

VIA CFTC PORTAL

3 May 2023

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

LCH Limited Self-Certification: ForexClear default fund contribution in EUR

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 implement a new ForexClear initiative permitting Clearing Members to contribute to the default fund (DF) in EUR cash.

Part I: Explanation and Analysis

ForexClear Clearing Members are currently permitted to contribute to the ForexClear DF in USD cash only. This initiative will allow Clearing Members to choose contributing to the DF in EUR cash, as an alternative to USD cash only. The change gives flexibility to some Clearing Members, mainly European, who may find contributing in EUR cash more convenient.

This initiative will have no impact on the ForexClear stress test loss, DF sizing methodology and DF management process. The currency chosen by a Clearing Member to contribute to the DF will need to be aligned to that used to contribute to the Trade Registration Fund (TRF¹). Both the DF and the TRF (the funds) will continue to be sized in USD and ForexClear Clearing Members which choose to ‘opt in’ to pay in EUR will pay their contributions to both funds in EUR equivalent sums. Clearing Members that decide to switch the currency (from USD to EUR and vice versa) will not be able to switch again for six months, to ensure the requests can be reflected in the operational processes in a safe manner.

ForexClear will implement certain mitigating measures, supported by daily monitoring, to account for the exchange risk arising from sizing the funds in USD and receiving contributions in EUR.

¹The ForexClear TRF is a mutualised fund designed to increase the certainty of intraday trade registration in the service. Contributions are optional. Clearing members using more than 75% of their applicable tolerance are required to replenish the amount at the following margin call. The MER is a buffer amount required to register new trades whilst limiting intraday margin calls. Clearing member opting into the TRF are no longer subject to MER buffer requirement.

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These will include an appropriate haircut and the right for LCH to require additional funds, where deemed necessary.

The project is expected to go live on or after **22 May 2023** and the Rulebook will be updated accordingly at that time.

Part II: Description of Rule Changes

The Rulebook changes that accompany this initiative are set out below and are enclosed in black-line form in the Appendices.

The **General Regulations** clarify that the minimum ForexClear contribution can be made in both USD and EUR (see Definitions section on p5).

The **Procedures Section 2I** for non-FCM Clearing Members, under Default Management section 1.10.4 on p45, and in the **FCM Procedures** for FCM Clearing Members, under Financial Transactions section 3.9 on p227, explain that ForexClear contributions will be calculated in USD, but they can be paid in EUR equivalent sum, including any buffer that ForexClear may determine and call to account for the market risk of currency exchange. ForexClear Clearing Members cannot change the chosen currency for six months.

The **Default Procedures**, under Schedule 5 ForexClear Default Fund Supplement section 5F on p104, explain that the ForexClear contribution can also be made in EUR equivalent, and that, whenever necessary, additional ForexClear contributions to cover market risk can be requested. Lastly, ForexClear Unfunded Contributions can also be paid in USD or EUR equivalent (see Schedule 5 ForexClear Default Fund Supplement section F8 on p 105).

The text of the changes is attached hereto as:

Appendix I: General Regulations

Appendix II: Procedure Section 2I [ForexClear Clearing Service]

Appendix III: FCM Procedures

Appendix IV: Default Procedures

Part III: Core Principles Compliance

LCH has 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 rule changes have relevance to Core Principle B (§39.11) (Financial Resources) and Core Principle G (§39.16) (Default Rules and Procedures) under the CFTC regulations.

Changes described in this filing will not impact the LCH's ability to meet the objectives of Core Principle B (§39.11) on Financial Resources, as ForexClear will continue to maintain an appropriate amount of financial resources to manage its exposures to Clearing Members.

In respect of Core Principle G (§39.16) on Default Rules and Procedures, changes described in this submission do not impact the LCH's approach to default management for the ForexClear service, including its overall rules and procedures which continue to be designed to allow for the efficient, fair and safe management of events during which Clearing Members may become insolvent or default on obligations to LCH.

LCH engages its Clearing Members in the design and testing of new products and services at an early stage through working groups, and that was also the case with the ForexClear DF contribution in EUR. The changes to the Rulebook were also a subject to a consultation with Clearing Members. No comments were received.

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

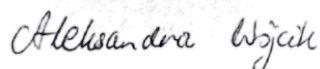
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants.

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 aleksandra.wojcik@lseg.com.

Yours sincerely,



Aleksandra Wojcik
Compliance Officer, LCH Limited

Appendix I: General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

"Member" or "Clearing Member"

- (a) subject to (b) means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a Clearing Membership Agreement and the Procedures or a Co-operating Clearing House, where so agreed with the Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms **"Member"** and **"Clearing Member"** for the purposes of these Regulations, Default Rules and Procedures, do not mean a shareholder of LCH Limited or of any member of LCH Group
- (b) "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules (including the Rates Service DMP Annex and the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time

"Member Compression Cycle"

means a Multilateral Compression Cycle requested by two or more SwapClear Clearing Members and agreed to by the Clearing House in relation to eligible SwapClear Contracts held by those requesting SwapClear Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP

"MER Buffer"

has the meaning assigned to it in the Procedures

"Minimum ForexClear Contribution"

means USD 5,000,000 (or Euro equivalent, such sum to be determined by the Clearing House in its sole discretion)

"Minimum Non-Tolerance SwapClear Contribution"

means £10,000,000 (which, for the avoidance of doubt, excludes the £3,000,000 minimum amount payable by an SCM in respect of the SwapClear Tolerance Contribution Amount);

"Minimum RepoClear Contribution"

means GBP 2,000,000 at Clearing Member level

"Minimum RepoClear Contribution Member"

means an RCM in respect of which the Preliminary RepoClear Contribution calculated under Rule R2 of the RepoClear Default Fund Supplement, is equal to or less than the Minimum RepoClear Contribution for the time being

"Minimum SwapClear Contribution Member"

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

Appendix II: Procedure Section 2I
ForexClear Clearing Service

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PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

- 1.10.3 *Affiliate Bidding*: ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Client Services Team (membership@lch.com; +44 (0)207 426 7949).

- 1.10.4 *ForexClear Contributions*: ForexClear Contributions will be called via PPS on the fourth business day of each month or otherwise pursuant to a determination of a ForexClear Contribution under the Default Rules.

ForexClear Contributions shall be calculated in USD. The Clearing House may permit a ForexClear Clearing Member to pay its ForexClear Contribution in a Euro equivalent sum, such sum shall be determined by the Clearing House in its sole discretion. In the event a ForexClear Clearing Member wishes to pay its ForexClear Contribution in a Euro equivalent sum, it must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time).

The Clearing House may, in its sole discretion, apply a buffer to ForexClear Contributions paid in Euro to cover market risk. It shall be a precondition to the payment of ForexClear Contributions in Euro that the relevant ForexClear Clearing Member opt in to (and remain opted-in) ForexClear Tolerance in Euro.

ForexClear Clearing Members must pay their respective ForexClear Contributions in the same currency for a minimum of six consecutive months prior to being eligible to pay their ForexClear Contribution in a different currency.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following a ForexClear Determination Date will (subject to the Default Rules) be repaid to ForexClear Clearing Members' PPS accounts on the fourth business day immediately following such ForexClear Determination Date.

Appendix III: FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

Uncovered Stress Loss (as defined in Rule S1(f)) of an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts entered into (1) on behalf of the relevant FCM Clearing and (2) with respect to the FCM Clients of such FCM Clearing Member.

3.9 **ForexClear Contributions**

ForexClear Contributions will be called via PPS on the fourth Business Day of each month or otherwise pursuant to a determination of a ForexClear Contribution under the Default Rules

ForexClear Contributions shall be calculated in USD. The Clearing House may permit an FCM ForexClear Clearing Member to pay its ForexClear Contribution in a Euro equivalent sum, such sum shall be determined by the Clearing House in its sole discretion. In the event an FCM ForexClear Clearing Member wishes to pay its ForexClear Contribution in a Euro equivalent sum, it must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time).

The Clearing House may, in its sole discretion, apply a buffer to ForexClear Contributions paid in Euro to cover market risk. It shall be a precondition to the payment of ForexClear Contributions in Euro that the relevant FCM ForexClear Clearing Member opt in to (and remain opted-in) ForexClear Tolerance in Euro.

FCM ForexClear Clearing Members must pay their respective ForexClear Contributions in the same currency for a minimum of six consecutive months prior to being eligible to pay their ForexClear Contribution in a different currency.

Excess ForexClear Contribution amounts due to FCM ForexClear Clearing Members following a ForexClear Determination Date will (subject to the Default Rules) be repaid to FCM ForexClear Clearing Members' PPS accounts on the fourth Business Day immediately following such ForexClear Determination Date.

Interest on ForexClear Contributions will be paid to FCM ForexClear Clearing Members' PPS accounts on the fifth Business Day of each month, in respect of the relevant "interest accrual period" occurring immediately prior to each such Business Day. Interest is calculated in respect of each "interest accrual period", which commences on (and includes) the fourth Business Day of each month (each, a "**ForexClear Reset Day**") and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day. Notwithstanding anything else herein, if the rate of interest payable on ForexClear Contributions is negative, interest shall be payable by FCM ForexClear Clearing Members to the Clearing House.

3.10 **Quantifying ForexClear Contributions**

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the uncovered stress loss of an FXCCM shall be determined by reference to the ForexClear Contracts entered into (1) on behalf of the relevant FXCCM and (2) with respect to Clearing Clients and FCM Clients of such FXCCM.

Appendix IV: Default Procedures

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DEFAULT RULES

SCHEDULE 5
FOREXCLEAR DEFAULT FUND SUPPLEMENT

- F1. In accordance with and subject to Rule F2, the amount of each ForexClear Clearing Member's ForexClear Contributions shall be determined by the Clearing House as soon as practicable after each ForexClear Determination Date as appropriate on the basis of information available as at close of business on such ForexClear Determination Date and notified to such FXCCM as soon as practicable after such determination in accordance with the Procedures.
- F2. Each FXCCM's ForexClear Contribution (other than any ForexClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House on the date that an FXCCM joins the ForexClear Service, and at the close of business on the first business day of each month, and otherwise in accordance with paragraph (f) below (each, a "**ForexClear Determination Date**"), provided that following a Default, any such determinations and any such ForexClear Determination Date which might otherwise have occurred under this Rule F2 shall be suspended for the duration of the period (the "**ForexClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:
 - (i) the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and
 - (ii) where, prior to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this paragraph (ii)), one or more subsequent Defaults (each, a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);
 - (b) On each business day, the Clearing House will determine one or more "**Combined Loss Values**", and a "**Largest Combined Loss Value**", in respect of each of the 30 preceding business days, where:
 - (i) "**Combined Loss Value**" means, in respect of a business day and a scenario, the sum of the largest and second largest stress-testing loss determined by the Clearing House in respect of such day, such scenario and ForexClear Business; and
 - (ii) "**Largest Combined Loss Value**" means, in respect of a business day, the largest of the Combined Loss Values determined by the Clearing House in respect of such day.
 - (c) the "**ForexClear Fund Amount**" shall equal the sum of (i) the "**ForexClear Sub-Fund Amount**", and (ii) the "**ForexClear Tolerance Amount**". The

ForexClear Sub-Fund Amount shall be calculated in United States dollars ("USD") and, for a given ForexClear Determination Date, shall be the largest of the Largest Combined Loss Values determined by the Clearing House under paragraph (b) above for the preceding 30 business days, plus 10 per cent. The ForexClear Sub-Fund Amount shall not be less than USD 70 million (the "**ForexClear Fund Floor**"). The "**ForexClear Tolerance Amount**" for a given ForexClear Determination Date shall equal the aggregate amount of ForexClear Tolerance provided by the Clearing House, during a time period determined by it, to all participating FXCCMs to facilitate the registration of ForexClear Contracts, provided that the ForexClear Tolerance Amount shall not exceed USD 500 million;

(d)

(i) an FXCCM's "**ForexClear Margin Weight**" shall be calculated by dividing (A) the Uncovered Stress Loss Metric associated with such FXCCM's ForexClear Contracts by (B) the total Uncovered Stress Loss Metric applied to all Non-Defaulting FXCCMs with respect to their ForexClear Contracts, in each case only for such ForexClear Contracts that are open and outstanding at any point during the reference period set forth in paragraph (b) above;

(ii) an FXCCM's "**Uncovered Stress Loss Metric**," as determined for the purposes of sub-paragraph (i) above, is a risk metric used by the Clearing House in the calculation of the FXCCM's ForexClear Contribution and shall be determined by the Clearing House (and notified to each FXCCM) from time to time by, inter alia, deducting the amount of eligible margin held by the Clearing House with respect to the relevant ForexClear Contracts from the stress loss associated with such ForexClear Contracts; provided that the Clearing House may, in determining the Uncovered Stress Loss Metric of an FXCCM, take into account, inter alia, the number of alternative FXCCMs that clear ForexClear Contracts with respect to that FXCCM's ForexClear Clearing Clients or FCM Clients; for the avoidance of doubt, the largest and second largest stress-testing losses for purposes of determining a Combined Loss Value in accordance with paragraph (b) above are not the applicable Uncovered Stress Loss Metrics of the relevant FXCCMs for the purposes of this sub-paragraph (ii);

(iii) the provisions of this sub-paragraph (d) shall not apply to New Members and, for the avoidance of doubt, New Members shall not constitute Non-Defaulting FXCCMs for the purposes of limb (B) of sub-paragraph (i);

(e) each FXCCM's ForexClear Contribution comprises its "**ForexClear Sub-Fund Contribution**" and its ForexClear Tolerance, as applicable. The FXCCM's ForexClear Sub-Fund Contribution shall be calculated by multiplying the ForexClear Sub-Fund Amount by the FXCCM's ForexClear Margin Weight, and shall be no less than the Minimum ForexClear Contribution. ; and

(f) subject to a suspension pursuant to paragraph (a) above, the Clearing House may recalculate the ForexClear Fund Amount on any business day if the largest

of the Largest Combined Loss Values determined by the Clearing House under paragraph (b) above for the 30 business days preceding such business day differs by more than 25 per cent. from the figure on which the previous ForexClear Contribution determination was based.

- F3. For the purposes of the calculations under Rule F2:
- (a) references to "ForexClear Clearing Members" or "FXCCMs" do not include references to Defaulting FXCCMs (apart from any Defaulting FXCCM in respect of which the Clearing House permits the application of Rule F2) or persons which were formerly FXCCMs but are not FXCCMs at the ForexClear Determination Date at which the relevant determination is made;
 - (b) contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand US dollars;
 - (c) provided that the FXCCM is not a Defaulter, the amount of its ForexClear Contribution shall be calculated in accordance with and subject to Rule F2. The provisions of Rule F1, Rule F2, this Rule F3 and Rule F5 do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case; and
 - (d) if (i) an FXCCM (other than an FCM Clearing Member) notifies the Clearing House on the ForexClear Default Management Process Completion Date or the business day occurring immediately after such date that it wishes to resign from the ForexClear Service, (ii) the ForexClear AET Requirement in respect of such proposed resignation has been satisfied by the ForexClear Determination Date occurring immediately after such ForexClear Default Management Process Completion Date, (iii) the FXCCM is not a Defaulter, and (iv) no Default has occurred from and including the ForexClear Determination Date referred to in Rule F3(d)(ii) to and including the fourth business day occurring after such ForexClear Determination Date ("**ForexClear Contribution Payment Date**"), then the FXCCM shall cease to be an FXCCM on and from such ForexClear Contribution Payment Date and the Clearing House shall repay the ForexClear Contribution that it holds for such FXCCM (to the extent it has not been applied under these Default Rules) in accordance with the Procedures and the FXCCM shall not be obliged to make any payment to the Clearing House under Rule F5(c). If an FXCCM notifies the Clearing House in accordance with Rule F3(d)(i), but the requirements under Rules F3(d)(ii), (iii) and/or (iv) are not satisfied, then such FXCCM will cease to be a Resigning Member in respect of the ForexClear Service.
- F4. Without prejudice to any other requirements which the Clearing House may impose, the amount of the ForexClear Contribution of a New Member shall be the sum of (a) the Minimum ForexClear Contribution, (b) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member and (c) as applicable, its ForexClear Tolerance. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

F5. Upon determination of the amount of a ForexClear Contribution in accordance with Rule F2:

- (a) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date exceeds the amount of the FXCCM's ForexClear Contribution determined under Rule F2 as at close of business on that day, the excess shall be paid by the Clearing House to such FXCCM in USD (or Euro equivalent, such sum to be determined by the Clearing House in its sole discretion) in accordance with the Procedures;
- (b) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date is the same as the amount of the FXCCM's ForexClear Contribution as so determined under Rule F2 as at close of business on that day, no sum shall then be payable by or to such FXCCM in respect of its Contribution; ~~and~~
- ~~(c)~~ if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date is less than the amount of the FXCCM's ForexClear Contribution as so determined under Rule F2 as at close of business on that day, the shortfall shall be paid by such FXCCM to the Clearing House in USD (or Euro equivalent, such sum to be determined by the Clearing House in its sole discretion) in accordance with the Procedures; and
- ~~(e)~~(d) in the event an FXCCM pays its ForexClear Contribution in a Euro equivalent amount, the Clearing House may require the payment of additional ForexClear Contribution from time to time as a buffer to cover market risk.-

The provisions of this Rule do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case.

F6. On any day, interest shall accrue on the amount of each ForexClear Contribution held by the Clearing House, to the extent that it has not been applied under Rule 19 or Rule 21 of the Default Rules, at such rate as determined by the Clearing House from time to time in light of market conditions and notified by the Clearing House to FXCCMs and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a short-term interest rate of the ForexClear Contribution currency, as applicable, plus or minus a spread. Interest shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. In these Default Rules, any interest which has accrued under this Rule shall not be regarded as being part of the ForexClear Contribution.

F7.

- (a) After a Default, unless and until the Clearing House has repaid a Defaulter's ForexClear Contribution (or the remaining part thereof, as applicable), the ForexClear Fund Amount shall be treated as having been reduced by the amount of the Defaulter's ForexClear Contribution (if any), regardless of whether the Clearing House has applied part or all of that ForexClear Contribution under the Default Rules.

- (b) Where, after a Default, the Clearing House has applied part or all of the ForexClear Contributions of the Non-Defaulting FXCCMs under Rule 21 of the Default Rules, the ForexClear Fund Amount shall be reduced forthwith by the deduction of (i) the amount of the Defaulter's ForexClear Contribution (if any) in accordance with paragraph (a) of this Rule F7; and (ii) the aggregate amount of the ForexClear Contributions or parts of ForexClear Contributions of the Non-Defaulting FXCCMs so applied, and the amount of the ForexClear Contribution that each Non-Defaulting FXCCM must maintain with the Clearing House shall be reduced by the amount of its ForexClear Contribution which has been so applied, in each case, until the next ForexClear Determination Date and subject to (where applicable) the requirement under paragraph (c) of this Rule F7 and Rule F8.
- (c) Following the completion of a ForexClear Default Management Process, the Clearing House will deliver a notice to the FXCCMs confirming that the relevant ForexClear Default Management Process Completion Date has occurred. If, following the issuance of such notice, the value of the ForexClear Fund Amount determined in accordance with paragraph (b) of this Rule F7 is less than the ForexClear Fund Floor, the Clearing House may notify each Non-Defaulting FXCCM that it is required to make a Supplementary Contribution, based on the proportion that the value of its ForexClear Contribution as at the last ForexClear Determination Date prior to the date when the relevant Default occurred bears to the value of the aggregate ForexClear Contributions of all Non-Defaulting FXCCMs as at such date, so as to reinstate the ForexClear Fund Amount to a value which is no less than the ForexClear Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.

F8. Where, after a Default, the Clearing House determines that (i) by reason of a reduction in accordance with Rule F7, the value of the ForexClear Fund Amount has been reduced by at least 25 per cent.; or (ii) by the time of the ForexClear Default Management Process Completion Date in relation to the relevant Default, the value of the ForexClear Fund Amount will be reduced by at least 25 per cent., the Clearing House may, by notice in writing (the "**ForexClear Unfunded Contribution Notice**"), require each Non-Defaulting FXCCM to deposit and maintain an amount (each a "**ForexClear Unfunded Contribution**") in accordance with the following provisions:

- (a) ForexClear Unfunded Contributions will only be payable in circumstances where the relevant ForexClear Unfunded Contribution Notice is delivered by the Clearing House to FXCCMs prior to the ForexClear Default Management Process Completion Date in relation to the relevant Default;
- (b) the value of the ForexClear Unfunded Contribution payable by each individual FXCCM shall be the product of (i) the percentage by which the value of the ForexClear Fund Amount has been reduced and (ii) the value of the ForexClear Contribution of such FXCCM as determined by the Clearing House at the last ForexClear Determination Date prior to the date when the relevant Default occurred. ForexClear Unfunded Contributions may be paid in USD or Euro equivalent (such sum to be determined in the Clearing House's sole discretion), provided that a FXCCM's ForexClear Unfunded Contribution must be paid in the same currency as its last paid ForexClear Contribution;

- (c) the Clearing House may, by the delivery of one or more further ForexClear Unfunded Contribution Notices, require each Non-Defaulting FXCCM to pay one or more further ForexClear Unfunded Contributions in respect of the same Default, provided that the total value of the ForexClear Unfunded Contributions payable by an individual FXCCM in respect of a particular Default (determined in accordance with paragraph (b) above) may not exceed the value of the ForexClear Contribution of such FXCCM as at the last ForexClear Determination Date prior to the date when the relevant Default occurred; and
- (d) following a Default in respect of which ForexClear Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further ForexClear Unfunded Contributions in respect of subsequent Defaults (which, for the avoidance of doubt, can never be a First Default), provided that ForexClear Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first ForexClear Unfunded Contribution Notice in respect of the First Default).

FXCCMs will be required to deposit the full amount of their ForexClear Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of a ForexClear Unfunded Contribution Notice.

For the avoidance of doubt, references to "FXCCMs" for the purposes of this Rule F8 include any FXCCM (other than a Defaulting FXCCM) who is: (i) a Retiring Member but whose status as a Clearing Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the ForexClear Service is not yet effective.

F9. **ForexClear Loss Distribution Process**

Where, after a Default, the Clearing House determines that the ForexClear Excess Loss resulting from the Default will exceed the amounts to be applied to it under Rules 15(a) to 15(g) of the Default Rules, the Clearing House may implement the process (the "**ForexClear Loss Distribution Process**") described in this Rule F9.

- (a) For the purposes of this Rule F9 and Rule F11, the following definitions will apply:

"Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment" means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

"Auction Portfolio" has the meaning assigned to it in the ForexClear DMP Annex.

"Available Resources" means, in respect of any Loss Distribution Period, the amounts available to the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with Rules 15(a) to 15(h) of the Default Rules as at the relevant Last Call Prior to Default.