



LCH LIMITED

PROCEDURES SECTION 4

MARGIN AND COLLATERAL

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~~ ~~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. ~~House will then provide the Clearing Member a CMS instruction reference number (the “CMS Reference”); and~~

~~1.3.3 The Clearing Member will then transfer the cash to the Clearing House’s account in the relevant RTGS, inputting the CMS Reference in field 21 of the Clearing Member’s SWIFT MT202 payment instruction.~~

~~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.~~

~~If the Clearing Member fails to input the CMS Reference or inputs an incorrect CMS Reference, the Clearing House will return the cash to the~~

~~Clearing Member on or before the relevant currency's cash deadline, on the business day the Clearing Member sent the instruction to the Clearing House via CMS.~~ 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*:

<https://www.lch.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 LCH website at the following location: