



VIA CFTC PORTAL

February 28, 2024

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

LCH Limited (“LCH”) self-certification: Index cessation event and index disruption event

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH, a derivatives clearing organization registered with the CFTC, is submitting for self-certification amendments to its rules (“LCH Rules”) related to the index cessation event and / or index disruption event.

Part I: Explanation and analysis

When there is an index cessation event and / or disruption event, these proposed amendments will grant LCH the right to invoice back (i.e. terminate) cleared contracts pursuant to General Regulation 39 if there is a public statement or publication of information by a specified entity that:

1. the index referenced in such cleared contract has ceased, or will cease, to be published;
2. the methodology for the calculation of an index referenced in such cleared contract has materially changed or will materially change; or
3. certain parties are, or will be, prohibited from using an index in relation to certain contracts, and

(in each case) such event is likely to affect, or has affected, the normal course of business.

Part II: Description of the rule changes

LCH is proposing to update the General Regulations with the definitions of an Index Cessation Event and Index Disruption Event. In Procedure 2C it is proposed there is a new section (1.8.11) that notes what LCH would do if there is index cessation event and / or an index disruption event. Equivalent changes are being made in the FCM Regulations and FCM Procedures.

The changes to the LCH Rules are included as **Appendices I-IV** in black line form. The changes will be effective not earlier than March 13, 2024.

Part III: Core Principle Compliance

LCH has reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all requirements and standards set forth therein. Specifically, this



rule change has potential relevance to Core Principles C (Participant and Product Eligibility) and L (Public Information).

The changes described in this filing meet the objectives of Core Principle C, including that LCH has appropriate requirements for determining the eligibility of submitted transactions, taking into account LCH's ability to manage the associated risks. LCH considers factors that included trading volume, liquidity, availability of pricing data and the ability for LCH to manage any associated risks within LCH's existing operational, risk management and default management tools. LCH carefully considered these factors and determined that this change meets the requirements of Core Principle C.

The changes described in this filing also ensure that LCH meets the objectives of Core Principle L, including that, in addition to the specified requirements of CFTC Regulation §39.21, LCH makes available any information that is relevant to participation in the clearing and settlement activities of LCH, including the terms and conditions of each contract. LCH considered its public information requirements and believes amending the Procedures within LCH Rules meets the requirements of Core Principle L.

As such, LCH believes these changes are consistent with the requirements of Core Principle C on Participant and Product Eligibility under CFTC Regulation §39.12 and Core Principle L on Public Information under CFTC Regulation §39.21.

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 that were not incorporated into this proposal.

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.

Definitions

Words which begin with a capital letter, but are not defined, in this document shall have the meaning specified in the General Regulations of the LCH Rules, which rulebook is located at www.lch.com.

Should you have any questions, please contact me at lavannyan.mahalingam@lseg.com.

Yours sincerely,

Lavannyan Mahalingam
Regulatory Advisor
LCH Limited



LSEG POST
TRADE

CORPORATE

LCH

Appendix I
General Regulations
Changed Pages

**GENERAL REGULATIONS OF
LCH LIMITED**

"Identified Omnibus Net Segregated Clearing Clients"

means Identified Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Identified Client Omnibus Net Segregated Account

"Identified Omnibus Segregated Clearing Clients"

means, in relation to a Relevant Client Clearing Business, (i) certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities have been recorded by the Onboarding department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member but who are not Affiliated Omnibus Segregated Clearing Clients; together with (ii) for the purposes of the Default Rules, any Determined Omnibus Net Segregated Clearing Clients who are grouped together in a single Omnibus Segregated Account

"Impacted ForexClear Option Clearing Member"

has the meaning assigned to it in Regulation 100(g)

"Impacted SwapClear Contract"

means each SwapClear Contract that is of the same type and currency as an Impacted SwapClear Contract Type

"Impacted SwapClear Contract Type"

means, in relation to any change in the rate used for calculating PAI and Price Alignment Amount and for purposes of constructing the Clearing House's zero coupon yield curves under 1.7.2 of Section 2C of the Procedures to calculate the net present value of certain SwapClear Contracts, the types and currencies of SwapClear Contracts to which such change shall apply, as identified in the related Rate Change Notice.

"Index"

has the meaning assigned to it in Chapter XIV(a)

"Index Cessation Event"

means an Index Cessation Event as defined in the ISDA Definitions, except that the Clearing House shall not constitute a "successor administrator or provider" or "successor administrator" for the purpose of such definition.

"Index Disruption Event"

means, in respect of the rate relating to a Floating Rate Option (as defined in the ISDA Definitions) for one or more SwapClear Contract(s), either of the following events:

(a) a public statement or publication of information by the administrator of such rate, a regulatory supervisor, the central bank for the currency of such rate, a committee officially endorsed or convened by such central bank or a regulatory supervisor, an insolvency official with jurisdiction over such administrator, a resolution authority with jurisdiction over such administrator or a court or an entity with similar insolvency or resolution authority over such administrator, that the methodology for calculation of such rate has changed, or will change on and from a specified date, where such change is material, as determined by the Clearing House in its sole discretion; or

(b) a public statement or publication of information by the administrator of such rate, a regulatory supervisor, the central bank for the currency of such rate, a committee officially endorsed or convened by such central bank or a regulatory supervisor, an insolvency official with jurisdiction over such administrator, a resolution authority with jurisdiction over such administrator or a court or an entity with similar insolvency or resolution authority over such administrator, that certain entities are, or will be on and from a specified date, prohibited from using the rate in relation to certain contracts.

"Indirect Account"

means an Indirect Gross Account or an Indirect Net Account

"Indirect Clearing Client"

means a client of an Indirect Gross Account Clearing Client or an Indirect Net Account Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Account

REGULATION 37 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY

- (a) Paragraph (c) of this Regulation 37 shall not apply to open contracts which are option contracts.
- (b) In relation to Cleared Exchange Contracts and Listed Interest Rates Contracts (other than Designated Listed Interest Rates Contracts), if a Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to OTC Contracts, EquityClear Contracts or Designated Listed Interest Rates Contracts determines that one of the following conditions is satisfied, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or
 - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or
 - (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such open contracts which are OTC Contracts, EquityClear Contracts or Designated Listed Interest Rates Contracts as specified by the Clearing House, and notified to the affected Members, the Clearing House shall be entitled to invoice back such contracts in accordance with Regulation 39 ~~and the Procedures~~ at a price determined by the Clearing House or to require such Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such contracts; and
- (v) such open contracts which are Cleared Exchange Contracts or Listed Interest Rates Contracts (other than Designated Listed Interest Rates Contracts), for such delivery months, prompt dates or other delivery periods as the Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Board) as the Clearing House shall specify (which may include open contracts under which tender or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with Regulation 39 ~~and the Procedures~~ at a price determined by the Board (or the Clearing House as the case may be). In the event that a price falls to be determined by the Clearing House it shall,

adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House ~~in accordance with the Procedures~~ for each Member who is a party to open contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

- (c) If, in the opinion of the Clearing House (and, in respect of Cleared Exchange Contracts and Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, after consultation with the relevant Board), complete performance of an open contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Clearing House (or, in respect of Cleared Exchange Contracts and Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, the Board), and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House ~~in accordance with the Procedures~~.
- (d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more open contracts for such commodity in a Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.

Any formal announcement made under this Regulation shall be made by notice posted up on the floor of the market or as prescribed by the Procedures.

CHAPTER IX – INVOICING BACK AND CURRENCY CONVERSION

REGULATION 39 INVOICING BACK

- (a) Invoicing back of a Member's Contracts pursuant to Regulation 37 or 38, the Procedures, ~~or~~ the Default Rules or otherwise shall be carried out by the Clearing House effecting and registering ~~pursuant to the Procedures~~ opposite contracts between itself and the Member at the price referred to in the relevant Regulation, Procedure or, where applicable, in paragraph (d) below, and thereupon settling such Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the process referred to in paragraph (a) above, register opposite contracts between itself and such other Members as the Clearing House may select in its absolute discretion in proportion to the net position of open contracts in their names for the same commodity and delivery month or prompt date as the Contracts invoiced back under paragraph (a) above to the nearest whole number of lots, or in the case of option contracts on the terms specified in the Procedures, for the same expiry month and strike price as the Contracts invoiced back under paragraph (a) above, or in the case of OTC Contracts on the same OTC Contract Terms as the Contracts invoiced back under paragraph (a) above, or, in the case of EquityClear Contracts on the same EquityClear Contract Terms as the Contracts invoiced back under paragraph (a) above or in the case of Listed Interest Rates Contracts on the same Listed Interest Rates Contract Terms (as the case may be) as the Contracts invoiced back under paragraph (a) above, and thereupon settling such open contracts against such opposite contracts.
- (c) Where open contracts are invoiced back pursuant to Regulation 37(b), ~~or~~ Regulation 37(c), Regulation 38 or the Procedures, the Clearing House shall credit or debit (as the case may be) the Member's accounts affected by such invoicing back in accordance with Regulation 37(b), ~~or~~ Regulation 37(c), Regulation 38 or the Procedures, as applicable. Where a Contract is invoiced back under the Default Rules, the account of such other Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite contracts effected and registered by the Clearing House pursuant to:
- (i) paragraph (a) and (b) above, other than where done pursuant to the Default Rules, shall, subject to Regulation 37(b) or Regulation 37(c), be at a price or, where applicable, a premium fixed or determined by the relevant Board or, in the case of OTC contracts, EquityClear Contracts, or Designated Listed Interest Rates Contracts, at a price determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back.
 - (ii) paragraph (a) pursuant to the Default Rules shall be at a price or, where applicable, a premium fixed or determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back except that this paragraph shall be without prejudice to any further liability of the defaulting Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting Member whether under these Regulations, at law or otherwise.

(e) In this Regulation:

- (i) "**net position**" means: in respect of open contracts which are Cleared Exchange Contracts or Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, one or more of such Cleared Exchange Contracts or Listed Interest Rates Contracts as the case may be, against which the Member in whose name they are registered has no matching Cleared Exchange Contracts, or Listed Interest Rates Contracts as the case may be for the same delivery month, expiry month or prompt date; in respect of open contracts which are SwapClear Contracts, means one or more of such SwapClear Contracts against which the Member in whose name they are registered has no matching SwapClear Contracts on the same Economic Terms; in respect of RepoClear Contracts, means one or more of such RepoClear Contracts against which the Member in whose name they are registered has no matching RepoClear Contracts on the same Economic Terms; in respect of EquityClear Contracts, means one or more of such EquityClear Contracts against which the Member in whose name they are registered has no matching EquityClear Contracts on the same EquityClear Contract Terms; in respect of open contracts which are ForexClear Contracts, means one or more of such ForexClear Contracts against which the Member in whose name they are registered has no matching ForexClear Contracts on the same Economic Terms; and in respect of open contracts which are Designated Listed Interest Rates Contracts, means one or more of such Designated Listed Interest Rates Contracts against which the Member in whose name they are registered has no matching Designated Listed Interest Rates Contracts on the same Economic Terms;
- (ii) "**opposite contract**" means a contract on the same terms (except as to price or premium); as the Contract to be invoiced back in accordance with this Regulation, but:
- (A) where a Member is a seller or payor, in respect of the Cleared Exchange Contract, the RepoClear Contract, the EquityClear Contract or the Listed Interest Rates to be invoiced back, such Member shall be a buyer or payee in respect of the opposite contract and vice versa;
- (B) where a SwapClear Clearing Member is a floating ~~rate-amount~~ payer, in respect of a SwapClear Contract that is to be invoiced back ("**SwapClear Invoiced Back Contract**") and is:
- (1) ~~not a basis swap~~, such SwapClear Clearing Member shall be a fixed ~~rate-amount~~ payer in respect of the opposite contract and vice versa; or
- (2) ~~a basis swap~~, such SwapClear Clearing Member shall, in respect of the opposite contract, be the floating amount payer in relation to the Floating Rate Option for which the Clearing House is the floating amount payer under the SwapClear Invoiced Back Contract, and the Clearing House shall, in respect of the opposite contract, be the floating amount payer in relation to the Floating Rate Option for which the SwapClear Clearing Member is the

floating amount payer under the SwapClear Invoiced Back Contract; and

(B)(C) where a ForexClear Clearing Member is a Reference Currency Buyer in respect of a ForexClear Contract to be invoiced back, such ForexClear Clearing Member shall be a Reference Currency Seller in respect of the opposite contract and vice versa.



LSEG POST
TRADE

CORPORATE

LCH

Appendix II
Procedures 2C
Changed Pages

LCH LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

date matching the related Payment Date, after adjustment in accordance with the applicable Business Day Conventions. In the event of SwapClear being closed on a Payment Date, it will pay the Fixed Amounts and Floating Amounts on the next business day following such Payment Date.

1.8.8 *Calculation Periods*

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

1.8.9 *Day Count Fractions*

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

1.8.10 *Floating Rate*

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

(a) *Applying Floating Rate Options*

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

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

(b) *Negative Interest Rate Method*

SCMs should note the provisions of section 3.3 of Part A of the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website regarding the applicability of the Negative Interest Rate Method to a SwapClear Contract. SwapClear Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

1.8.11 *Index Cessation Event and Index Disruption Event*

If the Clearing House determines that an Index Cessation Event or Index Disruption Event has occurred in respect of the rate relating to a Floating Rate Option (as defined in the ISDA Definitions) for one or more SwapClear Contract(s) and that is likely to affect, or has affected, the normal course of business, including, but not limited to, performance under such SwapClear Contract(s), then the Clearing House shall be entitled to invoice back such SwapClear Contract(s) in accordance with Regulation 39 at a price determined by the Clearing House or to require the affected SwapClear Clearing Member(s) to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such SwapClear Contracts.

Accounts shall be made up by the Clearing House for each SwapClear Clearing Member that is a party to any such SwapClear Contract invoiced back pursuant to Regulation 39. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such SwapClear Contracts invoiced back notwithstanding any further change of circumstances.

1.8.11 1.8.12 *Calculation of Inflation Indices*

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

In the event an Index is not available to calculate the Index Final, the Clearing House will, in its sole discretion, determine a value for the Index Final.

1.8.12 1.8.13 *Non-deliverable Interest Rate Swaps*

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

1.9 **Initial Margin**

The Clearing House will require SCMs to transfer Collateral in respect of their initial margin obligations, which are not discharged. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for SwapClear Contracts.

Separate initial margin calculations are performed for an SCM's Proprietary Accounts and for each Individual Segregated Account, Custodial Segregated Account, Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and Indirect Gross Sub-Account within an Indirect Gross Account. In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) separate initial margin calculations are performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of each such Omnibus Gross Segregated Clearing Client. In respect of a group of Combined Omnibus Gross



LSEG POST
TRADE

CORPORATE

LCH

Appendix III
FCM Regulations
Changed Pages

FCM REGULATIONS OF THE CLEARING HOUSE
LCH LIMITED

“Identified Off-Setting FCM Listed Interest Rates Contracts”

has the meaning assigned to it in the FCM Procedures.

“Impacted FCM SwapClear Contract”

means each FCM SwapClear Contract that is of the same type and currency as an Impacted FCM SwapClear Contract Type.

“Impacted FCM SwapClear Contract Type”

means, in relation to any change in the interest rate used for calculating the Price Alignment Amount and for purposes of constructing the Clearing House’s zero coupon yield curves under 2.1.7 of the FCM Procedures to calculate the net present value of certain FCM SwapClear Contracts, the types and currencies of FCM SwapClear Contracts to which such change shall apply, as identified in the related Rate Change Notice.

“Index Cessation Event”

means an Index Cessation Event as defined in the ISDA Definitions, except that the Clearing House shall not constitute a “successor administrator or provider” or “successor administrator” for the purpose of such definition.

“Index Disruption Event”

means, in respect of the rate relating to a Floating Rate Option (as defined in the ISDA Definitions) for one or more FCM SwapClear Contract(s), either of the following events:

- (a) a public statement or publication of information by the administrator of such rate, a regulatory supervisor, the central bank for the currency of such rate, a committee officially endorsed or convened by such central bank or a regulatory supervisor, an insolvency official with jurisdiction over such administrator, a resolution authority with jurisdiction over such administrator or a court or an entity with similar insolvency or resolution authority over such administrator, that the methodology for calculation of such rate has changed, or will change on and from a specified date, where such change is material, as determined by the Clearing House in its sole discretion; or
- (b) a public statement or publication of information by the administrator of such rate, a regulatory supervisor, the central bank for the currency of such rate, a committee officially endorsed or convened by such central bank or a regulatory supervisor, an insolvency official with jurisdiction over such administrator, a resolution authority with

jurisdiction over such administrator or a court or an entity with similar insolvency or resolution authority over such administrator, that certain entities are, or will be on and from a specified date, prohibited from using the rate in relation to certain contracts.

“Ineligible FCM ForexClear Contract” has the meaning assigned to it in FCM Regulation 49(h)(ii).

“Ineligible FCM ForexClear Transaction” has the meaning assigned to it in FCM Regulation 49(h)(i).

“Ineligible FCM SwapClear Contract” has the meaning assigned to it in FCM Regulation 46(g).

“Ineligible FCM SwapClear Transaction” has the meaning assigned to it in FCM Regulation 46(g).

“Inflation Derived Data” has the meaning assigned to it in the UK General Regulations.

“Inflation FCM SwapClear Contract” means an FCM SwapClear Contract identified as being an Inflation FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

“Initial Margin” means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such Margin held in respect of the Clearing House’s initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts.

“Intra-Day Bulk Transfer” has the meaning assigned to it in the UK General Regulations.

“IRS FCM SwapClear Contract” means an FCM SwapClear Contract identified as being an IRS FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

“ISDA Definitions” has the meaning assigned to it in Section 1 of Part A of Schedule 1 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual

“LCH Group” means the group of undertakings consisting of LCH Limited, LCH Group Holdings Limited, Banque Centrale de Compensation S.A. trading as LCH SA and SwapAgent Limited (any reference to a **“member”** of LCH Group Holdings Limited within these FCM Regulations is to be construed accordingly).

CHAPTER VII - DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE MAJEURE

REGULATION 29 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY

- (a) Paragraph (c) of this FCM Regulation 29 shall not apply to FCM Option Contracts.
- (b) In relation to FCM Exchange Contracts, if an Exchange Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Exchange Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to FCM Contracts which are not FCM Exchange Contracts, determines that one of the following conditions is satisfied, namely:
 - (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or
 - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or
 - (iii) the EU or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such FCM Contracts which are not FCM Exchange Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 31 at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM Contracts; and
- (v) such FCM Exchange Contracts for such Delivery Months, Prompt Dates or other delivery periods as the Exchange Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Exchange Board) as the Clearing House shall specify (which may include FCM Exchange Contracts under which Delivery Notice or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Exchange Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with FCM Regulation 31 at a price determined by the Exchange Board (or the Clearing House as the case may be). In the event that a price fails to be determined by the Clearing House it shall,

adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Exchange Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House ~~in accordance with the FCM Procedures~~ for each FCM Clearing Member who is a party to FCM Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such FCM Contracts invoiced back notwithstanding any further change of circumstances.

- (c) If, in the opinion of the Clearing House (and, in respect of FCM Exchange Contracts, after consultation with the relevant Exchange Board), complete performance of an FCM Contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected FCM Contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Clearing House (and, in respect of FCM Exchange Contracts, after consultation with the relevant Exchange Board), and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House.
- (d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more FCM Exchange Contracts for such commodity in an FCM Clearing Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.
- (e) Any formal announcement made under this FCM Regulation shall be made by notice posted by the Exchange or the Clearing House (or by other means as determined by the Clearing House) or as prescribed by the FCM Procedures.

CHAPTER VIII - INVOICING BACK AND CURRENCY CONVERSION

REGULATION 31 INVOICING BACK

- (a) Invoicing back of an FCM Clearing Member's FCM Contracts, pursuant to FCM Regulation 29, FCM Regulation 30, the Procedures, the Default Rules (in the case of FCM Exchange Contracts or FCM Listed Interest Rates Contracts) or otherwise, shall be carried out by the Clearing House effecting and registering ~~pursuant to the FCM Procedures~~ opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation, Procedure or, where applicable, in paragraph (d) below, and thereupon settling such FCM Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of FCM Contracts in their names for the same commodity and Delivery Month or Prompt Date as the FCM Contracts invoiced back under paragraph (a) above to the nearest whole number of Lots, or in the case of FCM Option Contracts on the terms of the relevant underlying contracts specified in the FCM Procedures (if applicable), for the same Expiry Month and Strike Price as the FCM Contracts invoiced back under paragraph (a) above, or in the case of FCM Contracts that are not FCM Exchange Contracts on the same FCM Contract Terms as the FCM Contracts invoiced back under paragraph (a) above, and thereupon settling such FCM Contracts against such opposite contracts.
- (c) Where Open FCM Contracts are invoiced back pursuant to FCM Regulation 29 or FCM Regulation 30, or the Procedures, the Clearing House shall credit or debit (as the case may be) the FCM Clearing Member's accounts affected by such invoicing back in accordance with FCM Regulation 29 or FCM Regulation 30, or the Procedures as applicable. Where an FCM Contract is invoiced back under the Default Rules, the account of such other FCM Clearing Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite FCM Contracts effected and registered by the Clearing House pursuant to paragraphs (a) and (b) above shall, subject to FCM Regulation 29, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back or, in the case of FCM Exchange Contracts, at a price or (where applicable) Premium fixed or determined by the relevant Exchange Board. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation 31:
- (i) **“net position”** means: (A) in respect of FCM Contracts in a Product for which there are Economic Terms (as set forth in the definition of “Economic Terms” in these FCM Regulations), one or more of such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts on the same Economic Terms and (B) in respect of FCM

FCM Regulations

Contracts in all other Products not specified in (A) above, one or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts for the same Delivery Month, Expiry Month or Prompt Date; and

- (ii) “**opposite contract**” means an FCM Contract on the same terms (except as to price), as the FCM Contract to be invoiced back in accordance with this FCM Regulation 31, but where an FCM Clearing Member has position “X” in respect of an FCM Contract to be invoiced back (where such FCM Contract consists of positions “X” and “Y”), such FCM Clearing Member shall have position “Y” in respect of the opposite contract and vice versa.



LSEG POST
TRADE

CORPORATE

LCH

Appendix IV
FCM Procedures
Changed Pages

FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

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

(l) *Negative Interest Rate Method*

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

(m) *Index cessation event and index disruption event*

If the Clearing House determines that an Index Cessation Event or Index Disruption Event has occurred in respect of the rate relating to a Floating Rate Option (as defined in the ISDA Definitions) for one or more FCM SwapClear Contract(s) and that is likely to affect, or has affected, the normal course of business, including, but not limited to, performance under such FCM SwapClear Contract(s), then the Clearing House shall be entitled to invoice back such FCM SwapClear Contract(s) in accordance with Regulation 31 at a price determined by the Clearing House or to require the affected FCM Clearing Member(s) to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM SwapClear Contracts.

Accounts shall be made up by the Clearing House for each FCM Clearing Member who is a party to FCM Contracts invoiced back pursuant to this paragraph or FCM Regulation 31. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such FCM Contracts invoiced back notwithstanding any further change of circumstances.

~~(m)~~(n) *Calculation of Inflation Indices*

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

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

~~(n)~~(o) *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate all coupon payments for FCM SwapClear Contracts that are non-deliverable interest rate swaps, including the Fixed Amount or Floating Amount payable under any