this Section 3.5, does not necessarily reflect the order of priority of realisation or application of Collateral which the Clearing House may follow in the case of a Default or an Agent Close-out Event. Following a Default or Agent Close-out Event, the Clearing House is

3.6 Interest on Cash Balances and Accommodation Charges

3.6.1 *Interest Rates*

The Clearing House applies interest to Sponsored Member's and Agent Members' cleared cash balances as published on the Clearing House's website.

3.6.2 *Payment of Interest and Charges*

Interest and accommodation charges are charged monthly, from the last calendar day of the previous month to the penultimate day of the current month. Interest and accommodation charges are calculated on a daily basis and the resultant monthly total is posted to the relevant collateral account(s) of the Sponsored Member or Agent Member (as applicable), for value on the third business day following the penultimate day of the month. A VAT invoice is also issued on the third business day of each month detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency which can be found on the Sponsored Member reporting website.

VAT is charged, dependent on contract and accommodation charges, at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling collateral account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant collateral account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) interest due to be credited or debited; and
- (b) accommodation charges.

VAT on accommodation charges is subject to the standard rate, some markets may be excluded.

3.6.3 *Cash Balance Interest Rate*

The Clearing House applies interest to a Clearing Member's cleared cash balances. The following rates are applied:

~~(i)~~ — RDR – RepoClear Deposit Rate – ~~T~~he rate at which the Clearing House may pay or charge interest on credit cash balances made in EUR, GBP and USD. The current spread rates are published on the Clearing House's website ~~at the following link:-;~~

~~(ii)~~ —

(i) _____; and

(iii)(ii) LDR – London Deposit Rate – ~~T~~the rate at which the Clearing House will pay or charge interest on credit cash balances for all other currencies. The current spread rates are published on the Clearing House’s website, ~~at the following link:~~
http://www.lch.com/fees/ltd/custody_services.asp

Where the Clearing House provides Agent Members and Sponsored Members with at least three days’ written notice (which may be by way of Clearing Member circular), the Clearing House may increase or decrease the RDR. In the event of extreme market conditions, the Clearing House may freely and without notice increase or decrease the RDR for up to five consecutive business days.

Where the Clearing House provides Agent Members and Sponsored Members with at least three days’ written notice (which may be way of Clearing Member circular), the Clearing House may increase or decrease the LDR by up to 10bps. The foregoing shall not apply in the event of extreme market conditions, during which the Clearing House may freely and without notice increase or decrease the LDR for up to five consecutive business days.

3.7 Fees

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to collateral accounts.

The invoice/credit note displays the type of fee, contract, future or option type, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to a collateral account.

Monthly postings are processed via the relevant collateral account at the beginning of the following month, on the third working day for the relevant currency.

3.8 Default Fund Contributions

Provisions relating to RepoClear Contributions are set out in Section 2 of these SC Procedures.

3.9 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 Contract and any modification or termination of such a Contract without duplication and no later than the working day following the

4. COLLATERAL

4.1 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 collateral will cease to be acceptable as Collateral.

If any cash instrument or security, lodged in accordance with any of the following SC Procedures, is in any way found to be unacceptable, it will immediately be given a zero value for the purposes of calculating the value of: (i) the SM/AM Current Collateral Balance (the "**SM/AM Current Collateral Value**"); (ii) the Agent Buffer Collateral Balance (the "**Agent Buffer Current Collateral Value**"); (iii) the ARC Account; and (iv) the SM/AM Default Fund Account. Replacement Collateral may be required immediately from the Sponsored Member's corresponding Agent Member or from the Sponsored Member itself where such Sponsored Member is performing Back-up Agent Services and where applicable, Back-up Paying Agent Services.

4.1.1 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash, securities and triparty Collateral via its online CMS and/or any other operational process the Clearing House determines.

If there is an outage of the CMS (or if the Clearing House decides it is appropriate), an Agent Member or Sponsored Member may send certain instructions using the appropriate form by email to:

collateral.clientservices@leh.com
collateral.clientservices@lseg.com

€ Collateral Operations can be contacted on ~~+44 20 7426 7505~~ ~~+44 (0)20 7426 7593~~.

A copy of the appropriate form is available ~~hereon~~ on the Clearing House's website.

The Clearing House may act upon instructions or communications appearing to have been issued by or on behalf of, or to have come from, an Agent Member or a Sponsored Member (where such Sponsored Member is instructing a security transfer or is performing Back up Agent Services and where applicable, Back up Paying Agent Services). 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 Agent Member or the Sponsored Member (where applicable), or with the authority of such Agent Member or Sponsored Member (as applicable).

The Clearing House will only accept delivery of non-cash Collateral from an Agent Member or Sponsored Member (as applicable) in accordance with these SC Procedures, and will not sell or purchase cash or non-cash Collateral for Agent Members or Sponsored Members, except in so far as it is acting under its SC Default Rules and related SC Regulations.

The Clearing House reserves the right to require a Sponsored Member or Agent Member (as applicable) to execute revised versions of the Deed of Charge or the Title Transfer Contract (as applicable) whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

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

4.1.2 *Excess Collateral*

The Clearing House shall, at least once on each business day, notify each Sponsored Member and its corresponding Agent Member(s) of the Required Margin Amount and the Total Required Margin Amount in respect of such Sponsored Member. The Required Margin Amount and the Total Required Margin Amount are calculated in respect of each Sponsored Member/Agent Member relationship, as identified by their unique mnemonic (a "**SM/AM Netting Set**").

The Clearing House shall, at least once on each business day, notify each Agent Member of additional resources required in respect of such Agent Member's Agent Buffer Account.

The Clearing House shall, at least once per calendar month, notify each Agent Member of additional resources required in respect of such Agent Member's ARC Account and/or SM/AM Default Fund Account.

If the SM/AM Current Collateral Value exceeds the sum of that Sponsored Member's Total Required Margin Amount (deducting amounts of any such margin requirements from the Sponsored Member to the Clearing House in respect of which time for performance has not yet occurred) and any other amounts which the Sponsored Member is required to transfer to the Clearing House under applicable law or regulation with respect to the relevant SM/AM Netting Set (such excess being referred to in this Section 4.1.2 as the "**excess collateral value**"), then that Sponsored Member or Sponsored Member's corresponding Agent Member may, in accordance with Sections 4.3 and 4.4 of the SC Procedures and/or any other operational process the Clearing House determines, request that some or all of the Collateral comprising the SM/AM Current Collateral Balance having a value not exceeding the excess collateral value (such Collateral being referred to in these SC Procedures as "**excess**

- (iii) if in respect of Coupons applied to an Agent Buffer Account, the Agent Member is not an Affected Member;
- (iv) 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; and
- (v) if there is no overnight margin and/or cash call in respect of the relevant Agent Member or Sponsored Member which remains outstanding.

4.1.8 *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 Sponsored Member or Agent Member (as applicable) on the Coupon payment date.

4.1.9 *Charges*

The Clearing House will collect any charges incurred as deemed necessary using PPS and charging the Sponsored Member's PPS account or, as applicable, a PPS account of its corresponding Agent Member. Examples of such charges may include a collateral agent's overnight custody charge, transfer charges or any charges relating to the movement of non-cash Collateral. For a list of the Clearing House's custody services fees, please refer to [the Clearing House's website](#);

<https://www.lch.com/risk-collateral-management/ltc-collateral-management/ltc-fees-collateral>

4.2 **Documentation**

4.2.1 *Deed of Charge or Title Transfer Contract*

Sponsored Members wishing to, or to permit their Agent Members to, transfer non-cash Collateral to the Clearing House on such Sponsored Member's behalf must complete and maintain either a *Deed of Charge or Title Transfer Contract*.

The Deed of Charge establishes a fixed charge over the Sponsored Member's interests pursuant to the custody relationship which arises upon specified non-cash Collateral being transferred into the SM/AM Account with the Clearing House by the Sponsored Member or Agent Member (as applicable).

Under the Title Transfer Contract, the Sponsored Member transfers to the Clearing House full right, title and interest in non-cash Collateral to the Clearing House on terms that, when the Sponsored Member discharges the Covered Obligations (as defined in the Title Transfer Deed) to the Clearing

Collateral transferred to the Clearing House in respect of an ARC Account will not be applied by the Clearing House to the Agent Member's liabilities on a SM/AM Account, Agent Buffer Account or SM/AM Default Fund Account (see Section 2.5) or on another Agent Buffer Account, except as pursuant to the SC Default Rules.

Collateral transferred to the Clearing House in respect of an SM/AM Default Fund Account will not be applied by the Clearing House to the Agent Member's liabilities on a SM/AM Account, Agent Buffer Account or ARC Account (see Section 2.5) or on another SM/AM Default Fund Account, except as pursuant the SC Default Rules.

Collateral transferred to the Clearing House in respect of an account may be applied by the Clearing House towards the payment of any sum whatsoever due by the Sponsored Member and/or Agent Member (as applicable) to the Clearing House, with respect to Contracts registered against such accounts.

4.3 Instructions via CMS

The Clearing House will action instructions relating to Collateral that have been input and authorised via the CMS in accordance with, and subject to, this Section 4 of the SC Procedures.

For non-cash instructions, the details input on the CMS will form the basis of the matching instruction sent to the relevant Depository. Agent Members and, where applicable, Sponsored Members must ensure that the details are input correctly in order to avoid unmatched transactions.

It is the responsibility of the Agent Member or, as applicable, the Sponsored Member (where such Sponsored Member is instructing a security transfer or is performing Back up Agent Services and where applicable, Back up Paying Agent Services) to input a cancellation request of any incorrectly input instruction and to subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, (please refer to Section 4.4.7 below for further details).

The Clearing House will update the status of an instruction in the CMS to reflect the status of the corresponding instruction at the relevant Depository or PPS bank. On settlement of the relevant transaction, the Clearing House will reflect the balance of the securities or cash on the relevant account of the Sponsored Member, or Agent Member as applicable, and take them into account for the purposes of calculating the SM/AM Current Collateral Value or Agent Buffer Current Collateral Value.

The relevant account details that an Agent Member or Sponsored Member should use for matching transactions at a Depository are [available from the Clearing House on request. Located at: https://www.leh.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system](https://www.leh.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system)

The Clearing House will not be liable for any losses to Sponsored Members or Agent Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a Depository or, as applicable, the Agent Member

or the Sponsored Member (save for any liability which may not be excluded by applicable law).

4.4 Settlement Procedures – Securities provided on a bilateral basis

All transactions to transfer non-cash Collateral to or from the Clearing House will be executed free of payment. Members are encouraged to instruct with provisions to allow settlement in late day windows (e.g. Daylight, Priority 90 and other such local market indicators).

4.4.1 *Instruction Deadlines*

Agent Members and where applicable Sponsored Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Operations Team's operational hours are: Monday— to Friday 07:00 – 21:00 (UK time).

Instruction deadlines are available on the [LCH Clearing House's](#) website, ~~at the following location:~~

~~<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable>~~

4.4.2 *Deliveries to and from Local Markets*

The Clearing House is bound by the settlement deadlines of the relevant Depository. Agent Members and relevant Sponsored Members should refer to the relevant Depository for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (i.e. on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

Deliveries from Local Market	Depository Deadline	Instruction Deadline to Clearing House (UK time)
Japan	07.55	17.00 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S

4.4.3 *Transfer of Securities Collateral to the Clearing House*

Instructions for the transfer of securities Collateral to the Clearing House that are input via the CMS or, when directed by the Clearing House, via one of the forms available on the website by: (i) the Agent Member for their own account or for the account of its corresponding Sponsored Member; or (ii) Sponsored

- (c) a supranational organisation recognised by Italian law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to the exemption and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from the Collateral Operations Team.

Original forms are to be received by the Clearing House before Italian securities can be accepted within the gross account 91737.

The effective date depends on the type and terms of the security:

- Coupon debt securities (BTPs, CCTs and CTOs)
The new regime applies to the Coupons that arise on these securities on or after 1 January 1997, regardless of the issue date.
- Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

Sponsored Members and Agent Members should consult their own tax advisers before lodging Collateral to the Clearing House or submitting any tax documentation.

4.5.3 *Withholding tax – Depositories*

A Depository may offer a recovery service for overseas taxes on government bonds. The Clearing House will assist in the recovery process and remit to the relevant Sponsored Members or Agent Members, as applicable, any relevant recovery in withholding tax credited to the Clearing House's account by the relevant Depository.

In certain cases the CSDs/Custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with the CSDs/Custodian and the Clearing House at the time when a coupon is due.

4.6 **References**

These SC Procedures should be read in conjunction with the relevant contractual provisions, user guides and/or manuals of the relevant Depository. Please also refer to each relevant Depository for the relevant settlement deadlines, in particular those for deliveries from local markets to Clearing House accounts.

4.7 **Contingency Arrangements**

In the event of an outage of the CMS, the Clearing House will notify Agent Members and Sponsored Members via the Clearing Member circular and Agent Members and Sponsored Members may send certain instructions, using the appropriate form to the Clearing House by email (see Section 4.1.1).

The new forms are available here:

[LCH Ltd Acceptable Securities | LCH Group](#)

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>

Normal service hours will apply to such instructions. However, deadlines for manual instructions are earlier. Please refer to the following page of the LCH website for details:

[LCH Ltd Acceptable Securities | LCH Group](#)

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable>

The Clearing House will notify Agent Members and Sponsored Members via the Clearing Member circular when the CMS is available again.

4.8 Triparty Service of Euroclear and Clearstream

4.8.1 General Information

In order for a Sponsored Member or Agent Member to transfer securities to the Clearing House using a triparty arrangement, such Sponsored Member or Agent Member, the relevant triparty agent and the Clearing House, must have completed and signed the relevant documentation. Please contact Collateral Operations on +44 (0)207 426 7237 for more information.

Sponsored Members and Agent Members may execute a triparty transaction to cover initial margin requirements at the Clearing House. Triparty instructions must be provided to the Clearing House via the CMS by the Agent Member or the Sponsored Member. Instructions may be input for future settlement dates.

If the Agent Member or Sponsored Member is unable to make triparty instructions via the CMS, it will be possible to instruct using the relevant triparty contingency forms found at the following page of the LCH website:

[LCH Ltd Acceptable Securities | LCH Group](#)

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>

Triparty transactions must be a minimum of one million GBP, EUR or USD.

Settlement deadlines can be found on the LCH website at the following location:

[LCH Ltd Acceptable Securities | LCH Group](#)

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-collateral-management-system>