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NEW PRODUCT AND NEW RULES SELF-CERTIFICATION

OFFICE OF THE
SECRETARIAT


LCH.Clearnet Limited ("LCH") hereby certifies to the Commodity Futures Trading Commission (the "Commission"), pursuant to the procedures set forth in Commission Regulations 40.2 and 40.6, that both (i) the "FCM SwapClear Contract" product to be cleared on LCH and (ii) the new rules of LCH pertaining to the clearing of FCM SwapClear Contracts which are referred to as the "FCM Rulebook" (which includes the rules referred to as the "FCM Regulations", Schedules "A" and "B" to the FCM Regulations, the "FCM Procedures", the "Default Rules", the "Default Fund Rules" and the "Settlement Finality Regulations"), comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

* * * *

IN WITNESS HEREOF, each party hereto has caused this certification to be signed as of the 15th
day of FEBRUARY, 2011.

LCH.CLEARNET LIMITED

By:


Name: SIMON WHEATLEY
Title: EXECUTIVE DIRECTOR

[Signature Page to LCH.Clearnet Limited Self-Certification of Rulebook]

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LCH.CLEARNET LIMITED

FCM REGULATIONS OF THE CLEARING HOUSE

Scope

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM SwapClear Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited nor do they cover clearing services provided by LCH.Clearnet SA which are governed by a separate set of rules.

Any FCM Regulation or group of FCM Regulations expressly stated not to apply to a category, or categories, of FCM SwapClear Contract shall not apply to such category, or categories, of FCM SwapClear Contract.

Definitions

In these FCM Regulations and the FCM Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

- Approved Trade Source System* - Means a system approved as such by the Clearing House.
- Business Day* - Means in respect of an FCM SwapClear Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
- CEA* - Means the U.S. Commodity Exchange Act.
- CFTC* - Means the U.S. Commodity Futures Trading Commission.
- Clearing House* - Means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
- Clearing House Prescribed Language* Means the provisions prescribed by the Clearing House, as set forth in Schedule B of these FCM Regulations or as otherwise permitted by the Clearing House, required to be included or incorporated in an addendum to the relevant agreement between an FCM Clearing Member and an FCM Client, in accordance with Section 4(a) of these FCM Regulations.
- Closing-out Contract* - Means for the purposes of these FCM Regulations, an FCM SwapClear Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM SwapClear Contract on the same terms (except as to price) as an open FCM SwapClear Contract in the FCM Clearing Member's name, save that where the Clearing House is paying Rate X under the terms of such open FCM SwapClear Contract, the Clearing House shall pay Rate Y under the terms of such closing-out FCM SwapClear Contract, and vice-versa.
- Contribution* - Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
- cover* - Means an amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the FCM Procedures.
- defaulter* - Has the meaning attributed to it in rule 4 of the Default Rules.

- Default Fund Rules* - Means the Clearing House's Default Fund Rules from time to time in force.
- Default Rules* - Means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.
- Economic Terms* - Means that part of the FCM SwapClear Contract Terms designated as Economic Terms by the Clearing House from time to time.
- Excess Margin* - Means cover delivered to the Clearing House by an FCM Clearing Member in respect of its FCM SwapClear Contracts which is in excess of the Required Margin in respect of such FCM SwapClear Contracts.
- Executing Party* - Means any party to a swap transaction with respect to which at least one party to such transaction applies to have its side of such transaction registered with the Clearing House (through its FCM Clearing Member) as an FCM SwapClear Contract, and the other party to such transaction applies to have its side of such transaction registered with the Clearing House as either an FCM SwapClear Contract or an SCM SwapClear Contract (through its FCM Clearing Member or SwapClear Clearing Member, as the case may be).
- FCM* - Means a futures commission merchant, as defined under the CEA that is registered in such capacity with the CFTC.
- FCM Clearing Member* - Means an FCM that has been approved by the Clearing House for the clearing of FCM SwapClear Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "Clearing Member" for all purposes under the Default Rules, the Default Fund Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
- FCM Clearing Membership Agreement* - Means the agreement so designated under which, inter alia, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM SwapClear Contracts together with any ancillary agreements.
- FCM Client* - Means a client of an FCM Clearing Member (but not including affiliates of such FCM Clearing Member) with positions in the cleared OTC derivatives account class (as that term is defined in CFTC Regulation 190.01(o)), including FCM SwapClear Contracts, on behalf of which the FCM Clearing Member provides FCM SwapClear Clearing Services and clears FCM SwapClear Contracts; provided that any such client is only an FCM Client with respect to its positions in cleared OTC derivatives (as

that term is defined in CFTC Regulation 190.01(o)).

- FCM Client Business* - Means the provision of FCM SwapClear Clearing Services to FCM Clients.
- FCM Default Fund Agreement* - Means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the Clearing House's default fund.
- FCM Default Management Process Agreement* - Means an agreement entered into between the Clearing House and an FCM Clearing Member, pertaining to the Clearing House's default management process in the case of a default of an FCM Clearing Member or a SwapClear Clearing Member.
- FCM Omnibus OTC Client Account with LCH* - Means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated cover and other payments and deliveries, will be reflected on the books of the Clearing House.
- FCM OTC Client Segregated Depository Account* - Means an omnibus account located in the United States and maintained by an FCM Clearing Member for its FCM Clients with a depository, which is segregated in accordance with the CEA and regulations of the CFTC and contains cover deposited by such FCM Clients in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Member.
- FCM Procedures* - Means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House.
- FCM Regulations* - Means these FCM Regulations entitled as such, relating to FCM SwapClear Contracts and the clearing of FCM SwapClear Contracts only, from time to time in force.
- FCM Rulebook* - Means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM SwapClear Clearing Services, as published and amended from time to time.
- FCM Segregated Accounts* Means, with respect to each FCM Clearing Member, its FCM OTC Client Segregated Depository Accounts and its PPS Accounts.
- FCM SwapClear Clearing Services* - Means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients or its affiliates, as

- the case may be.
- FCM SwapClear Contract* - Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
- FCM SwapClear Contract Terms* - Means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Regulations.
- FCM SwapClear Transaction* - Means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM SwapClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM SwapClear Contract or an SCM SwapClear Contract.
- Initial Margin* - Means an amount determined and published from time to time by the Clearing House with regard to each category of FCM SwapClear Contract, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures as a condition of registration of an FCM SwapClear Contract by the Clearing House and otherwise in respect of all FCM SwapClear Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.
- LCH.Clearnet Group* - Means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a "member" of LCH.Clearnet Group within these FCM Regulations is to be construed accordingly).
- LCH OTC Client Segregated Depository Account* - Means the omnibus account (which will consist of one or more accounts at one or more depositories which are commingled for purposes of the applicable provisions of the CEA and regulations of the CFTC) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a depository, which is segregated in accordance with the CEA and regulations of the CFTC, is part of the cleared OTC derivatives account class under Part 190 of the CFTC's regulations and contains the cover deposited by such FCM Clearing Members on behalf of their FCM Clients in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Members.
- Official Quotation* - Means a price determined by the Clearing House under FCM Regulation 11.

<i>"Open Contract" or "open contract"</i>	- Means an FCM SwapClear Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms "Open Contract" and "open contract" shall not include a Closing-out Contract.
<i>Other Specific Regulations</i>	- Means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.
<i>Price</i>	- Means, in the case of an FCM SwapClear Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.
<i>Proprietary Account</i>	- Means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM SwapClear Contracts made by the FCM Clearing Member for its own account or accounts of its affiliates (but never accounts of its FCM Clients) are registered and to which monies in respect of such FCM SwapClear Contracts are credited.
<i>PPS Account(s)</i>	Means the Protected Payments System (PPS) bank account(s) established by FCM Clearing Members and by LCH, as described in the FCM Procedures.
<i>Reference Price</i>	- Means a price (howsoever called) by reference to which an FCM SwapClear Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.
<i>Registration Time</i>	- Means, in respect of FCM SwapClear Contracts, the meaning given in FCM Regulation 5(d) or FCM Regulation 5(k) as applicable.
<i>Regulatory Body</i>	- Means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the Commodity Futures Trading Commission of the United States (CFTC) or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.
<i>Required Margin</i>	- Means the cover required by the Clearing House from an FCM Clearing Member from time to time in respect of its FCM SwapClear Contracts.
<i>SCM SwapClear Contract</i>	- Means a "SwapClear Contract" (as such term is defined in the U.K. General Regulations) and which is governed in accordance with the UK General Regulations.

<i>Settlement Finality Regulations</i>	- Means the Clearing House's Settlement Finality Regulations from time to time in force.
<i>Settlement Price</i>	- Means in relation to an FCM SwapClear Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
<i>Standard Terms</i>	- Means that part of the FCM SwapClear Contract Terms designated as Standard Terms by the Clearing House from time to time.
<i>SwapClear Clearing Member</i>	- Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<i>UK General Regulations</i>	- Means the Default Rules, the Default Fund Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.
<i>Variation Margin</i>	- Means an amount determined by the Clearing House in accordance with the FCM Procedures in respect of original contracts or Open Contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the FCM Procedures) and the value of such contracts at the Reference Price or at such other prices as the Clearing House may determine pursuant to the FCM Procedures, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures.

Any reference in these FCM Regulations or the FCM Procedures to statutes or statutory instruments or provisions thereof shall be to such statutes or statutory instruments or provisions thereof as amended, modified or replaced from time to time.

Reference to writing contained in these FCM Regulations or the FCM Procedures shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.

Words importing the singular shall, where the context permits, include the plural and vice-versa.

Any reference to time contained in these FCM Regulations or the FCM Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.

Any reference in these FCM Regulations to a person or a party (howsoever described) shall include its successors.

Headings are used herein for ease of reference only.

Regulation 1 **Obligations of the Clearing House to each FCM Clearing Member**

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open Contracts in accordance with these FCM Regulations.

 - (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.

 - (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation 1 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation or any of the other FCM Regulations to any person who is not a member.
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Regulation 2 **Performance by the Clearing House of its Obligations under the Terms of an Open Contract**

The Clearing House's obligations under the terms of an Open Contract shall be performed in the manner and form and by such day and time as may be prescribed in these FCM Regulations or the FCM Procedures; provided that where the Economic Terms of an FCM SwapClear Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time.

Regulation 3 FCM Clearing Member Status of the Clearing House and Application of LCH Regulations

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM SwapClear Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM SwapClear Transactions involving an FCM Client an FCM Clearing Member shall act solely as agent of its FCM Clients in connection with the clearing of such FCM SwapClear Contracts, provided that each FCM Clearing Member shall remain liable as if it were a principal for all obligations to the Clearing House arising in connection with such FCM SwapClear Contracts.
- (c) Qualification of FCM Clearing Members. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM SwapClear Clearing Services. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
 - (ii) be incorporated or otherwise organized under the laws of a State within the United States;
 - (iii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$1,000,000,000 (one billion United States dollars);
 - (iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process FCM SwapClear Transactions through an Approved Trade Source System;
 - (v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the Clearing House Default Fund in accordance with the FCM Rulebook;
 - (vi) have an affiliate that is an existing SwapClear Clearing Member for the purposes of performing certain obligations under the FCM Default Management Process Agreement;
 - (vii) have, or be a member of a corporate group that has, an interest rate swaps portfolio with a minimum notional outstanding principal of US\$1,000 billion (i.e. \$1,000,000,000,000) or equivalent;

- (viii) be able to successfully participate in a SwapClear "fire drill" run by the Clearing House from time to time which shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's FCM Clearing Member application will not be approved;
- (ix) be able to participate in the Default Management Process operated by the Clearing House and execute an FCM Default Management Process Agreement with the Clearing House;
- (x) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union; and
- (xi) in the event of a default be able to receive from the Clearing House and process FCM SwapClear Contracts and SCM SwapClear Contracts, and any associated hedge trades, in FPML format or, separated value electronic format;

provided that, in the event that an FCM Clearing Member is not in satisfaction of the requirements set forth above in clause (iii), the Clearing House may, at its discretion, deem the net capital requirement set out in clause (iii) above to be met by the provision to the Clearing House of an unconditional and unlimited guarantee (in a form acceptable to the Clearing House) from the applicant's (or current FCM Clearing Member's) parent company or from another member in the applicant's (or current FCM Clearing Member's) corporate group (not including a subsidiary of the applicant or current FCM Clearing Member) provided that the guarantor itself meets those criteria or is a guarantor for another FCM Clearing Member or SwapClear Clearing Member in its corporate group (and met the criteria mentioned above at the time of provision of that guarantee).

- (d) Notwithstanding anything else contained in this FCM Regulation 3 or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

Regulation 4 FCM Client Business and Proprietary Account Trading

- (a) Subject to the provisions of these FCM Regulations, FCM SwapClear Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client, provided, however, that each FCM Clearing Member shall, before providing FCM SwapClear Clearing Services to any FCM Client, ensure that it has entered into an agreement with that Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, includes or incorporates the Clearing House Prescribed Language for FCM Clearing Members and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members.
- (b) FCM SwapClear Clearing Services may be provided by an FCM Clearing Member to its FCM Clients, and FCM SwapClear Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only through an FCM Omnibus OTC Client Account with LCH maintained by the Clearing House in the name of the FCM Clearing Member for the benefit of its FCM Clients.
- (c) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to enter into and clear FCM SwapClear Contracts for their own accounts or accounts of their affiliates, in each case through their Proprietary Accounts.
- (d) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its FCM Clients and any affiliates for which it provides clearing services and regarding trades made on its own behalf through its Proprietary Account, the FCM SwapClear Contracts cleared for such FCM Clients, affiliates, or on its own behalf, and the cover held in respect of such cleared FCM SwapClear Contracts, subject to the provisions of the following subsection (e).
- (e) Each FCM Clearing Member shall establish and maintain an FCM OTC Client Segregated Depository Account on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and regulations of the CFTC, including but not limited to Part 1 and Part 190 of such regulations, and as further set forth in FCM Regulation 29. The FCM OTC Client Segregated Depository Account shall be maintained with a depository in accordance with the CEA and CFTC Regulations and the FCM Clearing Member may commingle assets of all of its FCM Clients in such Account in a single omnibus account established and maintained in accordance with CFTC Regulations. The FCM OTC Client Segregated Depository Account maintained by each FCM Clearing Member shall be designated as part of the OTC derivatives account class for purposes of Part 190 of the CFTC's regulations and Section 2(h) of the CEA.
- (f) The Clearing House shall establish and maintain an LCH OTC Client Segregated Depository Account on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and regulations of the CFTC, including but not limited to Part 1 and Part 190 of such regulations. The LCH OTC Client Segregated Depository Account shall be maintained with a depository in accordance with the CEA and CFTC Regulations and the Clearing House may commingle assets of all of the FCM Clients in such Account in a single omnibus account established and maintained in accordance with CFTC Regulations. All cover deposited by FCM Clearing Members in connection with FCM SwapClear Contracts cleared on behalf

of FCM Clients shall be held in such LCH OTC Client Segregated Depository Account. The LCH OTC Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members, or any other assets that the Clearing House is holding for clients (other than FCM Clients) and shall contain no assets other than cover deposited by FCM Clearing Members in connection with the clearing of FCM SwapClear Contracts on behalf of their FCM Clients. The LCH OTC Client Segregated Depository Account maintained by the Clearing House shall be designated as part of the OTC derivatives account class for purposes of Part 190 of the CFTC's regulations.

- (g) The Required Margin relating to FCM SwapClear Contracts cleared by an FCM Clearing Member on behalf of its FCM Clients, its affiliates, or on its own behalf will be calculated by the Clearing House, and discharged by the FCM Clearing Member in respect of all of all such FCM SwapClear Contracts, by:
 - (i) if and to the extent that there is Excess Margin available, deduction by the Clearing House of amounts from such Excess Margin;
 - (ii) otherwise, delivery by the FCM Clearing Member to the Clearing House of cover with a value which is at least sufficient to discharge the relevant requirement.
- (h) An FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to the FCM Clients or the clearing of FCM SwapClear Contracts by such FCM Clearing Member on behalf of its FCM Clients, its affiliates, or on its own behalf.
- (i) No FCM Clearing Member may withdraw any amount from its FCM Omnibus OTC Client Account with LCH if such withdrawal would cause the account balance to be less than the Required Margin then attributable to such FCM Omnibus OTC Client Account with LCH by the Clearing House in accordance with the provisions of the FCM Rulebook.

Regulation 5 Registration of FCM SwapClear Contracts; Novation

- (a) In order for an FCM Clearing Member to submit an FCM SwapClear Transaction for registration as an FCM SwapClear Contract, (i) the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations and (ii) the FCM SwapClear Transaction must have been entered into between two Executing Parties. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as FCM SwapClear Contracts in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.
- (b) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or SwapClear Clearing Member, as applicable.
- (c) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation, an FCM SwapClear Transaction, particulars of which are submitted for registration as FCM SwapClear Contracts, must meet the eligibility criteria prescribed in these FCM Regulations and the FCM Procedures at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as FCM SwapClear Contracts, at which time the FCM SwapClear Contracts shall replace and supersede such corresponding FCM SwapClear Transaction.
- (d) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation in the name of an FCM Clearing Member on behalf of an FCM Client at the time prescribed in the FCM Procedures ("Registration Time"). At the time that an FCM SwapClear Contract is registered in the name of an FCM Clearing Member on behalf of an FCM Client, the FCM Client will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House, automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.
- (e) If at any time after registration of FCM SwapClear Contracts, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as FCM SwapClear Contracts pursuant to the FCM Rulebook, the Clearing House shall, as soon as practicable thereafter, set aside such FCM SwapClear Contracts. Upon the FCM SwapClear Contracts being set aside under this FCM Regulation 5, the particulars of the corresponding FCM SwapClear Transaction in question shall be deemed never to have been submitted to the Clearing House. Any payment made under, or in respect of, an FCM SwapClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 26 and its obligations under this FCM Regulation 5, the Clearing House (and each other member of the LCH.Clearent Group and their respective officers, employees and

agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM SwapClear Contract.

- (f) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Transactions are to be registered to furnish it with cover as a condition of registration of such FCM SwapClear Transaction(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable FCM Regulations.

It is a condition for registration as an FCM SwapClear Contract that both sides of the underlying FCM SwapClear Transaction be presented for clearing (as one FCM SwapClear Contract and one SCM SwapClear Contract, or as two FCM SwapClear Contracts, as applicable).

In the event that the Clearing House registers an FCM SwapClear Contract and, for whatever reason, the corresponding SCM SwapClear Contract or corresponding FCM SwapClear Contract has not also been registered, the FCM SwapClear Contract shall be deemed not to be registered as an FCM SwapClear Contract until such time as such corresponding SCM SwapClear Contract or corresponding FCM SwapClear Contract has been registered.

In relation to an FCM SwapClear Transaction, if one of the applicable FCM Clearing Members or SwapClear Clearing Members (as the case may be) to which such FCM SwapClear Transaction was given up for clearing does not present it for clearing, the Clearing House shall set aside any FCM SwapClear Contract or SCM SwapClear Contract that has been registered (if any) and the particulars of the corresponding FCM SwapClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the Clearing House; or (ii) rejected until such time as the non-presenting FCM Clearing Member or SwapClear Clearing Member has presented the relevant contract to the Clearing House. In addition, any payment made under, or in respect of, any FCM SwapClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 26 and its obligations under this FCM Regulation 5, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract.

- (g) The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.
- (h) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:

- (1) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one SCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member (acting on behalf of and as agent for its FCM Client, if applicable), as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the SCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or
- (2) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent an FCM Client is involved, each FCM Clearing Member will be the agent of its FCM Client, but will nevertheless remain liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client, as if it were a principal.

- (i) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 5(h) above:
 - (1) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and SCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
 - (2) each FCM SwapClear Contract registered under FCM Regulation 5(h) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
 - (3) subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract which it is clearing on behalf of the FCM Client as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and

- (4) subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (3) and (4) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (j) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation or any other applicable provision of the FCM Rulebook.
- (k) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 5 shall take effect.
- (l) An FCM Clearing Member may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, except that all transactions for affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.

Regulation 6 **Accounts**

- (a) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to LCH for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, for administrative convenience only, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with FCM Client Business.
- (c) This paragraph applies to an FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH. Unless the FCM Rulebook provides otherwise, in the event that more than one FCM Omnibus OTC Client Account with LCH is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of such FCM Omnibus OTC Client Accounts (within the same account class for purposes of Part 190 of the CFTC Regulations) with LCH of an FCM Clearing Member, treat all such accounts as a single account and set off any amount or amounts standing to the credit of any one or more of such FCM Omnibus OTC Client Accounts with LCH of an FCM Clearing Member in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such FCM Omnibus OTC Client Accounts with LCH.
- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules) be paid on amounts standing to the credit of any of the FCM Clearing Member's accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.
- (h) Subject to the provisions of the Default Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration

shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.

- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 26A, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member, provided that in accordance with paragraph (d) above an FCM Clearing Member's obligations to the Clearing House may never be set off with amounts in FCM OTC Client Segregated Depository Accounts.

Regulation 7 Designation

An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM SwapClear Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, determine in which account of the FCM Clearing Member the FCM SwapClear Contract shall be entered.

Regulation 8 Trading Information

The Clearing House shall make available to an FCM Clearing Member in the manner and by the time prescribed by the FCM Procedures, such details of original contracts presented for registration in the name of that FCM Clearing Member, Open Contracts registered in that FCM Clearing Member's name, and cover furnished by that FCM Clearing Member as may be prescribed in the FCM Procedures.

Regulation 9 Transfer

- (a) Other than in the event that an FCM Clearing Member is a defaulter, Open Contracts in such FCM Clearing Member's name shall not be allocated or transferred except as provided in paragraph (b) or paragraph (f) below.
- (b) If an FCM Clearing Member wishes to transfer an Open Contract held in its name to be registered in the name of another FCM Clearing Member, either at the direction or with the consent of the relevant FCM Client (in the case of Open Contracts held on behalf of FCM Clients), the Clearing House may, with the agreement of both FCM Clearing Members and subject to such conditions as it may stipulate, at its absolute discretion and, without prejudice to any power of the Clearing House under the Default Rules, transfer the registration of such Open Contract into the name of the FCM Clearing Member agreeing to have such Open Contract registered in its name, whereupon such Open Contract shall be discharged and replaced by an Open Contract between the FCM Clearing Member into whose name the contract was transferred and the Clearing House, and which shall be subject to the FCM Regulations and otherwise on the same terms as the Open Contract which it replaced.
- (c) No Open Contract, being an FCM SwapClear Contract with a United States FCM Client, may be transferred pursuant to paragraph (b) above to any SwapClear Clearing Member who is not an FCM Clearing Member.
- (d) Rights under an Open Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation, shall be void.
- (e) If an FCM Clearing Member is a defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM SwapClear Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM SwapClear Contracts held by FCM Clients of the defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM SwapClear Contracts or by transferring such FCM SwapClear Contracts to the FCM Clearing Member designated by such FCM Clients, provided that the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM SwapClear Contracts and, provided further, that the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM SwapClear Contracts of FCM Clients of the defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the open FCM SwapClear Contracts of FCM Clients of the defaulter that it determines to be appropriate in its sole discretion.
- (f) If and to the extent permitted under the FCM Procedures, an FCM Clearing Member may transfer Open Contracts between its Proprietary Account and

accounts of its FCM Clients, and vice versa, upon a client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets, and in accordance with the FCM Procedures.

Regulation 10 Margin and Cover for Margin; Other Obligations

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with cover, and to keep the Clearing House furnished with sufficient cover at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM SwapClear Contracts from time to time to be registered in its name as Open Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish cover to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the FCM Clearing Member to furnish cover to the Clearing House pursuant to these FCM Regulations
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any security deposited by an FCM Clearing Member as cover is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such cover as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation 5 or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all securities and other assets furnished or deposited by an FCM Clearing Member to or with the Clearing House as cover pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish or deposit securities or other assets to or with the Clearing House as cover otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish or deposit to or with the Clearing House as cover for the purposes of these FCM Regulations any securities or other assets of such person in the FCM Clearing Member's possession.
- (ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes or deposits securities or other assets to or with the Clearing House as cover pursuant to these FCM Regulations (A) that such FCM Clearing Member is the sole legal and beneficial owner of those securities or other assets or, as the case may be, those securities or other assets are so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such securities or other assets pursuant to these FCM Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.
- (iii) The Clearing House may, in its absolute discretion and at any time require an FCM Clearing Member to furnish or deposit other securities or assets to or with the Clearing House in substitution of any securities or

assets deposited with the Clearing House pursuant to this FCM Regulation 10.

- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM SwapClear Contract or to call for larger or additional amounts of cover for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any cover called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate provision of cover from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such cover by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the member is party. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as cover in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above, the Clearing House may at its absolute discretion accept cover in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of cover in accordance with its standard risk management procedures and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (h) If, in the opinion of the Clearing House, any security which has been furnished to it by an FCM Clearing Member as cover pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of cover from such FCM Clearing Member. Such cover shall be furnished by such FCM Clearing Member on demand in a form prescribed by the FCM Procedures, provided that at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with cover in a specified form and to demand that the FCM Clearing Member replace the whole or part of any security furnished by an FCM Clearing Member pursuant to these FCM Regulations by cover in the form of cash.
- (i) If, in respect of Open Contracts in an FCM Clearing Member's name acting on behalf of its FCM Clients, Official Quotations indicate that cover which has been furnished to the Clearing House by such FCM Clearing Member in respect of such

- contracts is in excess of Variation Margin requirements, the Clearing House may, or at the FCM Clearing Member's request shall, release the excess of such cover.
- (j) If the Clearing House takes any step or steps under the Default Rules in relation to an FCM Clearing Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as cover, provided that under no circumstances will any assets in the FCM Omnibus OTC Client Accounts with LCH be applied to the satisfaction of proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's FCM Client Business.
- (k) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 3(c), shall be obligated to perform all of their respective obligations (including without limitation to pay all amounts due) as required pursuant to the FCM Regulations, the Default Rules, the Default Fund Rules and the FCM Default Management Process Agreement, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation 3(c), shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations, the Default Rules, the Default Fund Rules and the FCM Default Management Process Agreement, as applicable.
- (l) Unless the Clearing House otherwise agrees in writing, cover provided to the Clearing House by way of cash shall not be capable of assignment by any person. Any purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of cash cover provided to the Clearing House shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any cash cover provided to the Clearing House.
- (m) Each FCM Clearing Member hereby grants the Clearing House a first security interest in and a first priority and unencumbered first lien upon any and all cover, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including without limitation all property deposited in the Default Fund, a Proprietary Account or in an FCM Omnibus OTC Client Account with LCH, or any amounts owing to an FCM Clearing Member in the Default Fund or a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any FCM SwapClear Contracts cleared for such FCM Clearing Member or its clients or affiliates, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House. The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in an FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH be exercised to satisfy any obligations or liabilities of such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH.

Regulation 11 Official Quotations and Reference Price

- (a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price determined by a third party or any Reference Price.

Regulation 12 Daily Marking to Market

- (a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each Open Contract in an FCM Clearing Member's name which is subject to daily marking to market, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.
- (b) The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.
- (c) For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.
- (d) The net present value of each FCM SwapClear Contract shall be calculated by the Clearing House in accordance with paragraphs (a) and (b) of this FCM Regulation 12, in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash cover for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.
- (e) In respect of a portfolio of FCM SwapClear Contracts and each payment date for coupon payments (in accordance with the FCM Procedures), the Clearing House shall net:
- (i) the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date; and
 - (ii) the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this FCM Regulation 12 shall be automatically satisfied and discharged on payment by the applicable party of the excess. All netting in respect of a portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in an FCM Clearing Member's Proprietary Account and with respect to FCM SwapClear Contracts held on behalf of FCM Clients.

Regulation 13 Market Disorders, Impossibility of Performance, Trade Emergency

- (a) If the Clearing House, in relation to FCM SwapClear Contracts, determines that one of the following conditions exists, 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 SwapClear 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 SwapClear 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 an FCM SwapClear 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 FCM SwapClear 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 SwapClear Contracts in accordance with FCM Regulation 15 and the FCM Procedures 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 SwapClear Contracts. 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 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.

Regulation 14 Force Majeure

- (a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM SwapClear Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 13(a)(i), (ii) or (iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other in respect of affected FCM SwapClear Contracts, the Clearing House shall be entitled to require any of the affected FCM SwapClear Contracts to be performed in accordance with directions issued by the Clearing House, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM SwapClear Contracts.

Regulation 15 Invoicing Back

- (a) Invoicing back of an FCM Clearing Member's FCM SwapClear Contracts pursuant to FCM Regulation 13 or FCM Regulation 14 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 or, where applicable, in paragraph (d) below, and thereupon settling such FCM SwapClear 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 Open Contracts in their names on the same FCM SwapClear Contract Terms as the FCM SwapClear Contracts invoiced back under paragraph (a) above.
- (c) Where Open Contracts are invoiced back pursuant to FCM Regulation 13 the Clearing House shall make up the accounts of any FCM Clearing Member affected by such invoicing back in accordance with FCM Regulation 13, as applicable.
- (d) Opposite FCM SwapClear Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation 13, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back. 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:
- (i) "net position" means: in respect of Open Contracts, one or more of such FCM SwapClear Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM SwapClear Contracts on the same Economic Terms;
- (ii) "opposite contract" means an FCM SwapClear Contract on the same terms (except as to price), as the FCM SwapClear Contract to be invoiced back in accordance with this FCM Regulation, but where an FCM Clearing Member is a floating rate payer, in respect of an FCM SwapClear Contract to be invoiced back, such FCM Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa.

Regulation 16 **Currency Conversion**

For the purpose of exercising any rights under these FCM Regulations, the Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of an FCM Clearing Member's accounts (including FCM OTC Client Segregated Depository Accounts) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the FCM Procedures.

Regulation 17 **Disclosure**

- (a) The Clearing House shall have authority to supply any information whatsoever concerning an FCM Clearing Member and its trading to (a) any Regulatory Body which is entitled to receive or request any such details or information, (b) LCH.Clearnet Group Limited, (c) LCH.Clearnet SA or (d) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same.

 - (b) The Clearing House shall also be entitled to supply any information whatsoever concerning an FCM Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.
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Regulation 18 Fees and Other Charges

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such FCM Clearing Members, by such times, and in such manner as may be prescribed by the FCM Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to FCM Regulation 10(e) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.

Regulation 19 **Records**

An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation 8, FCM Regulation 9 and FCM Regulation 12.

Regulation 20 **FCM Procedures**

The FCM Procedures shall take effect and shall be binding on FCM Clearing Members as if they formed part of these FCM Regulations save that, in the event of any conflict between the provisions of these FCM Regulations and the FCM Procedures, the provisions of these FCM Regulations shall prevail.

Regulation 21 Alteration of FCM Regulations and the FCM Procedures

- (a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to FCM Clearing Members, amend or extend these FCM Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these FCM Regulations may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.
 - (b) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the FCM Procedures by notice to such FCM Clearing Members as may be affected.
 - (c) The accidental omission to give notice under this FCM Regulation to, or the non-receipt of notice under this FCM Regulation by, any FCM Clearing Member shall not invalidate the amendment or extension with which the notice is concerned.
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Regulation 22 **Interpretation of these FCM Regulations**

- (a) In the event of inconsistency between the provisions of these FCM Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these FCM Regulations shall prevail.

- (b) The headings to these FCM Regulations are for convenience only and shall not affect their interpretation.

Regulation 23 **Waiver**

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these FCM Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

Regulation 24 **Validity of FCM Regulations and Action**

If at any time any provision of these FCM Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these FCM Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

Regulation 25 Governing Law and Jurisdiction

- (a) These FCM Regulations, the FCM Procedures and each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and the laws of the United States of America, including the CEA and applicable bankruptcy and insolvency laws.
- (b) The Other Specific Regulations shall be governed by and construed in accordance with the laws of England and Wales.
- (c) The Clearing House and every FCM Clearing Member hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any FCM SwapClear Contract, these FCM Regulations, the FCM Procedures or to the Other Specific Regulations (in the case of the Other Specific Regulations, only with respect to a claim or matter arising from or in relation to an FCM SwapClear Contract, FCM SwapClear Clearing Services or these FCM Regulations) and each FCM Clearing Member irrevocably submits to such jurisdiction and to waive any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) The Clearing House and each FCM Clearing Member hereby irrevocably waives any right to a trial by jury in any litigation directly or indirectly arising out of or relating to any FCM SwapClear Contract, the FCM Procedures, the Other Specific Regulations or to these FCM Regulations.
- (e) Each FCM Clearing Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgement) and execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

Regulation 26 Exclusion of Liability

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM SwapClear Contract, but not limited to, any dispute as to the validity or otherwise of such FCM SwapClear Contract, the terms of such FCM SwapClear Contract or whether any alleged agreement or arrangement constitutes an FCM SwapClear Contract.
- (b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 13, 14 or 5(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 26(b) and FCM Regulation 26(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation 26 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.
- (e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.

- (a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a defaulter, under an FCM SwapClear Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.
- (c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM SwapClear Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM SwapClear Contract between them which would, but for this FCM Regulation 26A, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
 - (ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM SwapClear Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM SwapClear Contract where agreed by the Clearing House and the FCM Clearing Member (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM SwapClear Contract; and
 - (iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all

- of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").
- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM OTC Client Segregated Depository Accounts:
- (1) the FCM Clearing Member shall determine two net amounts under paragraph (d)(iii); one net amount in respect of gains and losses arising on FCM SwapClear Contracts registered in the FCM Clearing Member's FCM OTC Client Segregated Depository Account (or in its multiple FCM OTC Client Segregated Depository Accounts as combined, if applicable) and a second net amount in respect of gains and losses arising on all other FCM SwapClear Contracts; and
 - (2) the two net amounts determined under paragraph (iv)(1) shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall be paid in the Base Currency by the close of business on the Business Day following notification pursuant to paragraph (v) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the FCM Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.
- (vii) For the purposes of any calculation required to be made under this FCM Regulation, the FCM Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.
- (f) The FCM Clearing Member's rights under this FCM Regulation 26A shall be in addition to, and not in limitation or exclusion of, any other rights which the FCM Clearing Member may have (whether by agreement, operation of law or otherwise, including its rights under FCM Regulation 6(i)).

Regulation 27 **The reset rate for, and the net present value of, an FCM SwapClear Contract**

The Clearing House may determine the reset rate for, and the net present value of, an FCM SwapClear Contract for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

Regulation 28 Withdrawal of the SwapClear Service by the Clearing House

- (a) If at any time the Clearing House decides to withdraw the FCM SwapClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members of the date on which the service will be withdrawn ("the SwapClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this FCM Regulation to, or the non-receipt of notice under this FCM Regulation by, one or more FCM Clearing Members shall not invalidate the SwapClear Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM SwapClear Contract (other than a Closing-out Contract) after notice to withdraw the service has been given under FCM Regulation 28(a).
- (c) If, at the SwapClear Withdrawal Date, an FCM Clearing Member or SwapClear Clearing Member has not closed out all open FCM SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:
 - (i) liquidate any or all of such FCM SwapClear Contracts and require such FCM SwapClear Contracts to be cash settled at a price determined by the Clearing House; or
 - (ii) postpone the SwapClear Withdrawal Date until such time as the Clearing House determines.

Regulation 29 Rules Relating to FCM OTC Client Segregated Accounts

- (a) Notice of Deficiency in FCM OTC Client Segregated Depository Accounts. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in its FCM Segregated Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.
- (b) Segregation of Funds.
- (i) All FCM Client funds shall be separately accounted for and segregated as belonging to FCM Clients and shall be part of a separate account class, treated as a Cleared OTC Derivatives Account Class, as defined in and for purposes of Part 190 of the CFTC's regulations. Such funds, when deposited with the Clearing House, any bank, trust company or another FCM shall be deposited under an account name which clearly identifies them as such and shows that they are segregated as required by the FCM Rulebook. Each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment from such bank, trust company or FCM, that it was informed that the funds deposited in the FCM Segregated Accounts maintained by such bank, trust company or FCM for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. For the avoidance of doubt, all FCM Segregated Accounts maintained by an FCM Clearing Member shall be treated as segregated accounts and shall be subject to the requirements of the CEA and CFTC Regulations applicable to segregated accounts and to this Regulation 29, regardless of the location of any such account. Without limitation of the foregoing, under no circumstances shall any portion of FCM Client funds held in FCM Segregated Accounts be obligated to the Clearing House, an FCM Clearing Member, any depository, or any other person except to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or transactions of FCM Clients. No person, including the Clearing House or any depository, that has received FCM Client funds for deposit in an FCM Segregated Account, as provided in this rule, may hold, dispose of, or use any such funds as belonging to any person other than the FCM Clients of the FCM Clearing Member which deposited such funds.
- (ii) All FCM Client funds received by the Clearing House from an FCM Clearing Member to purchase, margin, guarantee, secure or settle FCM SwapClear Contracts of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and the Clearing House shall not hold, use or dispose of such FCM Client funds except as belonging to such FCM Clients. Such FCM Client funds, when deposited in a bank or trust

company, shall be deposited under an account name which clearly shows that they are the FCM Client funds of FCM Clearing Members, and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, an acknowledgment from such bank or trust company that it was informed that the funds deposited in any LCH OTC Client Segregated Depository Accounts and any PPS Account(s) maintained by LCH are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

(iii) Each FCM Clearing Member shall treat and deal with FCM Client funds as belonging to such FCM Clients. All FCM Client funds shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, however, that FCM Client funds of an FCM Clearing Member may for convenience be commingled and deposited in the same account or accounts with any bank or trust company, with another person registered as an FCM Clearing Member, or with the Clearing House, and that such share thereof as in the normal course of business is necessary to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM SwapClear Contracts of such FCM Clients or resulting market positions, with the Clearing House or with any other person registered as an FCM Clearing Member, may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes and other fees and charges, lawfully accruing in connection with such FCM SwapClear Contracts; provided, further, that FCM Client funds may be invested in accordance with FCM Regulation 29(g).

(iv) In no event may FCM Client funds be held or commingled and deposited with (A) FCM Client funds in the same account or accounts required to be separately accounted for and segregated pursuant to Section 4d of the CEA and the regulations thereunder, or (ii) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.

(c) Care of Money and Securities Accruing to FCM Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any cleared FCM SwapClear Contracts made by or through such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. Money and securities accruing in connection with FCM Clients' open cleared FCM SwapClear Contracts need not be separately credited to individual accounts but may be treated and dealt with as belonging undivided to FCM Clients having open cleared FCM SwapClear Contracts which if closed would result in a credit to such FCM Clients.

- (d) Use of FCM Client Funds Restricted. No FCM Clearing Member shall use, or permit the use of, FCM Client funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Client funds shall not be used to carry trades or positions of the same FCM Client other than in connection with FCM SwapClear Contracts or other OTC derivatives cleared through the facilities of a derivatives clearing organization that has established rules or bylaws which require cleared OTC derivatives (as that term is defined in CFTC Regulation 190.01(o)), along with the money, securities and/or other property margining, guaranteeing or securing such derivatives, to be held in a separate account.
- (e) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. FCM Regulation 29(b), which prohibits the commingling of FCM Client funds with the funds of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client funds, segregated as required by the CEA, CFTC Regulations and the FCM Rulebook and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to the segregated FCM Client funds such amount or amounts of money, from its own funds or unencumbered securities from its own inventory, of the type permitted under FCM Regulation 29(g), as it may deem necessary to ensure that its FCM Segregated Accounts hold at all times, at a minimum, an aggregate amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client funds. An FCM Clearing Member may draw upon such FCM Client funds to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in FCM Segregated Accounts held by the Clearing House, a bank, trust company or other FCM Clearing Member, provided that any such withdrawals do not result in any such account holding less in segregated FCM Client assets than such account is required to contain at such time. Such withdrawal shall not result in FCM Client funds being used to purchase, margin or carry the trades, contracts or transactions, or extend the credit of any other FCM Client or other person.
- (f) Funds Held in FCM Segregated Accounts; Exclusions Therefrom. Money held in FCM Segregated Accounts by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM SwapClear Contracts of the FCM Clients of such FCM Clearing Member.
- (g) Investments of FCM Client Funds. An FCM Clearing Member or the Clearing House may invest FCM Client funds subject to the terms and conditions set forth in CFTC Regulation 1.25, which regulation shall apply to such funds in accordance with the provisions of the CEA and CFTC Regulations thereunder related to transactions in the cleared OTC derivatives account class.
- (h) Deposit of Instruments Purchased with FCM Client Funds.
- (i) Each FCM Clearing Member who invests FCM Client funds in instruments permitted under FCM Regulation 29(g) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients. Such instruments, when deposited with

the Clearing House, a bank, trust company or another FCM Clearing Member, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Segregated Account, shall obtain and retain in its files an acknowledgment from such bank, trust company or other FCM Clearing Member that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such bank, trust company or other FCM Clearing Member shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.

- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 29(g), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients (provided that any such instruments may be held in commingled accounts, on behalf of all FCM Clients of all FCM Clearing Members, at one or more depositories). Such instruments, when deposited with a bank or trust company, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such bank or trust company that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such bank or trust company shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

(i) Record of Investments.

- (i) Each FCM Clearing Member that invests FCM Client funds shall keep a record showing the following:
- (A) The date on which such investments were made;
 - (B) The name of the person through whom such investments were made;
 - (C) The amount of money or current market value of securities so invested;
 - (D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;
 - (E) The identity of the depositories or other places where such instruments are held;
 - (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;

- (G) The name of the person to or through whom such investments were disposed of; and
 - (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.
- (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client funds, the Clearing House shall keep a record showing separately for each clearing member the following:
- (A) The date on which such documents were received from the clearing member;
 - (B) A description of such documents, including the CUSIP or ISIN numbers; and
 - (C) The date on which such documents were returned to the clearing member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under FCM Regulation 29(g).
- (j) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client funds in instruments permitted under FCM Regulation 29(g) shall include such instruments in their FCM Segregated Account records and reports at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (k) Increment or Interest Resulting from Investment of FCM Client Funds. The investment of FCM Client funds in instruments permitted under FCM Regulation 29(g) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (l) FCM Segregated Accounts; Daily Computation and Record.
- (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
 - (A) the aggregate amount of FCM Client funds on deposit in its FCM Segregated Accounts on behalf of FCM Clients;
 - (B) the amount of such FCM Client funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Segregated Accounts on behalf of such FCM Clients; and

- (C) the amount of the FCM Clearing Member's residual interest in such FCM Client funds .
 - (ii) In computing the aggregate amount of funds required to be in its FCM Segregated Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with the Clearing House, a bank, trust company or another FCM Clearing Member. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
 - (iii) The daily computations required by this FCM Regulation must be completed by the FCM Clearing Member prior to noon on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
-
- (m) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM SwapClear Contracts of such FCM Clients. Such record shall show separately for each FCM Client: a description of the securities or property received; the name and address of such FCM Client; the dates when the securities or property were received; the identity of the depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such depositories; and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.
 - (n) Change in Law or Regulations. The Clearing House shall enforce the rules set forth in this FCM Regulation 29 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and CFTC Regulations. In the event that a change in law or in CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations and applicable law will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with CFTC Regulations and applicable law.
 - (o) Notwithstanding any other provision of these FCM Regulations, any assets held in or credited to an FCM Omnibus OTC Client Account with LCH, an LCH OTC Client Segregated Depository Account or a PPS Account held by LCH shall be treated as segregated assets, to the same extent and with the same force and effect as required with respect to margin held in connection with transactions in futures contracts under the CEA and CFTC Regulations and will, without limitation, be held in trust in accordance with the CEA and CFTC Regulations.

SCHEDULE A TO THE FCM REGULATIONS

Part A

FCM SwapClear Contract Terms

The terms of a registered FCM SwapClear Contract shall include these FCM SwapClear Contract Terms which shall comprise:

- (1) Interpretation; and
- (2) Economic Terms; and
- (3) Standard Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM SwapClear Contract Terms applicable to an FCM SwapClear Contract to calculate the amounts due under the FCM SwapClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

1. Interpretation

- 1.1. "ISDA Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein.
- 1.2. Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the "ISDA Definitions" shall have the same meaning herein as the ISDA Definitions, unless expressly provided otherwise.
- 1.3. In the event of an inconsistency between the FCM Regulations and the FCM Procedures and the ISDA Definitions, the FCM Regulations and FCM Procedures will prevail.
- 1.4. References in the ISDA Definitions to a "Swap Transaction" shall be deemed to be references to an "FCM SwapClear Transaction" for the purposes of SwapClear.
- 1.5. Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA Definitions as published by ISDA:
 - (a) in relation to any amendments to the ISDA Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;
 - (b) any such notice may provide that the amendment to the ISDA Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM

Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines;

- (c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

2.1. The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.

2.2. It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms.

2.3. The Economic Terms comprise:

- (a) Notional Amount (see Article 4.7 for definition);
- (b) Currency (see Article 1.7 for definition);
- (c) Trade Date (see Article 3.7 for definition);
- (d) Effective Date (see Article 3.2 for definition);
- (e) Termination Date (see Article 3.3 for definition);
- (f) Additional Payments/Fees:
 - (i) the Payer of the Additional Payments/Fees (if any);
 - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Where Fixed Rate – Floating Rate Swap:
 - (i) Fixed Rate Payer (see Article 2.1 for definition);
 - (ii) Fixed Rate Payer Payment Dates;
 - (iii) Fixed Amount (see Article 4.4 for definition) [or Fixed Rate and Fixed Rate Day Count Fraction];
 - (iv) Floating Rate Payer (see Article 2.2 for definition);
 - (v) Floating Rate Payer Payment Dates;
 - (vi) Floating Rate Payer compounding dates (if applicable);

- (vii) Floating Amount (see Article 4.5 for definition);
- (viii) Floating Rate Option (see Article 6.2(i) for definition);
- (Note: The details of each such option are as provided in the Procedures).
- (ix) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 Version)" for definition);
- (x) Spread (see Article 6.2(f) for definition);
- (xi) Reset Dates (see Article 6.2(b) for definition);
- (xii) Floating Rate Day Count Fraction (see Article 6.2(g) for definition).

(j) Where Floating Rate – Floating Rate Swap ("basis" swap):

- (i) Floating Rate Payer 1 (see Article 2.2 for definition):
 - (a) Floating Rate Payer Payment Dates;
 - (b) Floating Rate Payer compounding dates (if applicable);
 - (c) Floating Rate Option (see Article 6.2(i) for definition);

(Note: the details of each such option are as provided in the Procedures)

- (d) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" for definition);
 - (e) Spread (see Article 6.2(f) for definition);
 - (f) Reset Dates (see Article 6.2(b) for definition);
 - (g) Floating Rate Day Count Fraction (see Article 6.2(g) for definition)
- (ii) Floating Rate Payer 2 (see Article 2.2 for definition):
 - (a) Floating Rate Payer Payment Dates;
 - (b) Floating Rate Payer compounding dates (if applicable);
 - (c) Floating Rate Option (see Article 6.2(i) for definition)

(Note: The details of each such option are as provided in the Procedures)

- (d) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" for definition);
- (e) Spread (see Article 6.2(f) for definition);
- (f) Reset Dates (see Article 6.2(b) for definition);

(g) Floating Rate Day Count Fraction (see Article 6.2(g) for definition)

2.4. Financial Centers

Detail of the relevant financial center/s must be provided using the appropriate SWIFT code as set out below:

Financial Center	SWIFT Code
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST

Financial Center	SWIFT Code
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Johannesburg	ZAJO

3. Standard Terms

The following terms are designated as Standard Terms of a registered FCM SwapClear Contract:

3.1. Business Days

In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to an FCM SwapClear Contract.

3.2. Negative Interest Rates

The "Negative Interest Rate Method" as set out in Article 6.4(b) of the ISDA Definitions, will apply to an FCM SwapClear Contract.

3.3. Withholding Tax Provisions

All payments due under an FCM SwapClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

3.4. Payment of Stamp Tax

Each FCM Clearing Member will pay any stamp tax or duty levied or imposed upon it in respect of any FCM SwapClear Contract to which it is a party by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction, and will indemnify the Clearing House

against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM SwapClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.

3.5. Payments under an FCM SwapClear Contract

Payments under, and in respect of, an FCM SwapClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Procedures.

3.6. FCM Regulations

An FCM SwapClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM SwapClear Contract Terms and the FCM Regulations and the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

3.7. Governing Law

Each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of law and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

3.8. Third Party Rights

A person who is not a party to this FCM SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM SwapClear Contract are expressly excluded.

Part B

Product Eligibility Criteria for Registration of an FCM SwapClear Contract

1. FCM SwapClear Transaction

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the eligibility criteria, set out in paragraph 1.2, below for an FCM SwapClear Transaction; and
 - (b) each party to the transaction is an Executing Party;
- and the requirements of (a) and (b) continue to be satisfied at Registration Time.

1.2. Product eligibility criteria for an FCM SwapClear Transaction

Instrument	Acceptable Currencies	Acceptable Indices	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		GBP-WMBA-SONIA-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		D				
		See Article 7.1w (vii) for definition	Floating vs. Floating			99,999,999,999.99
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(ab) (xxii) for definition	Floating vs. Floating			99,999,999,999.99
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-

Instrument	Acceptable Currencies	Acceptable Indices	Types	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	
		See Article 7.1(f)(vii) for definition	Floating vs. Floating		99,999,999,999.99	
		EUR-EURIBOR-Telerate				
		See article 7.1 (f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	736 days		
		D				
		See Article 7.1(f) (viii) for definition				
	Australian Dollar (AUD)	AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(a) (iv) for definition	Floating vs. Floating			
Vanilla interest rate swaps with constant notional principal		AUD-LIBOR-BBA				
		See Article 7.1(a) (viii) for definition				
	Canadian Dollar	CAD-BA-CDOR	Fixed vs.	Single currency	10,970 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices	Types	Maximum Residual Term	Notional Amount (Min- Max of the relevant currency unit)
	(CAD)		Floating		99.99
		See Article 7.1(b) (ii) for definition	Floating vs. Floating		
		CAD-LIBOR-BBA			
		See Article 7.1(b) (viii) for definition			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days 0.01-99,999,999.9 99.99
		See Article 7.1(e) (i) for definition	Floating vs. Floating		
		DKK-CIBOR2-DKNA13			
		See Article 7.1(e) (ii) for definition			
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days 0.01-99,999,999.9 99.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating		
		HKD-HIBOR-HKAB			

Instrument	Acceptable Currencies	Acceptable Indices	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	10970 days	1-10,000,000,000,000
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(l) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs.			

Instrument	Acceptable Currencies	Acceptable Indices	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		definition	Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999.99
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty(PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99
		JIBAR-SAFEX				

Instrument	Acceptable Currencies	Acceptable Indices	Types	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT		

2. []

3. **Additional Criteria for an FCM SwapClear Transaction**

3.1. A contract must also meet the following additional criteria to be eligible as an FCM SwapClear Transaction:

3.1.1. Day Count Fractions

(See Article 4.16 of the "Annex to 2000 ISDA Definitions (June 2000 Version)", for definition)

The Clearing House will only accept the following day count fractions:

Fraction	SWIFT Code
Actual/365, Actual/Actual <i>(See Article 4.16(b) for definition)</i>	ACT/365
Actual/365 (Fixed) <i>(See Article 4.16(c) for definition)</i>	AFI/365
Actual/360 <i>(See Article 4.16(d) for definition)</i>	ACT/360
30/360, 360/360, Bond Basis <i>(See Article 4.16(e) for definition)</i>	360/360
30E/360 <i>(See Article 4.16(f) for definition)</i>	30E/360

3.1.2. Business Day Conventions

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12 (i) for definition)

Modified Following (see Article 4.12 (ii) for definition)

3.1.3. Minimum Residual Term of the Trade

The residual term of the trade is the period from the date of submission of the trade for registration by the Clearing House to the date of termination. It must be greater than or equal to the period of the load status lag added to the period of the currency settlement lag. For these purposes the period of the load status lag is nil for new trades submitted through an Approved Trade Matching system, and one day for trades registered through any applicable Backloading Procedures, and the period of the currency settlement lag is one day for euro (EUR), US dollar (USD) Canadian Dollars (CAD) and Sterling (GBP) denominated trades and two days for Japanese Yen (JPY), Norwegian Krone (NOK), Danish Krone (DKK), Swedish Krona (SEK), Australian Dollar (AUD), New Zealand Dollar (NZD), Hong Kong Dollar (HKD), Swiss Franc (CHF), Polish Zloty (PLN) and South African Rand (ZAR)) denominated trades.

3.1.4. Designated Maturity

The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.

3.1.5. Calculation Periods

(See Article 4.13 for definition.)

The Clearing House will only accept non-standard Calculation Periods ("stub periods") at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as FCM SwapClear Transactions.

SCHEDULE B TO THE FCM REGULATIONS**Clearing House Prescribed Language**

Capitalised terms used in this Annex shall have the meaning specified in the FCM Rulebook.

[FCM Client] hereby acknowledges and agrees that:

- (a) the services provided by the Clearing House with regard to the FCM SwapClear Clearing Services will be subject to and governed by the FCM Rulebook [and the FCM Default Management Process Agreement between the Clearing House and the FCM Clearing Member]. The FCM Client agrees that it shall not act so as to cause – whether directly or indirectly – any breach of the FCM Rulebook or the FCM Default Management Process Agreement. The provisions of the amended text of FCM Regulation 26 (Exclusion of Liability) of the FCM Rulebook set out below shall apply *mutatis mutandis* as though entered into by the FCM Client directly with the Clearing House;
- (b) The FCM Client understands, acknowledges and agrees that all transactions between the FCM Client and its FCM Clearing Member resulting in the registration of FCM SwapClear Contracts on behalf of FCM Client will be governed by these FCM Regulations and FCM Client agrees to be bound by such Regulations with respect to such transactions in all respects. Without limitation of the foregoing, FCM Client understands, acknowledges and agrees that, at the time that an FCM SwapClear Contract is registered in the name of its FCM Clearing Member on behalf of the FCM Client, there shall be deemed to have been created, automatically and without any further action by such FCM Clearing Member or FCM Client, an agreement between such FCM Clearing Member and FCM Client on terms and conditions identical to those of the FCM SwapClear Contract, which shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto;
- (c) the Clearing House deals only with its FCM Clearing Members and FCM Client will have no right or authority to deal directly with the Clearing House, including but not limited to in connection with the matters addressed herein. FCM Client shall deal only with its FCM Clearing Member in connection with all FCM SwapClear Contracts cleared on FCM Client's behalf through the Clearing House;
- (d) upon the default of an FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations or determines in its discretion that it is necessary for its protection, the Clearing House will close out and terminate the FCM SwapClear Contracts entered into by that FCM Clearing Member in respect of the FCM Client and will not transfer or otherwise re-establish such positions;
- (e) the FCM Client will not be entitled to instruct the Clearing House to act or omit to act in any manner at any time prior to the default of the relevant FCM Clearing Member;
- (f) the FCM Client will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time;

- (g) the Clearing House will not hold any assets transferred to it in trust for any person;
 - (h) where the FCM Clearing Member provides securities to the Clearing House as collateral (the "**Securities**"), the FCM Client will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a claim would delay or inhibit the disposal by the Clearing House of such Securities and/or the application of the proceeds of sale of such Securities in accordance with the provisions of the FCM Rulebook; and
 - (i) an FCM Clearing Member has such FCM Client's unconditional consent to furnish or deposit to or with the Clearing House as cover for the purposes of the FCM Regulations any securities or other assets of such FCM Client in the FCM Clearing Member's possession, and to repledge such property to the Clearing House.
-

Regulation 26 (Exclusion of Liability) of the FCM Regulations

(This has been extracted from the FCM Regulations)

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM SwapClear Contract, but not limited to, any dispute as to the validity or otherwise of such FCM SwapClear Contract, the terms of such FCM SwapClear Contract or whether any alleged agreement or arrangement constitutes an FCM SwapClear Contract.
- (b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 13, 14 or 5(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 26(b) and FCM Regulation 26(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation 26 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.
- (e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as

the case may be, as a result of the failure of any systems, communication facilities or technology.

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FCM PROCEDURES**1. FCM CLEARING MEMBER STATUS****1.1 FCM Clearing Member Application Procedure**

- (a) Application Procedure: An application for FCM Clearing Member status of the Clearing House must be made on the appropriate form which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where required and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for FCM Clearing Member status ("Approved Applicants") must, within three months of notification of their approval as an applicant, fulfil all conditions attached to their approval. If an Approved Applicant does not fulfil all such conditions within these three months, the Clearing House may, at its sole discretion, require that an Approved Applicant re-apply for FCM Clearing Member status.

Approved Applicants will become FCM Clearing Members with the right to clear FCM SwapClear Contracts. Please note that FCM Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

- (b) FCM Clearing Member Status: The terms and conditions binding on each FCM Clearing Member are set out in the FCM Rulebook (which includes these FCM Procedures), the FCM Clearing Membership Agreement the FCM Default Management Process Agreement and the FCM Default Fund Agreement, each as amended from time to time. Two copies of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement will be provided to the applicant who must sign both copies of each (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for FCM Clearing Member status and is non-refundable.

If and when FCM Clearing Member status is granted, new FCM Clearing Members will receive a duly executed (and dated) copy of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement together with the notification of acceptance and details of any condition(s) attached to FCM Clearing Member status. If granted, FCM Clearing Member status is subject to a Contribution to the Default Fund of the Clearing House (DF), as determined by the Clearing House under the Default Fund Rules.

- (c) Conditions of Application: An applicant for FCM Clearing Member status must accept that the Clearing House:

- (i) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;
- (ii) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;
- (iii) is entitled to provide and/or disclose information to an exchange, governmental department, regulatory organization, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the CEA, any rules made thereunder, or in accordance with any other statutory requirement, and in accordance with the terms of the FCM Clearing Membership Agreement;
- (iv) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and
- (v) will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

General

An applicant must, in accordance with the FCM Regulations satisfy the criteria set out in the FCM Regulations and these FCM Procedures in order to be considered for FCM Clearing Member status. These requirements are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

The applicant and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the market they wish to clear.

The applicant must satisfy the minimum Net Capital requirements, as set out in the FCM Regulations or such greater amounts as may be required by the Clearing House.

The applicant must open Protected Payments System (PPS) bank account(s) at one or more of the bank branches participating in the PPS system:

- (i) in London in each currency including in US dollars and GBP;
- (ii) in the USA in US dollars,

and must execute all necessary PPS mandates for House and Client accounts.

The applicant must maintain a back office:

- (i) remote from the trading desk;

- (ii) with adequate systems (including but not limited to computer and communications systems) and records;
- (iii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the contracts cleared by the Clearing House in which the applicant participates; and
- (iv) with such technology and connectivity as may be stipulated by the Clearing House.

The applicant must at all times respond promptly to enquiries or requests for information made by the Clearing House.

- (d) Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to terminate its FCM Clearing Member status, it may do so by giving notice of not less than three months ahead of its proposed termination date. By the close of business on the termination date, the FCM Clearing Member shall ensure that all registered FCM SwapClear Contracts in its name have been closed-out or transferred so as to ensure that there are no open registered FCM SwapClear Contracts to which they are party to at the termination date. A resigning FCM Clearing Member should note that any and all Executing Dealers with which it clears FCM SwapClear Transactions will be required to find alternative clearing arrangements by this date or will be unable to trade on the relevant cleared market unless such Executing Dealer already has other clearing arrangements in place. For further information on the resignation process, FCM Clearing Members should contact the Clearing House's Membership Department.

If an FCM Clearing Member has not been active in a market for a continuous period of three months, it will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they may be required to resign their FCM Clearing Member status.

- (e) Guarantees:

FCM Clearing Members are required to notify promptly or pre-notify the Clearing House of any changes which may result in non-compliance with the FCM Clearing Member status criteria as stated in the FCM Regulations and these FCM Procedures.

1.2 Net Capital

1.2.1 Net Capital Requirements

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

1.2.2 Additional Net Capital Requirements

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

1.3 Calculation Of Net Capital

Net capital is calculated in line with CFTC Rule 1.17.

1.4 **Financial Reporting**

FCM Clearing Members must provide the financial information detailed below in order to demonstrate that they continue to comply with the Clearing House's Net Capital requirements at all times.

1.4.1 **FCM Clearing Members**

(a) All FCM Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up in accordance with CFTC Rule 1.16 requirements or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.

~~(b) All FCM Clearing Members must provide the Clearing House with copies of all financial returns made to their regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC's Rules (including Rule 1.12)..~~

1.4.2 **Reduction in Net Capital**

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

- (a) shareholders' funds;
- (b) Net Capital.

1.5 **Additional Requirements**

1.5.1 **Notification of Changes of Ownership**

FCM Clearing Members are required 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). In cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not known to the Clearing House, FCM Clearing 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 (LCH.Clearnet Limited).

1.6 **Other Conditions**

The Clearing House may, at any time, impose additional conditions relating to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to

deposit additional security in cash or other collateral as determined by the Clearing House.

FCM SWAPCLEAR**2. SWAPCLEAR****2.1 The Clearing Process**

The FCM SwapClear Service is an interface that processes and stores all FCM SwapClear Transactions received from an Approved Trade Source System.

Only FCM Clearing Members are authorised by the Clearing House to submit trades for clearing in the FCM SwapClear Service.

2.1.1 FCM SwapClear Service Functions

The following functions are performed within the FCM SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of Price Alignment Interest;
- (e) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- (f) allocation and designation of trades to a position-keeping account; and
- (g) reporting of registered trades.

FCM SwapClear Transactions submitted via an Approved Trade Source System (i.e. new trades submitted for intra-day registration or existing trades submitted for overnight registration – see sections 2.3.2 and 2.3.3) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see section 2.1.3).

2.1.2 Clearing House System Requirements

An FCM Clearing Member must, in order to submit FCM SwapClear Transactions to the Clearing House, be a user of an Approved Trade Source System.

2.1.3 SwapClear FCM Clearing Member Reporting

There are two methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations:

Report 001

Via the Approved Trade Source System.

An end-user report generation and analytical capability is provided by the Clearing House to FCM Clearing Members. All FCM SwapClear reports will be disseminated via the Clearing House's secure password access FCM Clearing Member-only

website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any Approved Trade Source System.

FCM Clearing Members will be able to customize and produce reports either to print locally or to download in machine-readable data-file format. Queries about the FCM Clearing Member-only website should be directed to the Clearing House Service Desk on +44 (0)20 7426 7200.

2.2 **Operating Times And Calendars**

2.2.1 **Opening Days**

The Clearing House will publish a circular detailing the days on which the FCM SwapClear clearing system will be open.

2.2.2 **Opening Hours**

The FCM SwapClear clearing system will be operational during the following hours:

07:30 to 22:00 hours London time (a "Business Day")

2.2.3 **FCM SwapClear Clearing System Calendars**

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see section 2.1.3).

2.3 **Registration**

2.3.1 **Submission for Registration**

The Clearing House receives a new eligible swap trade using agreed format messages via the Approved Trade Source System. Where an FCM Clearing Member wishing to submit an FCM SwapClear Transaction to the Clearing House for registration via MarkitWire it must first request that the trade be cleared using either the appropriate GUI or API functions. The Approved Trade Source System will then send these trades to the Clearing House when they have been bi-laterally agreed.

2.3.2 **SwapClear Approved Trade Source Systems**

Currently the only Approved Trade Source System designated by the Clearing House for SwapClear is MarkitWire.

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

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by

that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that Approved Trade Source System. The ability of FCM Clearing Members to submit FCM SwapClear Transactions through a given Approved Trade Source System may be suspended from time to time.

FCM Clearing Members should ensure that only trades which meet the criteria to be FCM SwapClear Transactions are submitted to the Clearing House from any Approved Trade Source System. The Clearing House will process any FCM SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant FCM Clearing Members.

The Clearing House accepts no liability for any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract/s on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System, the FCM Clearing Members concerned shall be bound by the terms of such FCM SwapClear Contract(s). The Clearing House may agree to use its reasonable endeavours to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but it shall be under no obligation to do so and the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration of any such FCM SwapClear Contract(s).

FCM Clearing Members shall ensure that all transaction details entered into an Approved Trade Source System for reporting to the Clearing House are input by appropriately authorised personnel. FCM Clearing Members must ensure that the security and access procedures of the relevant Approved Trade Source System are complied with at all times. The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorised input of details into a system of an Approved Trade Source System.

2.3.3 Registration of New Trades

New trades are registered on an intra-day basis. The FCM SwapClear Clearing System will respond, after processing, with a message either confirming the registration or giving a reason for rejection (see section 2.3.6). The registration notification or rejection message will be sent via the originating Approved Trade Source System. The definitive report of a registered FCM SwapClear Contract will be shown on Reporting (see section 2.1.3) on the FCM Clearing Member reporting account in the FCM SwapClear clearing system.

The Clearing House may require an FCM Clearing Member in whose name an open contract is to be registered to provide it with cover for initial and variation margin prior to registration. In these circumstances variation margin can be covered intra-day in non-cash collateral.

FCM SwapClear Transactions that are submitted for registration near to the closing time of the service are registered the following morning, subject to the normal requirements for margin.

2.3.4 Backloading of Existing Trades

The Clearing House provides the facility for FCM Clearing Members to load eligible existing swap trades, through an Approved Trade Source System. This requires bilateral agreement between the relevant FCM Clearing Members or the FCM Clearing Member and the SwapClear Clearing Member (as the case may be), of the full particulars required by the Clearing House for each such swap trade, with both parties re-confirming the trades via an Approved Trade Source System.

The Clearing House will, in the case of FCM SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the FCM SwapClear Transaction overnight for registration the following day. For Backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see section 2.1.3). It is a pre-condition of registration that sufficient cover for initial and variation margin is provided.

2.3.5 Notification

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see section 2.1.3) and the originating Source System messaging service for onward transmission to the submitting FCM Clearing Member.

2.3.6 Rejected Trades

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data will be rejected. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

2.4 Position Accounts

2.4.1 FCM Accounts

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

2.4.2 Position-Keeping Accounts

FCM Clearing Member Accounts

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

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via FCM SwapClear Reporting (see section 2.1.3). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows FCM Clearing Members to identify all FCM SwapClear Contracts registered in their name.

2.5 Financial Accounts

FCM Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

2.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH OTC Client Segregated Depository Account

2.5.2 Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Buffer accounts (House), used for holding additional cash in relation to Proprietary business	B
Buffer account (Client), used for holding additional cash in relation to FCM Client Business	E

2.5.3 Default Fund (DF) Account

Each FCM's Default Fund Contribution is held in a separate financial account. The DF account code is "F".

2.6 FCM SwapClear Contract Valuation

2.6.1 Net Present Value

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

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each FCM SwapClear Transaction.

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 12(d). The Net Present Value so determined must, subject to Intra-day Registration (see section 2.3.3), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction

is registered intra-day, and the NPV is covered with non-cash collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

2.6.1 Zero Coupon Yield Curve Construction

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

2.6.2 Official Quotations

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

All times quoted, are London time.

AUD	12:00
CAD	20:00
CHE LIBOR & OIS	16:15
DKK	16:15
EURO	
LIBOR	16:15
GBP	
LIBOR	16:15
HKD	12:00
JPY	12:00
NOK	16:15
NKD	12:00
PLN	16:15
SEK	16:15
USD	
LIBOR & OIS	20:00
ZAR	16:15

EURO	
OIS	18:15
GBP	
OIS	17:15

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website after the end of each Business Day.

2.6.3 Variation Margin

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be credited to or debited from the applicable FCM Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be credited to or debited from such FCM Clearing Member's financial accounts in cash in denomination currency.

2.6.4 Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for swap contracts cleared through the Clearing House, the Clearing House will for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

2.7 Coupon Payments

2.7.1 Calendars and Coupons

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see section 2.2.3). Changes to the calendar that affect FCM SwapClear Contracts will be published and made available to FCM Clearing Members by the Clearing House in an FCM Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between FCM Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the FCM SwapClear Contract Terms.

2.7.2 Calculation of Fixed Amount

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

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

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

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

2.7.3 Calculation of Floating Amount

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

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

2.7.4 OIS Coupon Calculation

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 definitions. The formula for these calculations is given below.

USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{\text{FEDFUND}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

"d0" for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

"FEDFUND_i", for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption "EFFECT", as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in respect of any day "i", the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

"n_i" is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUND_i; and

"d" is the number of calendar days in the relevant Calculation Period.

CHF-TOIS-OIS-COMPOUND

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

"d₀" for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d₀, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

"TOIS_i", for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

"n_i" is the number of calendar days in the relevant Calculation Period on which the rate is TOIS_i; and

"d" is the number of calendar days in the relevant Calculation Period.

GBP-WMBA-SONIA-COMPOUND

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{\text{SONIA}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

"d₀" for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d₀, each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

"SONIA_i", for any day "i" in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers' Association and appearing on the Reuters Screen SONIA Page in respect of that day;

"n_i" is the number of calendar days in the relevant Calculation Period on which the rate is SONIA_i; and

"d" is the number of calendar days in the relevant Calculation Period.

EUR-EONIA-OIS-COMPOUND

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

"d₀" for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d₀, each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

"EONIA_i", for any day "i" in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

"n_i" is the number of calendar days in the relevant Calculation Period on which the rate is EONIA_i; and

"d" is the number of calendar days in the relevant Calculation Period.

2.7.5 Calculation of Compounded Amount

Depending on whether the FCM SwapClear Contract is submitted under ISDA 2000 or ISDA 2006 Definitions, the Clearing House will calculate the compounded floating amount payable by an FCM Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

2.7.6 Business Day and Business Day Convention

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centres specified in the matched FCM SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched FCM SwapClear Transaction message.

2.7.7 Payment of Coupons

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit FCM Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next Business Day following the Coupon Payment Date.

2.7.8 Calculation Periods

In respect of any Calculation Period that is not a whole calendar month (a stub period), the Reset 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.

2.7.9 Day Count Fractions: ISDA 2000

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) if "30/360", "360/360", "Bond Basis", "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

$$((Y2 - Y1) * 360) + ((M2 - M1) * 30) + (D2 - D1)$$

where D1, M1 and Y1 are the day, month and year respectively on which the period begins and D2, M2 and Y2 are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

- (e) if "30/360", "360/360" or "Bond Basis" is specified the Clearing House will
 - if D1 is 31 amend it to 30,
 - if D2 is 31 amend it to 30 only if D1 is 30 or 31; or
- (f) if "30E/360" or "Eurobond Basis" is specified the Clearing House will
 - if D1 is 31 then amend it to 30
 - if D2 is 31 then amend it to 30.

2.7.10 Day Count Fractions: ISDA 2006

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/Actual", Actual/Actual (ISDA)", "Act/Act", or "Act/Act-(ISDA)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) "30/360", "360/360" or "Bond Basis" is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

"D2" is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (e) if "30/E60" or "Eurobond basis" is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: "Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

- (f) if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: "Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

2.7.11 Reset Rates

Reset Rate will be validated by the Clearing House and published, via the Rate Reset reports. Reset Rate will normally be published by the Clearing House by 15:00 hours London time.

The Clearing House will apply the following principles in calculating Reset Rates:

- (a) "GBP-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.
- (b) "USD--LIBOR-BBA" the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (c) "Euro-LIBOR-BBA" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (d) "Euro-EURIBOR-Telerate (ISDA2000) / "Euro-EURIBOR-Reuters" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (e) "JPY-LIBOR-BBA" the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (f) "CHF-LIBOR-BBA" means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (g) "AUD-BBR-BBSW" means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.
- (h) "AUD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (i) "CAD-BA-CDOR" means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.
- (j) "CAD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (k) "DKK-CIBOR-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.

- (l) "DKK-CIBOR2-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.
- (m) "HKD-HIBOR-HIBOR=" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption "FIXING@11:00" as of 11:00 hours, Hong Kong time, on that Reset Date.
- (n) "HKD-HIBOR-HKAB" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.
- (o) "HKD-HIBOR-ISDC" (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.
- (p) "NOK-NIBOR-NIBR" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.
- (q) "NZD-BBR-Telerate" (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.
- (r) "NZD-BBR-FRA" means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of "FRA" as of 11:00 hours, Wellington time, on that Reset Date.
- (s) "SEK-STIBOR-SIDE" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption "FIXINGS" as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.
- (t) "PLN-WIBOR-WIBO" means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption "FIXINGS" as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.
- (u) "ZAR-JIBAR-SAFEX" means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption "YIELD" as of 11:00 hours, Johannesburg time, on that reset date. If

such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified "ZAR-JIBAR-Reference Banks" as the applicable Floating Rate Option.

- (v) "CHF-TOIS-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).
- (w) "GBP-WMBA-SONIA-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).
- (x) "USD-Federal Funds-H.15-OIS-Compound" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).
- (y) "EUR-EONIA-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

(a) Applying Reset Rate

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset 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 Calendar(s) and Business Day Convention specified.

(b) Negative Interest Rate Method

FCM Clearing Member should note the provisions of section 3.3 of Part A of the Schedule to the FCM Regulations 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.

2.8 Initial Margin

The Clearing House will require FCM Clearing Members to post initial margin. This amount will be determined by the prevailing market conditions and the expected time

to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for FCM SwapClear Contracts.

Separate initial margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts.

2.8.1 Counterparty Risk Multiplier

The Clearing House reserves the right to require additional amounts of cover from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 10.

2.8.2 Liquidity Multiplier

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis.

2.8.3 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin-calls for payment the same-day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see section 3.2.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2.8.4 Calculation of Initial Margin

(a) Portfolio Approach to Interest Rate Scenarios (PAIRS)

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

2.9 Intra-Day Margin Call: Collateral Management

2.9.1 General – Intra-day Margining

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash,

in the appropriate currency, directly from the relevant FCM Clearing Member's PPS account to cover that intra-day margin call.

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

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

If the Clearing House is unable to contact the FCM Clearing Member in order to arrange an alternative payment method for the intra-day margin call the Clearing House will automatically issue a PPS call to debit the FCM Clearing Member's PPS account.

Please note: An FCM Clearing Member must notify the Clearing House of its preferred method of collateralisation at the time of the Clearing House's margin call. Once an FCM Clearing Member has chosen an intra-day collateralisation method and has notified the Clearing House of its chosen method, such choice is definitive and the Clearing House will not reverse any decision.

2.9.2 Alternative Intra-Day Cash Collateralisation Methods

An FCM Clearing Member may choose to cover its intra-day margin calls by transferring cash from its House account to its Client account. Where an FCM Clearing Member chooses to transfer excess cash collateral from its House account to cover an intra-day margin call for its Client account it must notify the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess cash collateral from its House account and must follow the procedure below.

A transfer of excess cash collateral from its House account to its Client account must be completed within 1 hour of the FCM Clearing Member's request to the Clearing House that it intends to transfer House cash excess to its Client account by completing the Intra-Day House Cash Excess Transfer Form (Appendix 2D)

In the event that an FCM Clearing Member does not fulfil the requirement to provide the Clearing House with an executed Intra-Day House Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer excess cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirements in cash or impose penalty charges.

2.9.3 Alternative Intra-Day Non-Cash Collateralisation Methods

An FCM Clearing Member may choose not to cover its intra-day margin calls with cash collateral. In such a case, an FCM may choose from one or more of the following two methods:

1. Deposit intra-day non-cash collateral into the Client account;
 2. Transfer House non-cash excess from the House account to the Client account;
- (a) Method 1 – Deposit Intraday Non-Cash Collateral

An FCM Clearing Member may choose to lodge non-cash collateral to cover any intra-day margin call for its Client account.

In the event that an FCM Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call or part of its intra-day margin call by depositing non-cash collateral, it must follow the procedure below:

Within 30 minutes of the FCM Clearing Member's notification of its intention to deposit non-cash collateral it must:

- (i) complete the Intra-Day Collateral Lodgement Form and provide a copy to the Clearing House (Appendix 2B);
- (ii) input instructions for matching with the relevant Custodian account.

Any lodgement of non-cash collateral must be settled in the Clearing House's account at the relevant Custodian within 1 hour of the FCM Clearing Member's notification to the Clearing House of its intention to lodge non-cash collateral.

The Clearing House will charge accommodation fees as notified to FCM Clearing Members for any non-cash collateral lodged as intra-day cover (see section 3 of these FCM [Clearing Members] Procedures). This charge will be invoiced to FCM's separately from the standard monthly interest and accommodation charge statement.

In the event that non-cash collateral is not settled in the Clearing House's account within 1 hour of the FCM Clearing Member notifying the Clearing House of its intention to lodge non-cash collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day requirement in cash, in the appropriate currency, or impose penalty charges.

When an FCM Clearing Member lodges non-cash collateral, the Clearing House will issue the FCM Clearing Member with a collateral lodgement reference number.

(b) Method 2 – Transfer Non-Cash House Excess

An FCM Clearing Member may choose to utilise any excess non-cash collateral held in its House account to cover an intra-day margin call on its Client account.

In the event that an FCM Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call or part of its intra-day margin call by transferring excess non-cash collateral from its House account, it must follow the procedure below:

A transfer of excess non-cash collateral from the House account to the Client account must be completed within 1 hour of the FCM Clearing Member's request to the Clearing House that it intends to transfer House excess to its Client account by completing the House Excess Transfer Form (Appendix 2C).

The House Excess Transfer Form submitted by the FCM Clearing Member to the Clearing House must contain the collateral lodgement reference

number as provided by the Clearing House to the FCM Clearing Member at the time the non-cash collateral was lodged.

In the event that an FCM Clearing Member transfers non-cash collateral to its Client account, the Clearing House will apply accommodation charges for any non-cash collateral lodged as intra-day cover. This charge will be invoiced to members separately from the standard monthly interest and accommodation charge statement.

In the event that an FCM Clearing Member does not fulfil its requirement to provide the Clearing House with an executed House Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer non-cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirement in cash or impose penalty charges.

Transfers from the Client account to the House account are not permitted under any circumstances.

2.10 **Declearing**

In order to declear an FCM SwapClear Contract, the Clearing House normally requires consent from the relevant FCM Clearing Member, Executing Dealer and FCM Client. Where an FCM Client is unable to provide the necessary consent, the Clearing House will declear the FCM SwapClear Contract upon receipt of: (i) appropriate instructions from the FCM Clearing Member and Executing Dealer; (ii) a copy of a notice served by the FCM Clearing Member on the FCM Client alerting that FCM Client of its intention to declear the relevant trade; and (iii) an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

The Clearing House will usually declear the relevant trade within 24 hours of receipt of the above, unless an FCM Client contests the declearing of the trade(s).

In the event that all FCM SwapClear Contracts are decleared in accordance with this section 2.10, the relevant FCM Clearing Member shall be entitled to any collateral lodged in respect of the relevant FCM Client.

The ability to declear is subject to the segregation requirements under the Commodity Exchange Act and the regulations promulgated thereunder.

2.11 **Proprietary Clearing**

Under FCM Regulation 5(c), FCM Clearing Members are permitted to clear for affiliates through their Proprietary accounts. However, this service is not currently provided by the Clearing House.

An FCM Clearing Member is only entitled to enter into Proprietary business in the event of an FCM Client default, or, where an FCM Clearing Member assumes FCM Swapclear Contracts or SCM Swapclear Contracts pursuant to the FCM Default Management Process Agreement or in such other circumstances as the Clearing House specifies.

2.12 **FCM SwapClear Transactions**

The Clearing House does not currently permit FCM Clearing Members to submit FCM SwapClear Transactions credited to their Proprietary Account or to clear

directly through another FCM Clearing Member as described in FCM Regulations 5(h)(2) and 5(h)(3).

2.13 **Position Transfers**

The FCM SwapClear clearing system provides functionality for transfer of positions between FCM Clearing Members. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer.

2.13.1 **Legal Documentation**

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.

2.13.2 **Position Transfer Notice Period**

The Clearing House will usually require five Business Days notice ahead of an intended transfer.

2.14 **Amendment of Trade References**

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

Multi-trade amendments are not offered by the Clearing House for FCM SwapClear Clearing Services.

2.14.1 **Trade Reference Amendment Request Form**

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any FCM Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the FCM Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the FCM Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days ("the Trade Reference Amendment Notice Period") after the date upon which the form is received by the Clearing House. While the Clearing House

will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House's records and FCM SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the FCM Clearing Member will be advised in due course of the date set by the Clearing House.

2.14.2 Multi-trade Amendments

If an FCM Clearing Member requests amendment to several trades it must (in addition to providing the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +44 (0) 20 7426 7697). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the FCM Clearing Member will be advised accordingly.

2.14.3 Processing

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- it is not made in accordance with these FCM Procedures
- any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the FCM Clearing Member's trade reference which the Clearing House has recorded
- the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the FCM SwapClear clearing system
- any trade referred to in the Trade Reference Amendment Request Form is not already registered in the FCM SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment
- it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the FCM Clearing Member and process the amendment as soon as reasonably practicable thereafter.

After close of business of the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new FCM Clearing Member trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely "amended" or "rejected". All

records of the Clearing House and data held in the FCM SwapClear clearing system will then be updated overnight following the close of business on that day.

2.14.4 Legal Documentation

The Clearing House will provide the requesting FCM Clearing Member with legal documentation in Clearing House standard form for that FCM Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the FCM Clearing Member with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

2.14.5 Notification

Subject to the requesting FCM Clearing Member meeting all the Clearing House's requirements (including completion and submission of all documentation and such other additional requirements as the Clearing House may be set by the Clearing House in its discretion), the Clearing House will notify the FCM Clearing Member of its agreement to the amendment of its records of the FCM Clearing Member trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and advise of the anticipated date of amendment ("the anticipated date of amendment").

2.15 Default Management

In performing its rights and obligations under the Default Management Process Agreement, the Clearing House undertakes that, in any allocation of Allocation Units amongst Currency Participants that are part of the same Group pursuant to clause 4.1.5 and 4.1.3 of the Default Management Process Agreement, the Clearing House shall, if such Group consists of one or more FCM Clearing Members and one or more SwapClear Clearing Members and one or more of such SwapClear Clearing Members is/are a US FDIC-insured bank, the Clearing House will make such allocations in accordance with the instructions of the Bank(s) provided that such instructions are received in a timely manner. In the event that the Bank(s) does not provide the Clearing House with instructions in a timely manner, the Clearing House will make the allocations pro-rata between the members of the Group in accordance with the market risk associated with those members' open positions at the time of the clearing member default. A member of the Group shall be responsible solely for the allocations made to it and shall not be responsible or liable for allocations made to any other member of the Group pursuant hereto.

2.16 Payment of Stamp Tax

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

Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by any such jurisdiction.

2.17 Section 168, Finance Act 1994

[Under section 696 Corporation Tax Act 2009 ("CTA 2009"), net payments in relation to certain derivative contracts (as defined in Section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a "recognised clearing house" as defined in section 285 of FSMA 2000.

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any FCM Clearing Member knowingly permit any such contract to be submitted by a SwapClear Participant. Should this occur the SwapClear FCM Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any SwapClear Dealer submitting such a contract for registration for the Register of Executing Dealers. The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear FCM Clearing Member as it deems fit in accordance with the Regulations. The SwapClear FCM Clearing Member shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

If in doubt, FCM Clearing Members should consult their professional advisers as to the potential application of sections 696 and 697 CTA 2009 to their transaction.]

APPENDIX 2A

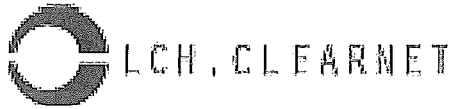
SWAPCLEAR PROCESSING SCHEDULE

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a "Business Day" for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2.3.4)
15:00	Reset Rate published on Reporting
16:00	Deadline for PPS calls in London
22:00	SwapClear Closes

Appendix 2B

INTRA-DAY COLLATERAL LODGEMENT FORM



Version 1: Nov 2010

LCH.Clearnet Limited Ref No:

XX??

To: LCH.Clearnet Limited (the "Clearing House"), Treasury Department
(teamcollateral@lchclearnet.com)

From: FCM Clearing Member (full name): _____

Client Account* Mnemonic: _____

We confirm that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security (Issue - Coupon - Maturity)

Delivery from: Depository/Agent: _____

Broker Code _____

Account Holder _____

Account Number _____

Delivery to (please indicate)

Depository	Citibank (US owners)
Clearing House Account No	[]

Signatories for and on behalf of the FCM Clearing Member:

1. _____
(Signature) (Print Name) (Position)

2. _____
(Signature) (Print Name) (Position)

Date: _____

To: **THE ABOVE-NAMED CLEARING HOUSE**

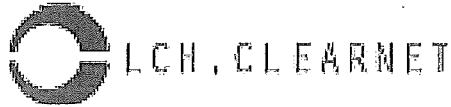
We accept the above-mentioned securities as pledged to us under the FCM Regulations.

For and on behalf of LCH Clearnet Limited Date: _____ Time: _____

(Authorised Signatory): _____

APPENDIX 2C

INTRA-DAY HOUSE NON-CASH EXCESS TRANSFER FORM



Version 1: Oct 2009

Completed forms should be sent to the Clearing House Treasury Department (teamcollateral@lchclearnet.com)

From: FCM Clearing Member (full name) House Account: _____

To: Client Account Mnemonic: _____

Lodgment Ref: _____

We confirm that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.

Security Code Number	Settlement Date	Amount/Nominal Value	Description of Security (Issue – Coupon – Maturity)

Signatories for and on behalf of the FCM Clearing Member:

1. _____
 (Signature) (Print Name) (Position)

2. _____
 (Signature) (Print Name) (Position)

Date: _____

[INSERT APPENDIX 2D 'CLEARING HOUSE PRESCRIBED LANGUAGE']

FINANCIAL TRANSACTIONS**3. FINANCIAL TRANSACTIONS****3.1 Accounts****3.1.1 Overview**

FCM Clearing Members are usually provided with two sub-accounts per financial account:

Cover account;

Tender account (not applicable to Default Fund (DF) accounts)

These accounts are used to record cash movements between the Clearing House and the FCM Clearing Member. Refer to section 2.5 for a full description of financial accounts.

3.1.2 Cover Account Postings

Transactions posted to the Cover account include but are not limited to:

PPS payments and receipts;

Interest and accommodation charges;

Currency purchases and sales;

Clearing House fees, charges and rebates;

SwapClear coupon payments;

SwapClear coupon adjustments;

Net Present Value (NPV);

Price alignment interest;

Consideration.

3.1.3 Tender Account Postings

Transactions posted to the Tender account include but are not limited to:

PPS payments and receipts;

Coupon Payments relating to member collateral.

3.1.4 Financial Transaction Reporting

Details of postings to these accounts are available to FCM Clearing Members with direct access to the LCH.Cleernet Limited Member Intranet Site. FCM Clearing Members with direct access to the LCH.Cleernet Limited's Member Intranet Site for SwapClear (see section 2.1.3) should use the "Yesterday's Cover Account Postings" report.

3.2 **Protected Payments System (PPS)**

The Clearing House operates a direct debit system, known as the Protected Payments System (PPS), for the transfer of funds to and from FCM Clearing Members. It is operated in both London ("London PPS") and in the United States (where it is known as "US PPS").

3.2.1 **London PPS**

(a) Introduction

An FCM Clearing Member must open and maintain PPS accounts in GBP and USD for its House account.

In addition, FCM Clearing Members must open PPS accounts in London in USD and in all other currencies in which it incurs settlements (see Appendix 3A for a list of the relevant participating PPS banks in London)

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 account holding FCM Clearing Member.

The GBP non-segregated PPS account will, inter alia, be used to process DF contributions.

Where applicable, all PPS accounts that hold FCM Clients' funds and collateral must be segregated in line with the FCM Regulations and CFTC Rule 1.49.

(b) PPS Mandate

Each FCM Clearing Member is required to complete a standard form London PPS Mandate(s) (see Appendix 3B) for each bank branch at which they wish to operate an account before clearing can commence.

(c) Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the amount not be covered by acceptable forms of cover held by the Clearing House (see section 3.3) the difference is called through London PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its London 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 hours or earlier on the day on which the PPS Call is made.

(d) Other PPS Functions

In addition to the morning calls, London PPS is used to:

- (i) remit surplus cash balances to the FCM Clearing Member's PPS bank(s) upon instruction to LCH.Clearnet Limited Treasury Operations between 07:00 and 9:30 hours or by prior arrangement with LCH.Clearnet Limited Treasury Operations;

- (ii) call intra-day cover payments, where the Clearing House must receive confirmation of payment from the PPS bank(s) within one hour of receipt by the relevant bank of the PPS Call. Such PPS calls will usually be made up until 16:00 hours.

(e) Value Date

FCM Clearing Members should note that the PPS (both in London and in the USA) is a system for facilitating payment to the Clearing House of monies due from FCM Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating Bank through 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 FCM 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 FCM Clearing Membership Agreement, the FCM Default Fund Agreement, clearing extension documentation, these FCM Procedures, the Default Rules and the FCM Regulations. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

(f) Foreign Bank Holidays

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

Confirmation that PPS payments will be made must still be received within the deadlines set out in section 3.2.1.5 and 3.2.1.6. 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 centre and the Clearing House are open for business.

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 the 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 21 August.

UK Bank Holidays

The Clearing House does not give value to any payment on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS Calls will be made on the next following business day.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS Calls will be made as normal that day. Value will be given the same day providing that US banks are open for business that day too.

(g) Secured Debit Cash Balances

FCM Clearing Members may, at the discretion of the Clearing House, secure debit cash balances up to defined limits with collateral or cash in another

currency. Once the cash balance exceeds any such limit, the London PPS automatically issues an instruction demanding payment of the full amount in that currency.

For current debit cash limits, refer to LCH.Clearnet Limited circulars or contact LCH.Clearnet Limited Treasury Operations.

LCH.Clearnet Limited reserves the right to alter the levels set and/or to demand immediate payment of the total sum due or any part thereof.

3.2.2 US PPS

Each FCM Clearing Member is required to maintain a US dollar PPS account for its House and Client account with at least one of the US PPS Banks – a list of the participating branches appears at Appendix 3C.

Where applicable all PPS accounts must be segregated in line with the FCM Regulations and CFTC Rule 1.49.

This requirement is supplemental to and additional to the requirement that each FCM Clearing Member must hold relevant PPS accounts in London, which must also segregate FCM Clients' funds and collateral as required by the FCM Regulations and CFTC Rule 1.49.

(a) US PPS Mandates

An FCM Clearing Member is required to complete a standard form US PPS mandate (see Appendix 3D). The original of the US PPS 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.

(b) Intra-Day Margin Call

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

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

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

Funds will be called through US PPS until ~~13:30~~16:00 hours NY Time (18:30~~21:00~~ hours London Time) from all FCM Clearing Members, and until ~~16:00 hours NY Time (21:00 hours London Time)~~

(c) Confirmations

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated US PPS bank within one hour of receipt of the US PPS Call by the relevant US bank branch.

(d) Use of London 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 London 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 hours 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 hours London time to an FCM Clearing Member's US PPS account in exceptional circumstances ("Exceptional PPS Call"). The Clearing House will use all reasonable commercial endeavours to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

3.3 **Acceptable Forms Of Cover**

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form against liabilities

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 cover acceptable to it, including but not limited to cash, performance bonds or securities.

To view our acceptable collateral list, go to: http://www.lchclearnet.com/riskmanagement/ltd/collateral_management.asp.

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.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two (2) Business Days notice of their intention to request withdrawal of cash used as cover for margin and its replacement by the lodgement of collateral. In the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

3.3.2 **Securities**

Please refer to the following pages on our website for both prevailing haircuts and notes on collateral acceptable for margin purposes:

[Insert link to FCM specific acceptable collateral.]

3.3.3 **Securities Value Notification**

FCM Clearing Members may obtain details on the value of securities credited to their account on a daily basis. FCM Clearing Members with direct access to the LCH.Clearnet Limited Member Intranet site should use the "Collateral by Member" report.

3.4 **Distribution Of Cover**

3.4.1 **Overview**

As different types of cover attract different utilisation fees and different contracts are assessed for VAT in different ways (see section 3.5.4), the Clearing House identifies the cover applied to liabilities in order to allow utilisation fees and VAT to be calculated correctly.

This is done by establishing a specified order for both types of liabilities and types of cover and applying cover sequentially, such that cover type 1 is applied first to liability type 1, cover type 2 to liability type 1 if there is a deficiency when cover type 1 has been exhausted and so on.

The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply cover held (including any described in LCH.Clearnet Limited reports/records as "unutilised" or "excess") to meet the FCM Clearing Member's liabilities/obligations to LCH.Clearnet Limited.

3.4.2 **Liability Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by an FCM Clearing Member, please see section 3.4.4 below.

Liabilities will be covered in the order:

- (a) Secured debit cash balances (see section 3.2.1.10);
- (b) Variation and initial margin including offset of contingent credits.

3.4.3 **Cover Application**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by an FCM Clearing Member, please see section 3.4.7 below.

Cash will be applied before to each liability.

FCM Clearing Members may choose to have cash applied before securities:

3.4.4 **Order of Priority on Default**

The order of priority (in which cash and collateral are applied to cover FCM Clearing Members' liabilities), set out elsewhere in this section, does not necessarily reflect the order of priority of realisation or application of cover which the Clearing House may follow in the case of default by an FCM Clearing Member. Post-default the Clearing House is entitled to realise and/or apply cover in whatever order it deems appropriate.

3.5 **Interest And Accommodation Charge Structure**

This Section applies to accounts other than DF accounts.

3.5.1 London Deposit Rate (LDR)

The LDR is the rate at which the Clearing House will normally pay interest on credit cash balances (excluding DF Contributions).

(a) Calculation

LDR is calculated daily for each currency by 10:00 hours. It is derived from bid rates for overnight funds quoted by selected money brokers and/or major banks. For next day value currencies, LDR is calculated the day prior using the tom/next rate.

Rates are available on and on the Clearing House banking system (screen code CBRDS) or by telephone from LCH.Cleernet Limited Treasury Operations.

(b) Alteration

The Clearing House reserves the right to alter the basis of calculating LDR. Any alteration will be effective on the date notified.

3.5.2 Price Alignment Interest (PAI) Rate

To minimise the impact of daily cash variation margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative variation margin received by the FCM Clearing Member and pay interest on cumulative variation margin paid in by the FCM Clearing Member respect of these instruments. This interest element is known as price alignment interest ("PAI").

The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:

The amount of NPV in such currency on that day; multiplied by

The relevant interest rate in effect for that day; divided by

360 or in the case of AUD, CAD GBP, HKD, JPY, NZD, PLN and ZAR, 365

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in Regulation 21(b), specifies that it will not change the PAI rate without the consent of all SwapClear members holding open contracts in such currencies.

For currencies AUD, CAD, DKK, HKD, NOK, NZD, PLN, SEK and ZAR, PAI is calculated using an appropriate overnight deposit rate for the currency.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page "FEDFUNDS1" or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page "EONIA" or

	Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page "SONIA" or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page "TONAR" or on any successor page(s) thereto.
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.

3.5.3 Interest/Accommodation Structure

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Debit Cash (GBP, USD, EUR)	Not allowed	Charge LDR of debit currency plus 1.10%	Charge LDR of debit currency plus 1.10%	Not applicable	Charge LDR of debit currency plus 1.00%; pay LDR of cover currency	Charge LDR of debit currency plus 1.00%
Debit Cash CHF, JPY, DKK, NOK, SEK	Not allowed	Charge LDR of debit currency plus 2.10%	Charge LDR of debit currency plus 2.10%	Not applicable	Charge LDR of debit currency plus 2.00%; pay LDR of cover currency	Charge LDR of debit currency plus 2.00%
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay LDR	pay LDR of cover currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay LDR	Pay LDR	No charge or payment

Note:

- "Foreign Cash" means cash in a currency other than that of the liability.
- "Forward Cash" means cash which has been credited to an account for later value, e.g. an amount called via PPS for next-day value.

3.5.4 Payment of Interest and Charges

Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resultant monthly total is posted to FCM Clearing Members' cover accounts at the beginning of the following calendar month. A VAT invoice is issued monthly detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency.

VAT is charged, dependent on contract, on accommodation charges and collateral utilisation fees at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling cover 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 cover 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;
- (b) accommodation charges;
- (c) collateral/performance bonds utilisation fees.

Accommodation charges and collateral utilisation fees are combined and reported as accommodation charges for each appropriate category on the monthly invoice.

3.6 **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 the house cover account.

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

Monthly postings are processed via the cover account at the beginning of the following month, on the third working day. Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant exchange.

3.7 **Participation Monies**

3.7.1 **DF Contributions**

DF contributions will be called via PPS normally on the fourth working day ("Reset Day") of the quarter (i.e. early February, May, August and November). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day or Banking screen MDFCT, or Member Intranet Report 000032.

Excess DF amounts due to FCM Clearing Members following the adjustment to DF accounts and the crediting of interest will be repaid to FCM Clearing Members' PPS accounts on the Reset Days.

APPENDIX 3A

BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM

Bank of America

Barclays Bank Plc

JP Morgan Chase Bank

Citibank NA

Deutsche Bank AG

HSBC Bank Plc

Lloyds TSB Bank Plc

National Westminster Bank Plc

The Royal Bank of Scotland plc

Skandinaviska Enskilda Banken AB

For more information on PPS Banks please contact LCH.Clearnet Limited Treasury Operations.

APPENDIX 3B

BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

LCH.CLEARNET LIMITED

I/We authorise you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

HOUSE ACCOUNT		
TICK <input type="checkbox"/>	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

CLIENT ACCOUNT		
TICK <input type="checkbox"/>	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

For and on behalf of:

Name of FCM Clearing
Member: _____

Signature of Director: _____

Print Name: _____

Date _____

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3rd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA. Email: lchoperations-treasury@lchclearnet.com Telephone: 020 7426 7505 Fax: 020 7426 7037.

APPENDIX 3C

BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM

(In New York unless stated otherwise)

Bank of America NA

J P Morgan Chase (New York or London)

Citibank NA

HSBC Bank USA

The Bank of New York

Harris Trust and Savings Bank (Chicago)

For more information on US PPS Banks please contact LCH.Cleernet Limited Treasury Operations on +44 (0)20 7426 7505.

APPENDIX 3D

MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

LCH.CLEARNET LIMITED

I/We authorise you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

HOUSE ACCOUNT	
CURRENCY	ACCOUNT NUMBER
USD	

CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER
USD	

The above information is correct and LCH.Clearnet Limited will rely on this information in making debit and credit transactions for the identified accounts and will have no liability to the extent of such reliance.

For and on behalf of:

Name of FCM Clearing Member: _____

Signature of Director: _____

Print Name: _____

Date _____

Notes:

A separate Mandate must be completed and delivered to LCH.Clearnet Limited for each different PPS bank.

Twenty days notice must be given to LCH.Clearnet Limited in writing in respect of any change of bank account name or bank account number and a fresh Mandate provided.

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3rd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: lchoperations-treasury@lchclearnet.com; Telephone: 020 7426 7505; Fax: 020 7426 7037.

COLLATERAL**4. COLLATERAL****4.1 General Information****4.1.1 Non-Cash Collateral**

FCM Clearing Members wishing may lodge securities with the Clearing House. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (LCH OTC Client Segregated Depository Account).

Collateral pledged in respect of an FCM Clearing Member will not be applied by the Clearing House to his liabilities on a house account (see FCM Regulation 6(d)).

FCM Clearing Members are warned that the taking of collateral is a complex legal matter. These FCM Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. An FCM Clearing Member who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.

4.1.2 GENERAL INFORMATION**LCH.Clearnet Security Arrangements**

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

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to his liabilities on a House account (see FCM Regulation 5(d)).

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

As set out in FCM Regulation 10(c), where an FCM Clearing Member wishes to pass an FCM Client's collateral to the Clearing House, the FCM Clearing Member must, inter alia, ensure that at all times it remains expressly agreed with the FCM Client that the FCM Clearing Member may pledge the collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. This is a further requirement as set out in the Clearing House Prescribed Language. The Clearing House gives no undertaking that, on the default of an FCM Clearing Member, it will not utilise FCM Clients' collateral which has been passed to it by an FCM Clearing Member, before utilising any other form of cover the Clearing House may hold.

4.1.3 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 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 in the FCM Clearing Member's cover account with the Clearing House. Replacement cover may be required immediately from the FCM Clearing Member.

The Clearing House accepts faxed copies of Collateral Lodgement Forms and Collateral Release Forms. These will be valid for a period of fourteen days, by which time original copies must have been received. If original copies are not received by the Clearing House within fourteen days cover value will not be given on the FCM Clearing Member's account and the collateral may be returned.

The Clearing House will only accept delivery of securities in accordance with these FCM Procedures, and will not sell, purchase or encash securities for FCM Clearing Members, except in so far as it is acting under its Default Rules and related FCM Regulations and the UK General Regulations.

Subject to the FCM Regulations in the event that the Clearing House at any time determines that it is holding excess collateral (as defined below) from an FCM Clearing Member, the Clearing House may notify that FCM Clearing Member of the intention to levy a charge in respect of excess collateral with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove excess collateral before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point until excess collateral is removed by the FCM Clearing Member through use of a Collateral Release Form. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's appropriate PPS account.

For the purposes of this section, "excess collateral" means that collateral identified by the Clearing House as being collateral over and above that which is required by the Clearing House in order to cover the obligations to the Clearing House of that FCM Clearing Member. The Clearing House shall have absolute discretion to decide whether and to what extent it is holding excess collateral at any time.

4.1.4 Communications

The Clearing House is entitled to act upon documentation instructions or communications appearing to have been issued by, or 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 an FCM Client or with the authority of the FCM Clearing Member or FCM Client.

4.1.5 Lodgement of Collateral as Replacement for Cash Cover for Margin

FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days notice of their intention to lodge collateral with a

value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgement. In the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

4.1.6 Force Majeure

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

4.1.7 Regulatory and Supervisory Information

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

4.1.8 Interest Payments

The Clearing House will remit interest amounts, taking into account any withheld tax, to FCM Clearing Members' PPS banks on the appropriate value date. These are processed using "Tender" sub-accounts designated "I" for house or "L" for segregated client.

4.2 US Securities

4.2.1 General Information

US Treasury securities must be lodged via "Fed Wire" in the Clearing House's LCH OTC Client Segregated Depository Account with Citibank N.A., New York ("Citibank").

4.2.2 Lodgement Procedure

Day One

- (a) FCM Clearing Members must submit, (by 15:30 hours), a completed Lodgement Form in respect of each lodgement. FCM Clearing Members may also need to supply a tax form (see section 4.2.5).

- (b) The Clearing House will enter a receipt instruction into the Citibank system.
- (c) The FCM Clearing Member or his agent bank should enter "free of payment" delivery instructions into the "Fed Wire" system in the case of Treasury securities.

The details of the account are:

Treasury Securities

(Via Fed Wire)
Citibank NYC/CUST
ABA 021000089
A/c #[] - "LCH.Cleernet Limited"

The securities are transferred into the Clearing House's account through the Citibank system.

Unless the Clearing House contacts the FCM Clearing Member to notify that a lodgement has been rejected, value will normally be given overnight on the following Business Day. However, if settlement has taken place before 17:00 hours, value may be given overnight the same day.

4.2.3 Release Procedure

Day One

- (a) The FCM Clearing Member submits a completed Release Form to Treasury Operations by 15:30 hours.
- (b) Where the security is not utilised as margin cover, the Clearing House will input appropriate delivery instructions into the Citibank system.
- (c) If the security is being utilised, it may be released on day one, provided that:
 - (i) a Release Form is received at Treasury Operations by 09:30 hours that day; and
 - (ii) the Clearing House has received confirmation of additional calls for cover from the PPS banks (as a result of the withdrawal of the security) and that all calls will be met that day;

whereupon the Clearing House will input "free of payment" delivery instructions into the Citibank system.

- (d) The Clearing House reduces the level of cover held for the FCM Clearing Member's relevant cover account by the amount of the value of the security which is being withdrawn.
- (e) The FCM Clearing Member passes acceptance instructions to its own agent bank and the Treasury securities will then be transferred to the FCM Clearing Member's agent bank through the Fed Wire system.
- (f) The Treasury securities are transferred to the FCM Clearing Member's bank.

Day Two

Where alternative cover is required it will be called in cash by PPS.

After 09:00 hours

Where the security has been utilised on day one, and providing the morning PPS call has been met, the security will be released as follows:

- (a) the Clearing House inputs appropriate delivery instructions into the Citibank system;
- (b) the FCM Clearing Member passes acceptance instructions to its own agent bank;
- (c) treasury securities will then be transferred to the FCM Clearing Member's agent bank through the Fed Wire system; or
- (d) the Treasury securities are transferred to the FCM Clearing Member's bank

4.2.4 Intra Day US Securities

The Clearing House will accept non-cash collateral US Securities up to 17:00 hours (deadline for receipt of lodgement forms being 15:30) London time for same day value. Settled instructions must be received by this time. Any margin calls made by the Clearing House prior to 13:30

4.2.5 US Withholding Tax

US income tax laws impose a withholding tax on payments of US source interest, including original issue discount, to a foreign person unless an exemption or reduced rate applies. Interest is US source income, if the debtor is a US corporation. Interest on debt obligations issued after July 18 1984 is generally exempt from US withholding tax. In addition, a foreign person who is a resident of a country with which the US has an income tax treaty may be entitled to a reduced withholding tax rate or an exemption from the US withholding tax.

In order to reduce or eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, FCM 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 FCM Clearing Member.

The relevant forms will normally be one of:

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

Applies to non-resident alien individuals, foreign corporations, partnerships and estates.

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

Note: The Clearing House's arrangements with Citibank only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. FCM

Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.


Unless the Clearing House has already received the appropriate tax form, lodgements into A/c # [] must be accompanied by form W-9.

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 Treasury Operations for onward transmission to Citibank, New York.

APPENDIX 4A


Collateral Lodgement Form

 <p>LCH.CLEARNET</p>	<p align="center">COLLATERAL LODGEMENT FORM</p>				
<p>To: LCH Clearnet Limited (the Clearing House)</p>					
<p>Version 1 January 2011</p>					
<p>From: Clearing Member (the Member)</p>					
<p>LCH Clearnet Limited Ref No:</p>					
<p>House/Clear Account#</p>	<p>Members Ref No</p>				
<p>* Please delete as appropriate</p>					
<p>We hereby request you to include the securities described below in The Schedule of "Specified Securities" under the terms of the "Charge securing our obligations" which we executed in your favour on (Date of Charge)</p>					
<p>We wish client (or client) to be the entire beneficial interest in these securities. (If a client is entitled to the entire beneficial interest in Client Content Form must be completed by the client and submitted to the Clearing House.)</p>					
<p>* Please delete as appropriate</p>					
<p>We acknowledge that these securities may be held by any institution in any regulatory, settlement clearing or settlement system (in the United Kingdom or elsewhere) which may be the one being so currently used in connection with securities of similar kind on a long/short basis and subject to the rules of the relevant system and the terms and conditions of its operation and the Clearing House has no responsibility for the performance of any such institution, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the long/short regime operated by the Belgian Royal Decree No 62 of 19 November 1987 governing the operation of securities as provided from time to time.</p>					
<p>Security Code Number</p>	<p>Settlement Date</p>	<p>Trade Date</p>	<p>Amount/Nominal Value</p>	<p>Description of Security (Issue - Coupon - Maturity)</p>	
<p>Delivery from: Depository Agent</p> <p>(for US Securities, Broker Code)</p> <p>Account Holder</p> <p>Account Number</p> <p>Delivery to (please indicate)</p>					
<p>Depository</p>	<p>Euroclear</p>	<p>Euroclear (PL tax exempt)</p>	<p>CRESTCo</p>	<p>CHBank (US owners)</p>	<p>CHBank (non-US owners)</p>
<p>Clearing House Account No</p>	<p>06205</p>	<p>09737</p>	<p>5165</p>	<p>000401</p>	<p>000378</p>
<p>Signature for and on behalf of the Clearing Member</p>		<p>1</p> <p>(Signature)</p>	<p>(Print Name)</p>	<p>(Position)</p>	
		<p>2</p> <p>(Signature)</p>	<p>(Print Name)</p>	<p>(Position)</p>	
		<p>Date</p>			
<p>To: THE ABOVE-NAMED CLEARING MEMBER</p> <p>We accept the above mentioned securities for inclusion in The Schedule of "Specified Securities" charges to us under your above mentioned charge.</p> <p>For and on behalf of LCH Clearnet Limited</p> <p>(Authorized Signatory)</p>					

Registered in England No 32537 Registered Office: 15 Abchurch Lane, 30 Abchurch Lane, London EC4A 3DF
 Recognised as a Clearing House under the Financial Services and Markets Act 2000

LCH CLEARNET LIMITED 2011

APPENDIX 4B
Collateral Release Form

 <p>LCH.CLEARNET</p>	<p>COLLATERAL RELEASE FORM</p> <p>Version 1 January 2010</p>			
<p>To: LCH Clearnet Limited (The Clearing House)</p>				
<p>From: Clearing Member (Full name):</p>				
<p>House/Client Account:</p>	<p>Member ID:</p>			
<p>Please create if appropriate</p>				
<p>We hereby request you to release the securities described below in The Schedule of "Specified Securities" under the terms of the "Charge securing your obligation" which was accepted in your instruction,</p> <p align="right">(Date of Charge)</p>				
Security Code Number (e.g. ISIN)	Delivery Date	Trade Date	Amount/Nominal Value (Issue + Coupon + Maturity)	Description of Security
<p>The Clearing House Ref No. (from lodgement form)</p>				
<p>Delivery to: Depository (Optional)</p>				
<p>(For US Securities, Broker Code)</p>				
<p>Account Number:</p>				
<p>Account Number:</p>				
<p>Signature for and on behalf of the Clearing Member:</p>		1
		(Signature)	(Print Name)	(Position)
		2
		(Signature)	(Print Name)	(Position)
<p>Date:</p>				
<p>To: THE ABOVE-NAMED CLEARING MEMBER</p>				
<p>The delivery of the above-mentioned securities from The Schedule of "Specified Securities" changes to us under your above-mentioned charge as agreed.</p>				
<p>For and on behalf of LCH Clearnet Limited Date: Time:</p>				
<p>(Authorized Signatory)</p>				

Registered in England by 2910 Registrar of Companies, 25 Abchurch Lane, London EC4A 3DF
 Registered as a Clearing House under the Financial Services and Markets Act 2000

FORM 1701/08/04

LCH CLEARNET LIMITED COPY

BUSINESS CONTINUITY**5. BUSINESS RECOVERY****5.1 Recovery Situations**

The FCM Procedures set out in this section are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's Business Continuity Plans.

Due to the uncertain nature of the events which would lead to the need for Business Recovery the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.

These FCM Procedures provide for the evacuation or decommissioning of Aldgate House. The procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

5.2 Recovery Situations Affecting Members' Offices**5.2.1 During Office Hours**

FCM Clearing Members that are unable to gain access to their principal office accommodation and as a result require the Clearing House assistance should contact the Help Desk on +44 (0)20 7426 7200.

5.2.2 Outside Office Hours

FCM Clearing Members should telephone the Clearing House on +44 (0)20 7426 7545, leaving the following information:

Name:
Company Name:
Contact Telephone Number:
Brief Details of the Nature of the Problem:

A member of the Clearing House operational staff will then make contact regarding any assistance that can be given.

5.3 Aldgate House Evacuation**5.3.1 Communicating with FCM Clearing Members**

Should the Clearing House be forced to evacuate Aldgate House it will need to inform its FCM Clearing Members as soon as practicable. The following sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to FCM Clearing Members by the following methods:

- (a) facsimile transmissions to FCM Clearing Members designated fax machines;
- (b) posting messages on www.lchclearnet.com;

- (c) posting messages on the following toll free number 0044 800 1 69 69 09.

Some of the above communications methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing FCM Clearing Members with progress reports following an initial broadcast message.

5.3.2 Evacuation of Aldgate House

If it is necessary for the Clearing House to evacuate Aldgate House, and if re-entry to the building is unlikely within thirty minutes, FCM Clearing Members will be informed by disseminating the following message using the methods described in section 5.3.1 above.

"The Clearing House has been forced to evacuate Aldgate House. Please refer to Clearing House Procedures - Business Continuity Arrangements for further information."

At this time all of the activities normally carried out at Aldgate House will have ceased, if only temporarily. FCM Clearing Members will be kept informed of developments as further details become available.

Please note that the reason for broadcasting the above message is to provide FCM Clearing Members with early notification of an evacuation of Aldgate House. At this stage no decision will have been taken to invoke Business Continuity Plans. See section 5.3.3 below for advice on how FCM Clearing Members will be notified of an invocation of the recovery plan.

5.3.3 Invoking of Business Continuity Plans

The Clearing House is contracted with a specialist provider for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the provider stipulates that dedicated work area recovery positions will be available immediately. Syndicated recovery positions will be available within four hours of invocation.

Depending on the severity of an incident a full or partial invocation of the service may be required.

5.3.4 Limited Invocation

If the Clearing House's assessment of the incident suggests that reoccupation of Aldgate House will be possible within two hours, then it is likely that only the mission critical activities (MCA) will be recovered to the recovery site. All other activities will cease until Aldgate House becomes available.

The following message will be posted:

"The Clearing House has invoked business continuity plans for its MCA's. Please refer to the Clearing House's Procedures - Business Continuity Arrangements for further information."

5.3.5 Full Invocation

Once a decision has been taken to proceed with full invocation of business continuity plans FCM Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in section 5.3.1 above.

"The Clearing House has invoked all business continuity plans. Please refer to the Clearing House's Procedures - Business Continuity Arrangements for further information."

It is anticipated that a period of approximately two hours will elapse between the invocation of full business continuity plans and relocation of recovery teams. During this time most of the activities normally carried out at Aldgate House will cease.

Please note that the Clearing House's primary data centre is not located at Aldgate House and so an evacuation of the site will not affect FCM Clearing Members' ability to access IT applications.

5.3.6 Cover Calling

In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. These may include but are not limited to:

- (a) the acceptance/release of securities and guarantees;
- (b) the conversion of currencies;
- (c) the ability to cover liabilities in currencies other than their original currency.

5.3.7 Registration of Contracts

The Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary. In the event that registration is to be delayed the Clearing House will notify FCM Clearing Members as soon as practically possible.

5.3.8 New Address for Document Delivery

Following invocation of the business continuity plans the Clearing House will provide new address details for document delivery. Will arrange to have its mail forwarded to its office recovery site.

5.3.9 Permanent Change of Address

If an incident is so serious that the Clearing House is unable to reoccupy Aldgate House, FCM Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in section 5.3.1.

FCM Clearing Members will be informed of the date when the new arrangements will take effect.

5.3.10 Return to Normal

When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in section 5.3.1 above. Assuming that it has been possible to return to Aldgate House the following message will be broadcast.

"The Clearing House has returned to Aldgate House. Please revert to normal contact telephone numbers and procedures."

If normal working is being resumed at a site other than Aldgate House FCM Clearing Members will already have been informed of the new office location and contact numbers see section 5.3.10 above. The following message will be broadcast.

"The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied."

5.4 Clearing House Data Centre

5.4.1 Failure of LCH's Data Centre

If the Clearing House's primary data centre fails during business hours, those Clearing House IT systems that are used by FCM Clearing Members will be temporarily unavailable while processing is transferred to the secondary data centre.

APPEAL PROCEDURES

6. APPEAL PROCEDURES

6.1 Introduction

These FCM Procedures describe how an FCM Clearing Member may appeal against a decision of the Clearing House (that is, LCH.Clearnet Limited).

It should be noted that no appeal may be lodged to the Clearing House in respect of any decision of any other member company of the LCH.Clearnet Group (including LCH.Clearnet SA).

6.2 Decisions In Respect Of Which An Appeal May Be Lodged

6.2.1 A Member may appeal against any of the following decisions made by the Clearing House:

- (a) a decision by the Clearing House to rescind that Member's eligibility to have contracts of a certain category registered in its name;
- (b) a decision by the Clearing House to terminate that Member's FCM Clearing Membership Agreement other than when such decision occurs in connection with the operation by the Clearing House of its Default Rules and Procedures.

6.2.2 An undertaking which is not an FCM Clearing Member may appeal to an Appeal Committee against any of the following decisions made by the Clearing House:

- (a) a decision to decline to grant FCM Clearing Member status to that person;
- (b) a decision to decline to admit that undertaking to the register of Executing Dealers providing that there is an FCM Clearing Member willing and able to enter into an Executing Dealer Agreement with that undertaking and the Clearing House at the time of the decision;
- (c) a decision to suspend or remove an Executing Dealer from the register of Executing Dealers;

6.2.3 From time to time the Clearing House may amend the lists in this section 6.2 of decisions in respect of which appeals may be lodged.

6.3 Initiating An Appeal

6.3.1 An appeal to an Appeal Committee under this Section 6 shall be commenced by sending a copy of the APPEAL FORM in the form set out in Appendix 6A of these FCM Procedures to the Company Secretary of LCH.Clearnet Limited ("the Company Secretary") at the registered office of the Clearing House.

6.3.2 The APPEAL FORM must be fully completed in all material respects by the person lodging the appeal ("the appellant").

6.3.3 The appellant must enclose with its APPEAL FORM payment of £500 which payment shall be returned if the appeal is subsequently upheld by the Appeal Committee or by the Appeal Tribunal.

- 6.3.4 An appeal may only be commenced under these FCM Procedures within 28 days of the date upon which the decision to which it relates was notified to the appellant. The Chief Executive of the Clearing House has a discretion to waive this time limit if the appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.
- 6.3.5 The Company Secretary shall acknowledge receipt of the APPEAL FORM no later than 7 days after receipt.
- 6.3.6 The Company Secretary may request further information or clarification relating to the subject matter or grounds of the appeal.
- 6.4 **The First Tier Appeal**
- 6.4.1 No later than 28 days from receipt of any APPEAL FORM the Company Secretary shall:
- (a) refer the appeal to an Appeal Committee comprising:
 - (i) the Chief Executive of LCH.Clearent Limited or the Deputy Chief Executive; and
 - (ii) two directors of the Clearing House with relevant market experience, nominated by the Chairman of the Clearing House; and
 - (b) notify the appellant in writing of the identity of the persons constituting the Appeal Committee; and
 - (c) provide to the appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.
- 6.4.2 Following notification to the appellant in accordance with 6.4.1 above, the appellant shall then have a period of 14 days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee. All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have a copy each.
- 6.4.3 The Appeal Committee shall decide upon its own procedure for considering and determining the appeal which will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate.
- 6.4.4 The Appeal Committee may request further or other documentation and information from the appellant.
- 6.4.5 No later than 21 days from the date upon which the appellant is notified of the composition of the Appeal Committee, or 21 days from the receipt by the Appeal Committee of any further or other documentation or pursuant to 6.4.4 above, whichever is the later, the Appeal Committee shall consider and determine the appeal before it.

- 6.4.6 An Appeal Committee constituted pursuant to this paragraph 6.4 shall promptly, and in any event, no later than 7 days after coming to its determination, give notice of its determination to an appellant in writing together with its reasons.
- 6.5 **The Second Tier Appeal**
- 6.5.1 If an appellant, having received notice of a determination of an appeal pursuant to paragraph 6.4.6 above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.
- 6.5.2 A second tier appeal may be commenced under this paragraph 6.5 by the submission of a NOTICE OF FURTHER APPEAL in the form set out in Appendix 6B hereto to the Company Secretary at its registered office, setting out the reasons for the appeal. Such NOTICE OF FURTHER APPEAL must be received by the Company Secretary no later than 14 days from the date upon which the notice of determination of the Appeal Committee was given to the appellant.
- 6.5.3 An appeal under this paragraph 6.5 shall be heard by an Appeal Tribunal within 3 months of the Notice of Appeal being received by the Company Secretary, or such longer time as the Chairman of the Appeal Tribunal shall determine in order to provide a full and fair determination of the appeal.
- 6.5.4 An Appeal Tribunal constituted under this paragraph 6.5 shall consist of 2 persons ("Tribunal Members"), with relevant knowledge and experience in the industry of matters in issue in the appeal, and a legally qualified Chairman. The appellant and the Clearing House may each select a Tribunal Member from a list of no less than 4 persons appropriately qualified persons nominated by The Centre for Dispute Resolution (CEDR), London, and the Chairman shall be nominated by CEDR. In the event that either the Clearing House or an appellant fails to nominate such a Tribunal Member before a date 2 weeks prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the appellant's first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that appellant's second tier appeal.
- 6.5.5 The Chairman of an Appeal Tribunal shall fix a date for the hearing of the appeal and shall give no less than 28 days notice in writing to the appellant and the Company Secretary of the time and place in London where such appeal shall be heard.
- 6.5.6 The appellant shall provide the Appeal Tribunal, with a copy to the Company Secretary, no less than 14 days before the date fixed for the hearing of the appeal, with written submissions setting out such representations as it wishes to put forward in support of its appeal, together with copies of all documentation and other material upon which it wishes to rely.
- 6.5.7 The Clearing House will submit written submissions, documentation and information with regard to the matters and issues relevant to the decision which is the subject of the appeal and provide a copy thereof to the appellant.
- 6.5.8 An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or written opinion with regard to any matter which forms the subject matter of an appeal.
- 6.5.9 An Appeal Tribunal shall determine its own procedure for the hearing of an appeal and shall not be bound by the rules of evidence. It may adjourn a hearing to another

date or dates if it so wishes. If prior to or at such hearing an appellant notifies the Appeal Tribunal that it wishes to make oral submissions an opportunity shall be given to the appellant to do so. A representative of the appellant (and the appellant himself, if the appellant is an individual) and a representative of the Clearing House may attend the hearing and the Appeal Tribunal may in its discretion invite further or other persons to attend the hearing.

- 6.5.10 At the hearing an appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel PROVIDED that if in any particular case an Appeal Tribunal is satisfied that there is good and sufficient reasons for doing so, it may refuse to permit a particular individual to represent an appellant at the hearing.
- 6.5.11 Neither the Clearing House nor an appellant shall have the right to call any witness or cross examine any person who shall have provided any information to an Appeal Tribunal, PROVIDED that an Appeal Tribunal may permit any such cross examination on such terms as it may determine, if it decides that it is appropriate in the particular circumstances of that appeal so to do.
- 6.5.12 An Appeal Tribunal may have regard to such further or other documents and information and matters as it considers fair and reasonable in the circumstances.
- ~~6.5.13 Where in this paragraph 6.5 any time is giving for the doing of anything, the Chairman of the Tribunal shall have a discretion to extend such time if he determines that it is fair and reasonable in the circumstances so to do.~~
- 6.5.14 In considering an appeal, an Appeal Tribunal shall act fairly and impartially and shall take into consideration, inter alia, the following:
- (a) the FCM Regulations, other specific Regulations, Default Rules and Procedures of the Clearing House; and
 - (b) the Notice of Further Appeal; and
 - (c) all documentation and information placed before it by an appellant or by the Clearing House; and
 - (d) the role and concomitant obligations of the Clearing House ("LCH.Clearnet Limited") as a recognised clearing house under the Financial Services and Markets Act 2000.
- 6.5.15 An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.
- 6.5.16 An appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the appellant.
- 6.5.17 An Appeal Tribunal shall determine an appeal by majority vote although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:
- (a) dismiss the appeal; or
 - (b) uphold the appeal.

6.5.18 An Appeal Tribunal shall deliver a written statement of its decision together its reasons to an appellant and the Clearing House within 28 days of the date of the hearing. Except in so far as an Appeal Tribunal may direct, information about proceedings before the Appeal Tribunal and the names of persons concerned in the proceedings shall not be made public.

6.5.19 In the event that an Appeal Tribunal determines to uphold the appeal then the Clearing House shall within 28 days of the receipt of the written decision, re-view and re-consider the decision upon which the appeal was based in the light of the conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.

6.6 **Requests For Review**

6.6.1 A Member who is aggrieved by any action taken by the Clearing House or decision of the Clearing House (other than any decision set out in 6.2 above or any decision taken under Regulation 13 in or under or in connection with the Clearing House's powers under the Default Rules and Procedures) may, no later than 14 days after the date of the decision or action, request a review of such action or decision by the Chief Executive of the Clearing House.

6.6.2 A Request for Review under this 6.6 shall be made in writing, addressed to the Chief Executive of the Clearing House at the registered office and shall set out details of the relevant decision or action, the reasons why the Member is aggrieved and details of such reasonable remedial or other action or monetary payment as that Member requests to be carried out in the circumstances.

6.6.3 The Chief Executive shall consider the Member's Request for Review and such further or other documents and information as he considers reasonably relevant and shall notify the Member in writing of the outcome of his review within a period of 28 days from receipt by him of the Request for Review. Where it is not possible to complete such review within such period of 28 days, the Chief Executive shall notify the Member accordingly and nominate a further period for the review, such period not to be longer than 3 months from the date of such notification to the Member.

6.7 **Market Disorders Etc And Default**

For the avoidance of doubt, the Clearing House shall be under no obligation to consider any Request for Review under 6.6 above or otherwise, or comply with the provisions of this Section 6, and no appeal or Request for Review may be lodged under this Section 11 or otherwise, in respect of any decision or action taken by the Clearing House under the provisions of Regulation 13 or in respect of any decision, action or other matter arising out of or connected to the operation of the Default Rules and Default Procedures and the Clearing House's powers thereunder.

APPENDIX 6A
APPEAL FORM

The Clearing House Appeal Procedures

Full Name of firm/company etc lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Description of decision appealed against (see Section 6.2 of the Clearing House Procedures):	
Date decision notified to appellant:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.3 of the Clearing House Procedures, we request that this appeal against the above mentioned decision of the Clearing House be referred to an Appeal Committee.

Signed for and on behalf of the appellant

(print name)

Notes:

Please enclose a cheque payable to LCH.Clearnet Limited drawn on a UK branch, in the sum of £500 sterling. If your appeal is successful this sum will be refunded to you.

If there are any written representations, any documentation or further material which you would like the Appeal Committee to consider when determining your appeal, you may send it with this Appeal Form if you wish. Alternatively you may send it in later. However, please

note that the Procedures put a time limit on the submission of such material. See Section 6.4.2 of the Clearing House Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited on +44 (0)20 7426 7000.

APPENDIX 6B

NOTICE OF FURTHER APPEAL

The Clearing House Appeal Procedures

Note: This form should only be used if you have had a determination of an Appeal Committee and you are now commencing a Second Tier Appeal under Section 6.5 of the Clearing House Procedures.

Full Name of firm/company etc lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Details of determination of Appeal Committee appealed against (see Section 6.5 of the Clearing House Procedures): Please attach a copy of the Determination	
Date of determination of the Appeal Committee:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.5 of the Clearing House Procedures, we request that an Appeal Tribunal be constituted to determine this appeal against the above mentioned determination of the Appeal Committee.

Signed for and on behalf of the appellant

(print name)

Notes:

If there are any written representations, any documentation or further material which you would like the Appeal Tribunal to consider when determining your appeal, you may send it with this Notice of Further Appeal Form you wish. Alternatively you may send it in later. However, please note that the Procedures put a time limit on the submission of such material. See Section 6.5.6 of the Clearing House Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited on +44 (0)20 7426 7000.

COMPLAINTS**7. COMPLAINTS****7.1 Introduction**

7.1.1 These FCM Procedures describe how a person ("the Complainant") who:

- (a) has a complaint about the conduct or behaviour or other actions of an FCM Clearing Member with regard to that FCM Clearing Member's clearing activities with LCH; or
- (b) has a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions;
- (c) may make a formal complaint, and how that complaint will be investigated and resolved.

7.2 How To Make A Complaint

7.2.1 A complaint with regard to the conduct or behaviour or other actions of an FCM Clearing Member in that FCM Clearing Member's clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:

- (a) must be made in writing, dated and addressed to the Company Secretary LCH.Clearent Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;
- (b) should set out, as far as possible, details of the conduct, behaviour or other actions complained of, date/s and place/s it occurred, names of person involved, outcome sought, and any other relevant details;
- (c) must be made no later than 3 months after the conduct, behaviour or other actions complained of, or; if the conduct, behaviour or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;
- (d) must contain the full name and address of the complainant and, wherever possible details of a contact telephone number and email address.

7.2.2 In submitting a complaint in accordance with these FCM Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.

7.2.3 Upon receipt of a written complaint pursuant to these FCM Procedures, the Company Secretary shall acknowledge in writing to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in accordance with the procedure set out in this section, the Clearing House shall conduct an internal investigation and review of such complaint in accordance with the procedures set out in section 7.3 below.

7.3 Internal Investigation And Review By The Clearing House

7.3.1 No later than 14 days from receipt of a complaint of the type referred to in section 7.1.1 or 7.1.2 above, the Company Secretary shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.

7.3.2 An Investigation Committee shall consist of any 3 of the following persons:

- (a) the Deputy Chief Executive of LCH.Clearnet Limited;
- (b) the Managing Director, Operations;
- (c) the Managing Director, Finance;
- (d) the Managing Director, Business Development;
- (e) any person holding the position of Director at the Clearing House.

providing always that an Investigation Committee shall have at least one Managing Director or the Deputy Chief Executive among its number.

7.3.3 The Investigation Committee established pursuant to this Section 7 shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of LCH.Clearnet Limited within a period of 12 weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's decision.

7.3.4 The costs of the internal investigation and review shall be borne by LCH.

7.3.5 Where the Company Secretary receives a written complaint which is not a complaint regarding the conduct, behaviour or other actions of an FCM Clearing Member in respect of its clearing activities with the Clearing House or is not a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding an FCM Clearing Member or regarding the conduct, behaviour or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of LCH.Clearnet Limited to be dealt with in accordance with the REQUESTS FOR REVIEW procedure set out in Section 6.6 (Appeals Procedures) of these FCM Procedures.

7.4 Referral To An Independent Investigator

7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in section 7.3 above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in section 7.1.1 and 7.1.2 above, (and providing that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in section 7.5 below.

- 7.4.2 A request for referral to an Independent Investigator shall be made in writing to the Company Secretary and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with section 7.2.
- 7.4.3 Within 14 days of receipt of a written request, in accordance with section 7.4.2 above, the Company Secretary shall refer the complaint to an Independent Investigator.
- 7.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:
- (a) independent of LCH.Clearnet Limited (for these purposes "independent" shall mean that such person is not and has not been an officer, director or employee of LCH.Clearnet Limited); and
 - (b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the Regulations (including the Procedures), and other relevant documentation, regulation and applicable law;
 - (c) with appropriate experience of the market activities in respect of which the complaint is focused.
- 7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.
- 7.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week day period referred to in 7.4.3 above, then the Company Secretary shall notify the complainant in writing of the reasons for the delay.
- 7.5 **Procedure For Dealing With The Complaint**
- 7.5.1 Upon appointment, an Independent Investigator nominated in accordance with these FCM Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.
- 7.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and, and may do, inter alia, any one or more of the following:
- (a) interview the Complainant;
 - (b) interview a representative of the Clearing House;
 - (c) seek further or other information from the Clearing House and/or the Complainant;

- (d) make such further or other reasonable inquiries as he/she deems fit in order properly and fully to investigate the Complaint.

7.6 Outcomes

7.6.1 The Independent Investigator shall, wherever reasonably possible, conclude his investigation of a complaint referred to him under these FCM Procedures, within a period of 2 months from the date of his nomination. Where it is not reasonably possible so to do on account of the nature or complexity of the matter referred to him or other good reason, then he shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.

7.6.2 The Independent Investigator shall, at the end of his investigation produce a written report setting out his findings, conclusions, and reasons for his conclusions. Such report shall be provided both to the Complainant and to the Clearing House but it shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of such request, the report shall be made public by being published on the LCH.Clearnet Limited public website. Where only part of the complaint is upheld, then only that part of the report relating to that part of the complaint shall be so published.

7.6.3 In his written report the Independent Investigator may:

- (a) dismiss the complaint; or
- (b) uphold the complaint in its totality; or
- (c) uphold part of the complaint and dismiss part of the complaint;
- (d) make such recommendations as he/she deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment and/or takes such action as may be reasonably practicable to remedy the cause of the complaint.

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LCH.CLEARNET LIMITED

The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, Part IV

DEFAULT RULES

1. Save where expressly stated to the contrary these Default Rules ("Rules") have effect with regard to the provision of clearing services for all markets cleared by the Clearing House.
2.
 - (a) Words and expressions defined in the Clearing House's Rulebook shall have the same meanings in these Rules, save that in relation to the provision of clearing services by an FCM Clearing Member, words and expressions defined in the Clearing House's FCM Regulations shall have the same meanings in these Rules and such meanings shall prevail over any other meaning given to the relevant word or expression in the Clearing House's Rulebook;
 - (b) a reference to a numbered Regulation in these Rules is a reference to the Regulation so numbered in the Regulations section of the Rulebook and a reference to a numbered FCM Regulation is a reference to the FCM Regulation so numbered in the FCM Regulations. A reference to a numbered Rule is a reference to the Rule so numbered in these Rules;
 - (c) the expression "relevant office-holder" in these Rules has the meaning given to it by section 189 of the Companies Act 1989 and a reference to the defaulter shall include where the context permits a reference to the relevant office-holder; and
 - (d) a reference to an agreement in these Rules is a reference to that agreement as amended, modified or varied from time to time.

Default Rules

3. In the event of a Clearing Member appearing to the Clearing House to be unable, or to be likely to become unable, to meet its obligations in respect of one or more Contracts, the Clearing House may (or upon the occurrence of an Automatic Early Termination Event, in which case such contracts will automatically terminate, the Clearing House will) take such steps listed in Rule 6 as in the circumstances appear to it best calculated -
- (a) to discharge all the Clearing Member's rights and liabilities under or in respect of all Contracts to which it is party or upon which it is or may be liable, and
 - (b) to complete the process set out in Rule 8.

Before taking any such step the Clearing House shall have regard to the interests of the members of any market that the Clearing Member may belong to and shall, where in the circumstances it is reasonably practicable to do so without prejudice to those interests if applicable or the interests of the Clearing House, consult any relevant Exchange to whose Exchange Rules open contracts registered in the name of the Clearing Member are subject. As soon as practicable after the Clearing House has elected to take any such step in relation to a Clearing Member (or in the case of an Automatic Early Termination Event as soon as practicable after the occurrence of such event) the Clearing House shall send to such Clearing Member: (a) a Default Notice, and shall publish a copy of the Default Notice; and (b) in relation a defaulter who is a SwapClear Clearing Member, copies of any written notices received from the Individual Segregated Account Clearing Client(s) and/or any of the Omnibus Net Segregated Clearing Client(s) of that defaulter confirming their instructions for the Clearing House to arrange for a transfer or termination, close-out and re-establishment of their open SwapClear Contracts to/with the relevant Back-up SwapClear Clearing Member(s), provided, however, that the Clearing House shall have no liability for any failure to deliver such notices.

4. A Clearing Member (i) in respect of whom the Clearing House has issued a Default Notice under Rule 3; or (ii) in respect of whom an Automatic Early Termination Event has occurred is in these Rules called a "defaulter".
5. Without prejudice to the generality of Rule 3, the Clearing House may take any or all of the events under paragraphs 5(a) to (q) below to show that a Clearing Member is or is likely to become unable to meet its obligations in respect of one or more Contracts. Also, the Clearing House may from time to time by publication in a circular to Clearing Members specify criteria (including but not limited to the jurisdiction of incorporation of a

Default Rules

Clearing Member) according to which an event under paragraphs 5(i) to (p) below will constitute an Automatic Early Termination Event:

- (a) the Clearing Member fails duly to perform or is in breach of the Regulations, the FCM Regulations, the Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House or the right of the Clearing Member to receive a transfer or termination, close-out and re-establishment of contracts pursuant to a Link has been suspended under Participating Exchange Rules, or a Clearing Member is a Defaulter (as defined in a Member Link Agreement to which the Clearing Member is a party);
- (b) the Clearing Member is in breach of the terms of membership of, or is declared to be in default by, or is suspended or expelled from membership of, an Exchange, a Participating Exchange or any other recognised, designated or overseas investment exchange or clearing house;

- (c) the Clearing Member is in breach of any Exchange Rules, Participating Exchange Rules or the rules of any recognised, designated or overseas investment exchange or clearing house;
- (d) the Clearing Member is in breach of the terms of membership of, or is refused an application for or is suspended or expelled from membership of, a Regulatory Body or is in breach of the rules of a Regulatory Body to which it is subject or its authorisation by a Regulatory Body is suspended or withdrawn;
- (e) a Regulatory Body takes or threatens to take action against or in respect of the Clearing Member under any statutory provision or process of law;
- (f) the Clearing Member is in default in the payment of any sum whatsoever due and payable to the Clearing House;
- (g) the Clearing Member is in default in making or accepting a tender pursuant to Regulation 19 or in performing an open contract subject to tender or a delivery contract;
- (h) the Clearing Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;

Default Rules

- (i) in respect of the Clearing Member, a bankruptcy petition is presented or bankruptcy order made or a voluntary arrangement is approved;
 - (j) in respect of the Clearing Member, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;
 - (k) an assignment or composition is made by the Clearing Member for the benefit of creditors or any of them;
 - (l) a petition is presented for the winding up of the Clearing Member;
 - (m) an order is made for the winding up of the Clearing Member, or a resolution is passed for the winding up of the Clearing Member (save for the purpose of its amalgamation or reconstruction);
-
- (n) in respect of the Clearing Member, a petition is presented or order made for the appointment of an administrator;
 - (o) the Clearing Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
 - (p) any step analogous to those mentioned in paragraphs (i) to (o) is taken in respect of the Clearing Member in any jurisdiction; or
 - (q) any distress, execution or other process is levied or enforced or served upon or against any property of the Clearing Member.
6. The steps which may be taken by the Clearing House under Rule 3 in respect of the defaulter or otherwise are -
- (a) to register an original contract or an FCM SwapClear Transaction (as the case may be) in the name of the defaulter or to decline to register an original contract or an FCM SwapClear Transaction (as the case may be) in the name of the defaulter or otherwise to exercise the Clearing House's discretion with regard to the defaulter under Regulation 9(c) or, in the case of an FCM Clearing Member, FCM Regulation 5(h);

Default Rules

- (b) to effect a closing-out in respect of an open contract of the defaulter (whether by the entering into of a closing-out contract or otherwise) and at the option of the Clearing House to settle such contracts or to effect the transfer or termination, close-out and cash-settlement of an open contract of the defaulter by applying a price determined by the Clearing House in its discretion;
- (c) to settle any open contract of which settlement might have been requested by the defaulter pursuant to Regulation 15(e) or 16;
- (d) to invoice a Contract, other than a SwapClear Contract or an FCM SwapClear Contract, of the defaulter back by way of compulsory settlement in accordance with Regulation 28 at a price or premium determined under paragraph (d) of that Regulation;
- (e) to sell any security deposited by the defaulter pursuant to Regulation 12 or, in the case of a defaulter who is an FCM Clearing Member, FCM Regulation 10, or any agreement made between the defaulter and the Clearing House by public or private sale for account of the defaulter without being obliged to obtain the defaulter's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the defaulter;
- (f) subject to the Procedures, to exercise an option of the defaulter on its behalf notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by any relevant Exchange Rules;
- (g) to transfer an open contract of the defaulter to the account of another Clearing Member or to close-out and terminate such open contract and re-establish it with another Clearing Member, being a Clearing Member entitled and willing to have such open contract registered in its name or to transfer an open contract from the account of another Clearing Member to the account of the defaulter for the purposes of closing out an open contract registered in an account of the defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Exchange;
- (h) to take such steps as may be desirable, including crediting or debiting of accounts (including margin accounts), entry into new contracts, transfer of existing contracts, reversal of contracts, or termination, close-out and re-

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establishment of contracts, or any other step, to preserve as far as possible the position of any client of the Clearing Member. Where an open contract is transferred or closed-out, terminated, and re-established under paragraph (g), without requiring the consent of the relevant Exchange, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment of positions) to the Clearing Member to whom the open contract is transferred (or with whom the replacement open contract is re-established) such cover held as security for the defaulter's obligations to the Clearing House on that account as the Clearing House may deem appropriate;

- (i) to tender or receive a tender in the defaulter's name;
- (j) to perform an open contract subject to tender or a delivery contract by either delivery of or accepting delivery of the commodity the subject of such contract to or from, as the case may be, the defaulter, its agent or a third party in any manner permitted by the terms of the Contract and the Exchange Rules (if any);
- (k) where the defaulter is party to an open contract subject to tender, to declare the defaulter's rights and liabilities in respect of performance thereof discharged, whereupon the provisions of Rule 7 shall apply to the defaulter in respect of the open contract;
- (l) to make or procure the making of one or more contracts, including (without limitation) original contracts for the purpose of hedging market risk to which the defaulter is exposed, and to register the same in the defaulter's name under the Regulations or the FCM Regulations (as the case may be);
- (m) to make or procure the making of one or more contracts, whether or not in the terms of exchange contracts, for the sale, purchase or other disposition of a commodity, and to register the same in the defaulter's name under the Regulations;
- (n) to designate a currency as a currency of account, and at the defaulter's expense to convert any sum payable by or to the defaulter in another currency into the currency of account;
- (o) to take any step which in the circumstances is open to the Clearing House under any applicable Exchange Rules including, without limitation, to transfer (whether

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by way of transfer or by way of termination, close-out and re-establishment) an open contract of the defaulter to a Participating Exchange to be registered at the Participating Exchange in accordance with its rules;

- (p) without prejudice to any other right of the Clearing House under the Regulations, to take such action as the Clearing House may deem necessary for its protection in the name and at the expense of the defaulter with regard to any open contract standing in its name;
- (q) in respect of Contracts standing in the defaulter's name, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to or in consequence of the circumstances mentioned in Rule 3 or the steps which are or may be taken under this Rule, the Regulations or the FCM Regulations (as the case may be) and any expenses incurred with regard thereto under Rule 11 and the amount of any losses, costs or expenses incurred or suffered by the Clearing House referred to in paragraph (g) of Regulation 42 and any other amounts referred to in such paragraph;
- (r) any other step calculated by the Clearing House to complete the process set out in Rule 8; and
- (s) to obtain such advice or assistance, whether legal advice or otherwise, as the Clearing House may deem necessary and at the expense of the defaulter for any matter arising out of or in connection with the default,

PROVIDED that in the case of SwapClear Contracts, the steps which shall be taken by the Clearing House shall be set out in the relevant DMPA and, in the case of SwapClear Clearing Client Business, the steps which shall be taken by the Clearing House shall be set out in the relevant DMPA and the relevant Default Management Process Agreement Amendment Agreement.

- 7. (a) Where the Clearing House declares the defaulter's rights and liabilities under an open contract subject to tender discharged under Rule 6(k) -
 - (i) those rights and liabilities and the rights and liabilities of the Clearing House under the open contract shall be discharged, and,

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- (ii) there shall arise between the defaulter and the Clearing House in respect of the open contract an obligation to account, as directed by the Clearing House, for a settlement amount determined by the relevant Board under this Rule.
 - (b) The settlement amount referred to in paragraph (a) shall be an amount which, at the request of the Clearing House, the relevant Board determines to represent adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the defaulter and the Clearing House under the open contract. The Board's determination shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the defaulter and itself.
 - (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.
8. Upon the discharge of the defaulter's rights and liabilities under or in respect of all Contracts to which it is party the following process shall be completed by the Clearing House -
- (a) there shall be brought into account all sums payable: (i) by or to a defaulter in respect of Contracts (other than FCM SwapClear Contracts); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations; (except, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the defaulter); and/or any amount due from the defaulter to the Clearing House in respect of any Treasury Contract; or (ii) by or to a defaulter in respect of FCM SwapClear Contracts; any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
 - (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule 10; and
 - (c) such net sum, or each such net sum, -

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- (i) if payable by the defaulter to the Clearing House, shall be set off against any cover standing to the credit of the defaulter's account so as to produce a further net sum, or shall be aggregated with any debit balance of the defaulter's account, or
 - (ii) if payable by the Clearing House to the defaulter, shall be aggregated with any cover standing to the credit of the defaulter's account, or shall be set off against any debit balance of the defaulter's account so as to produce a further net sum.
- (d) Where an amount is payable by the Clearing House to the defaulter in respect of a balance on its Proprietary Account or accounts, and there are amounts due to the Clearing House in respect of any client account or any FCM Omnibus OTC Client Account with LCH (as the case may be) operated by it, the balance on the Proprietary Account or accounts may be applied to meet the shortfall on the client account or accounts or on the FCM Omnibus OTC Client Account(s) with LCH (as the case may be) in any way which the Clearing House may determine.

For the purposes of paragraph (a) of this Rule the Clearing House may assess the sum payable by or to the defaulter in respect of any breach of the Regulations or the FCM Regulations (as the case may be) in such reasonable manner as it thinks fit.

9. The sum, or each sum, finally payable by the defaulter to the Clearing House or by the Clearing House to the defaulter, or the fact that no sum is finally payable by either such party to the other, as the case may be upon completion of the process set out in Rule 8, shall be forthwith certified by the Clearing House. The certificate of the Clearing House under this Rule shall be conclusive as to the discharge of the defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Rule to be due to the defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule 8 can be completed.
10. (a) Where the defaulter has more than one account with the Clearing House, the defaulter's accounts shall be combined for the purpose of Rules 8 and 9 as follows: an account which is an FCM Omnibus OTC Client Account with LCH of

the defaulter may only be combined with other FCM Omnibus OTC Client Accounts with LCH of the defaulter; an account which is a Proprietary Account of the defaulter may be combined with any other Proprietary Accounts of the defaulter and (if the Clearing House so elects) Treasury Accounts of the defaulter (subject to Rule 8(d) and 10(d) of the Default Rules); and an account which is a Treasury Account of the defaulter may only be combined with other Treasury Accounts and (if the Clearing House so elects) Proprietary Accounts of the defaulter. Notwithstanding the foregoing, in no circumstances may an account which is an Individual Segregated Account of the defaulter or an Omnibus Net Segregated Account of the defaulter be combined with any other account of the defaulter.

- (b) For the purposes of this Rule 10, each Individual Segregated Account of the defaulter and each Omnibus Net Segregated Account of the defaulter shall constitute a separate "kind of account". Where the defaulter has more than one kind of account with the Clearing House, the process set out in Rule 8 shall be separately completed in respect of each kind of account. In the case of each kind of account of the defaulter which is not an Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 shall be separately certified under Rule 9. In the case of each kind of account of the defaulter which is an Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (pro rata as it sees fit in its sole discretion) between the Omnibus Net Segregated Clearing Clients sharing in that Omnibus Net Segregated Account. Each sum so allocated to an Omnibus Net Segregated Clearing Client shall be separately certified under Rule 9.
- (c) In Rule 8(c) the "defaulter's account" means -
- (i) with regard to a net sum produced by reference to Contracts registered in an Individual Segregated Account of the defaulter, that Individual Segregated Account;
 - (ii) with regard to a net sum produced by reference to Contracts registered in an Omnibus Net Segregated Account of the defaulter, that Omnibus Net Segregated Account;

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- (iii) with regard to a net sum produced by reference to FCM SwapClear Contracts registered in one or more FCM Omnibus OTC Client Accounts with LCH of the defaulter, that FCM Omnibus OTC Client Account with LCH, or (if there is more than one) all those FCM Omnibus OTC Client Accounts with LCH combined;
 - (iv) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Rule 10(a)) any Treasury Accounts of the defaulter; and
 - (v) with regard to a net sum produced by reference to one or more Treasury Accounts of the defaulter, that Treasury Account or those Treasury Accounts combined, and (if the Clearing House has elected in accordance with Rule 10(a)) Proprietary Accounts.
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- (d) Notwithstanding any provision of the Rulebook to the contrary, any loss which relates to a Treasury Account may not be treated as a Default Loss (as defined in Rule 23(b)), whether or not cover has been applied in respect of such loss. Nothing in this Rule 10(d) requires the Clearing House to apply cover in respect of any such loss instead of any other amount referred to in Rule 8(a), except that the Clearing House may not apply cover in respect of any such loss to the extent that doing so would give rise to an Excess Loss (as defined in Rule 15).
- 11. Without further authorisation, permission or cooperation from the defaulter, the Clearing House may appoint any person to take or assist it in taking any step under these Rules or to complete or assist it in completing the process set out in Rule 8.
 - 12. The Clearing House may co-operate, by the sharing of information and otherwise, with any Regulatory Body or relevant Exchange, any relevant office-holder acting in relation to the defaulter or its estate and any other authority or body having responsibility for, or any Clearing Member having an interest in, any matter arising out of or connected with the circumstances mentioned in Rule 3.
 - 13. In addition to such copy report as it supplies under section 162(3) of the Companies Act 1989, the Clearing House shall report to the defaulter, or any relevant office-holder

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acting in relation to the defaulter or its estate, on steps taken in relation to the defaulter under Rule 6.

LCH.CLEARNET LIMITED**(The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, Part IV)****DEFAULT FUND RULES**

14. These Default Fund Rules form part of the Default Rules and the Clearing House Rulebook but do not apply in relation to a Participating Exchange.

Interpretation

15. For the purposes of Rules 15 to 37 (inclusive), the following terms have the following meanings:-

"Cleared Exchange Contract" means, for the purposes of the Default Fund Rules, a Contract on the terms of a contract entered into under or in accordance with the rules of a Specified Exchange;

"Contribution" has the meaning assigned to it in Rule 17;

"Deductible" means, at the time of preparation of a Rule 26 Certificate, the Capped Amount;

"Default" means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Rule 3;

"Default Loss" has the meaning assigned to it in Rule 23(b);

"EquityClear Contracts" includes, for the purposes of the Default Fund Rules, all cash equity contracts and CFDs cleared by the Clearing House;

"EquityClear Contribution" means the part of a Clearing Member's Contribution attributable to EquityClear business as calculated in accordance with Rules 18A, 19A, 19B and 32A;

"EquityClear Clearing Member" includes, for the purposes of the Default Fund Rules, any Clearing Member participating in any part of the EquityClear service;

"EquityClear Fund Amount" means, subject to Rule 32, £100,000,000;

"EquityClear Transition Date" means the first Quarter Day as at which the aggregate of EquityClear Contributions calculated under the formula stated in Rule 19A is equal to or greater than the EquityClear Fund Amount;

"Excess Loss" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate less (a) the Deductible and (b) any sums then immediately payable in respect of Default Losses owed by such defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House in relation to Default Losses;

"Exchange Contribution" has the meaning assigned to it in Rule 19;

"Exchange Fund Amount" means, subject to Rule 32, £310,000,000;

"Excluded Transaction" means, subject to Rule 37, any Contract designated by the Procedures as excluded for the purposes of the Default Fund Rules;

"Fund Amount" means the sum of the EquityClear Fund Amount and the Exchange Fund Amount and the RepoClear Fund Amount and the SwapClear Fund Amount;

"LIBOR" means, in relation to a Contribution, the rate per annum (rounded upwards, if not already such a multiple, to the next whole multiple of one-sixteenth of one per cent) known as the British Bankers' Association Interest Settlement Rate for three-month deposits in sterling being offered to prime banking names in London at or about the time specified by the Procedures for fixing the rate of interest for the period for which interest is payable or, where no such rate is available, such rate as in the opinion of the Clearing House approximates thereto;

"Margin Weight" has the meaning assigned to it in Rule 19;

"Minimum Contribution" means, subject to Rule 32, the sum of the Minimum EquityClear Contribution and the Minimum Exchange Contribution and the Minimum RepoClear Contribution and the Minimum SwapClear Contribution;

"Minimum EquityClear Contribution" means, subject to Rule 32, £1,000,000;

"Minimum EquityClear Contribution Member" means a Clearing Member in respect of which the Preliminary EquityClear Contribution calculated under Rule 19B is equal to or less than the Minimum EquityClear Contribution for the time being;

"Minimum Exchange Contribution" means, subject to Rule 32, £100,000;

"Minimum Exchange Contribution Member" means a Clearing Member in respect of which the Preliminary Exchange Contribution calculated under Rule 19(d) is equal to or less than the Minimum Exchange Contribution for the time being;

"Minimum RepoClear Contribution" means, subject to Rule 32, £1,000,000;

"Minimum RepoClear Contribution Member" means a Clearing Member in respect of which the Preliminary RepoClear Contribution calculated under Rule 19C is equal to or less than the Minimum RepoClear Contribution for the time being;

"Minimum SwapClear Contribution" means, subject to Rule 32, £2,000,000;

"Minimum SwapClear Contribution Member" means a Clearing Member in respect of which the Preliminary SwapClear Contribution calculated under Rule 19D is equal to or less than the Minimum SwapClear Contribution for the time being;

"Net Recovery" means any sum received by the Clearing House from or for the account of a defaulter after the issue by the Clearing House of a Rule 26 Certificate in respect of losses arising upon the defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the defaulter;

"New Member" means, at the time of assessment of the amount of any Contribution, any Clearing Member whose Clearing Member status commenced or will commence after the Quarter Day immediately before such time and includes any Clearing

Member whose Clearing Membership Agreement commenced before the Quarter Day immediately before such time but who commenced or will commence clearing Cleared Exchange Contracts or EquityClear Contracts or RepoClear Contracts or SwapClear Contracts after the Quarter Day immediately before such time;

"Quarter Day" means each of 31 January, 30 April, 31 July and 31 October in any year or, if any such day is not a business day, the next succeeding business day, or, in exceptional circumstances, any such other business day as may be determined by the Clearing House;

"RepoClear Contribution" means the part of a Clearing Member's Contribution attributable to RepoClear business as calculated in accordance with Rules 19C and 32B;

"RepoClear Fund Amount" means, subject to Rule 32, £105,000,000;

"Retiring Member" means at any time any Clearing Member or, as the context may require, any former Clearing Member, who has given notice to terminate its Clearing Member status of the Clearing House or in respect of whom the Clearing House has terminated or given notice to terminate its Clearing Member status;

"Rule 26 Certificate" has the meaning assigned to it in Rule 26;

"Specified Exchange" means EDX London Limited, LIFFE Administration and Management Limited, The London Metal Exchange Limited, Nodal Exchange LLC or any Exchange succeeding to any such person;

"SwapClear Contribution" means the part of a Clearing Member's Contribution attributable to SwapClear business as calculated in accordance with Rules 19D and 32C;

"SwapClear Fund Amount" means, subject to Rule 32, £125,000,000; and

"Volume Weight" has the meaning assigned to it in Rule 19.

Words and expressions assigned meanings in the Clearing House Rulebook shall have the same meanings in these Rules.

Reduction of Losses on Default

16. Subject to any contrary provision of the Rulebook, where a defaulter fails to pay any sum payable to the Clearing House, the Clearing House shall reduce or bear its loss in the manner provided by this Rule:-
- (1) first, to the extent the Clearing House determines appropriate, in applying any cover for margin and any other sum owed to the defaulter other than his Contribution;
 - (2) second, in applying by set-off the defaulter's own Contribution;
 - (3) third, by payment from the Clearing House's own account of an amount up to a maximum of £20,000,000 (or such greater amount (if any) as may be determined from time to time by the Board of the Clearing House), (the "Capped Amount");
 - (4) fourth, to the extent that any insurance or analogous arrangement is not available to the Clearing House, by recourse to the indemnities given under Rule 28 by Clearing Members other than the defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay such Clearing Members' Contributions);
 - (5) fifth, by recourse to any insurance cover or analogous arrangement;
 - (6) sixth, by recourse to any undischarged balance of the indemnities given under Rule 28 by Clearing Members other than the defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay such Clearing Members' Contributions);
 - (7) seventh, by recourse to any other indemnities, guarantees, undertakings or monies provided by Clearing Members; and
 - (8) eighth, as a loss borne by the Clearing House for its own account.

This Rule has effect without prejudice to any rights of the Clearing House or any other person against the defaulter.

Contributions to Fund

17. Each Clearing Member shall deposit and maintain with the Clearing House a sum of cash (a "**Contribution**") which is the sum of its EquityClear Clearing Member Contribution (if any), as defined in Rule 19A, and its Exchange Contribution (if any), as defined in Rule 19, and its RepoClear Clearing Member Contribution (if any), as defined in Rule 19C, and its SwapClear Clearing Member Contribution (if any), as defined in Rule 19D, denominated in sterling as cover, in accordance with Rules 15 to 37 (inclusive).
 18. Subject to Rule 18A, the amount of each Clearing Member's Contribution shall be determined by the Clearing House as soon as practicable after each Quarter Day on the basis of information available as at close of business on such Quarter Day and notified to such Clearing Member as soon as practicable after such determination in accordance with the Procedures.
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- 18A. Until the EquityClear Transition Date, and subject to Rule 32A, the Clearing House may require an EquityClear Clearing Member to deposit and maintain with the Clearing House an additional sum of cash (a "**Supplementary EquityClear Contribution**") denominated in sterling as cover, to form part of the Clearing Member's Contribution. The Clearing House may exercise its rights under this Rule in respect of any date before the EquityClear Transition Date on which, in the reasonable opinion of the Clearing House, 10% of the Clearing Member's requirement for initial margin (as calculated under the Procedures section of the Rulebook or other arrangements applicable) in respect of all EquityClear Contracts significantly exceeds the Clearing Member's EquityClear Contribution actually held by the Clearing House on that date. A Supplementary EquityClear Contribution required to be deposited under this Rule shall be payable in such amount and at such time as the Clearing House shall appoint.
 19. Subject to Rules 20, 21, 33 and 34, a Clearing Member's Contribution (its "**Exchange Contribution**") to the Exchange Fund Amount shall be determined with reference to business conducted by it on the Specified Exchanges and under the LCH Enclear OTC Regulations, as at close of business on each Quarter Day, as follows:-
 - (a) the Clearing Member's "**Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the

- Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect: (1) of all Contracts (other than EquityClear, SwapClear and RepoClear Contracts) and (2) all LCH Enclear OTC Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;
- (b) the Clearing Member's "**Volume Weight**" shall be calculated by dividing the average daily number of Cleared Exchange Contracts and LCH Enclear OTC Contracts registered for the first time with the Clearing House in the name of the Clearing Member during the Reference Period by the total of such average numbers for all Clearing Members other than defaulters;
- (c) the Clearing Member's "**Weight Factor**" shall be calculated by adding one-half of its Margin Weight as defined in (a) above to one-half of its Volume Weight as defined in (b) above;
-
- (d) the Clearing Member's "**Preliminary Exchange Contribution**" shall be calculated by multiplying the Exchange Fund Amount by its Weight Factor;
- (e) if the Clearing Member's Preliminary Exchange Contribution is below the Minimum Exchange Contribution for the time being, the Clearing Member's Exchange Contribution shall be the Minimum Exchange Contribution;
- (f) for each Minimum Exchange Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum Exchange Contribution and (ii) the Clearing Member's Preliminary Exchange Contribution, and the "**Exchange Surplus**" shall be calculated by adding together all such differences;
- (g) for each Clearing Member other than a Minimum Contribution Member, the Clearing Member's "**Exchange Discount**" shall be such Clearing Member's pro rata share of the Exchange Surplus calculated as the proportion of such Clearing Member's Preliminary Exchange Contribution relative to the aggregate Preliminary Exchange Contributions of all Clearing Members other than Minimum Exchange Contribution Members;
- (h) for each Clearing Member other than a Minimum Exchange Contribution Member, the Clearing Member's Exchange Contribution shall be the

Preliminary Exchange Contribution less the Clearing Member's Exchange Discount; provided that if the outcome of such calculation would result in an Exchange Contribution less than the Minimum Exchange Contribution, such Clearing Member shall pay the Minimum Exchange Contribution notwithstanding that the arithmetical sum of Exchange Contributions paid by all Clearing Members may thereby exceed the Exchange Fund Amount.

- 19A Subject to Rules 18A, 20, 21, 32A, 33 and 34, each EquityClear Clearing Member's Contribution attributable to EquityClear business conducted by it shall be determined as at close of business on each Quarter Day before the EquityClear Transition Date and shall be the higher of the Minimum EquityClear Contribution and 10% of the Clearing Member's average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all EquityClear Contracts.
- 19B Subject to Rules 20, 21, 33 and 34, each EquityClear Clearing Member's Contribution attributable to EquityClear business conducted by it shall be determined as at close of business on the EquityClear Transition Date and each Quarter Day thereafter as follows:-
- (a) the Clearing Member's "**EquityClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all EquityClear Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;
 - (b) the Clearing Member's "**Preliminary EquityClear Contribution**" shall be calculated by multiplying the EquityClear Fund Amount by the Clearing Member's EquityClear Margin Weight;
 - (c) if the Clearing Member's Preliminary EquityClear Contribution is below the Minimum EquityClear Contribution for the time being, the Clearing Member's EquityClear Contribution shall be the Minimum EquityClear Contribution;
 - (d) for each Minimum EquityClear Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum EquityClear

Contribution and (ii) the Clearing Member's Preliminary EquityClear Contribution, and the "**EquityClear Surplus**" shall be calculated by adding together all such differences;

- (e) for each Clearing Member other than a Minimum EquityClear Contribution Member, the Clearing Member's "**EquityClear Discount**" shall be such Clearing Member's pro rata share of the EquityClear Surplus calculated as the proportion of such Clearing Member's Preliminary EquityClear Contribution relative to the aggregate Preliminary EquityClear Contributions of all Clearing Members other than Minimum EquityClear Contribution Members;
- (f) for each Clearing Member other than a Minimum EquityClear Contribution Member, the Clearing Member's EquityClear Contribution shall be the Preliminary EquityClear Contribution less the Clearing Member's EquityClear Discount; provided that if the outcome of such calculation would result in a EquityClear Contribution less than the Minimum EquityClear Contribution, such Clearing Member shall pay the Minimum EquityClear Contribution notwithstanding that the arithmetical sum of EquityClear Contributions paid by all Clearing Members may thereby exceed the EquityClear Fund Amount.

19C Subject to Rules 20, 21, 33 and 34, each RepoClear Clearing Member's Contribution attributable to RepoClear business conducted by it shall be determined as at close of business on the RepoClear Transition Date and each Quarter Day thereafter as follows:-

- (a) the Clearing Member's "**RepoClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all RepoClear Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;
- (b) the Clearing Member's "**Preliminary RepoClear Contribution**" shall be calculated by multiplying the RepoClear Fund Amount by the Clearing Member's RepoClear Margin Weight;

- (c) if the Clearing Member's Preliminary RepoClear Contribution is below the Minimum RepoClear Contribution for the time being, the Clearing Member's RepoClear Contribution shall be the Minimum RepoClear Contribution;
 - (d) for each Minimum RepoClear Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum RepoClear Contribution and (ii) the Clearing Member's Preliminary RepoClear Contribution, and the "**RepoClear Surplus**" shall be calculated by adding together all such differences;
 - (e) for each Clearing Member other than a Minimum RepoClear Contribution Member, the Clearing Member's "**RepoClear Discount**" shall be such Clearing Member's pro rata share of the RepoClear Surplus calculated as the proportion of such Clearing Member's Preliminary RepoClear Contribution relative to the aggregate Preliminary RepoClear Contributions of all Clearing Members other than Minimum RepoClear Contribution Members;
 - (f) for each Clearing Member other than a Minimum RepoClear Contribution Member, the Clearing Member's RepoClear Contribution shall be the Preliminary RepoClear Contribution less the Clearing Member's RepoClear Discount; provided that if the outcome of such calculation would result in a RepoClear Contribution less than the Minimum RepoClear Contribution, such Clearing Member shall pay the Minimum RepoClear Contribution notwithstanding that the arithmetical sum of RepoClear Contributions paid by all Clearing Members may thereby exceed the RepoClear Fund Amount.
- 19D Subject to Rules 20, 21, 33 and 34, each SwapClear Clearing Member's Contribution attributable to SwapClear business conducted by it shall be determined as at close of business on the SwapClear Transition Date and each Quarter Day thereafter as follows:-
- (a) the Clearing Member's "**SwapClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the Clearing Member during the Reference Period in respect of all SwapClear Contracts by the total of such average daily requirements applied to all Clearing Members other than defaulters;

- (b) the Clearing Member's "**Preliminary SwapClear Contribution**" shall be calculated by multiplying the SwapClear Fund Amount by the Clearing Member's SwapClear Margin Weight;
 - (c) if the Clearing Member's Preliminary SwapClear Contribution is below the Minimum SwapClear Contribution for the time being, the Clearing Member's SwapClear Contribution shall be the Minimum SwapClear Contribution;
 - (d) for each Minimum SwapClear Contribution Member, the arithmetical difference shall be calculated between (i) the Minimum SwapClear Contribution and (ii) the Clearing Member's Preliminary SwapClear Contribution, and the "**SwapClear Surplus**" shall be calculated by adding together all such differences;
 - (e) for each Clearing Member other than a Minimum SwapClear Contribution Member, the Clearing Member's "**SwapClear Discount**" shall be such Clearing Member's pro rata share of the SwapClear Surplus calculated as the proportion of such Clearing Member's Preliminary SwapClear Contribution relative to the aggregate Preliminary SwapClear Contributions of all Clearing Members other than Minimum SwapClear Contribution Members;
 - (f) for each Clearing Member other than a Minimum SwapClear Contribution Member, the Clearing Member's SwapClear Contribution shall be the Preliminary SwapClear Contribution less the Clearing Member's SwapClear Discount; provided that if the outcome of such calculation would result in a SwapClear Contribution less than the Minimum SwapClear Contribution, such Clearing Member shall pay the Minimum SwapClear Contribution notwithstanding that the arithmetical sum of SwapClear Contributions paid by all Clearing Members may thereby exceed the SwapClear Fund Amount.
20. For the purposes of the calculations under Rules 18A, 19, 19A, 19B, 19C and 19D:-
- (a) "**Reference Period**" means the period starting on the day immediately after the Quarter Day immediately before the Quarter Day as at which the determination is made and ending on the Quarter Day as at which the determination is made (including both the day at the start of the period and the day at the end of the period);

- (b) no account shall be taken, in calculating Margin Weight or EquityClear Margin Weight or RepoClear Margin Weight or SwapClear Margin Weight, of any margin required in relation to an Excluded Transaction, nor in calculating Volume Weight of any Contract which is registered in the course of an Excluded Transaction;
- (c) references to "**Clearing Members**" do not include references to defaulters (apart from any defaulter in respect of which the Clearing House permits the application of Rules 19, 19A, 19B, 19C and 19D and this Rule) or persons which were formerly Clearing Members but are not Clearing Members at the Quarter Day as at which the determination is made;
- (d) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and
- (e) no account shall be taken, in calculating initial margin under Rules 18A, or 19A, 19B, 19C and 19D, Margin Weight under Rule 19, EquityClear Margin Weight under Rule 19B, RepoClear Margin Weight under Rule 19C, or SwapClear Margin Weight under Rule 19D, of any offsets in the initial margin required for Cleared Exchange Contracts and SwapClear Contracts from a Clearing Member, which may otherwise be permissible under the Procedures or other arrangements applicable.

Provided that the Clearing Member is not a defaulter, the amount of its Contribution shall be paid in accordance with and subject to Rule 22. The provisions of Rule 19, 19A, 19B, 19C and 19D and this Rule do not apply to a Clearing Member which is a defaulter, unless the Clearing House so permits in any particular case.

21. Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of (a) where the New Member has applied to become an EquityClear Clearing Member, the Minimum Contribution, (b) where the New Member has applied to become an Exchange Clearing Member, the Minimum Contribution, (c) where the New Member has applied to become a RepoClear Clearing Member, the Minimum RepoClear Contribution, (d) where the New Member has applied to become a SwapClear Clearing Member, the Minimum SwapClear Contribution, and (e) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. 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.

Payment of Contributions

22. Upon determination of the amount of a Contribution as at any Quarter Day:
- (a) if the amount of the Contribution of a Clearing Member immediately before close of business on that Quarter Day exceeds the amount of the Clearing Member's Contribution as determined under Rule 19 as at close of business on that Quarter Day, the excess shall be paid by the Clearing House to such Clearing Member in accordance with the Procedures;
 - (b) if the amount of the Contribution of a Clearing Member immediately before close of business on that Quarter Day is the same as the amount of the Clearing Member's Contribution as so determined, no sum shall then be payable by or to such Clearing Member in respect of its Contribution; and
 - (c) if the amount of the Contribution of a Clearing Member immediately before close of business on that Quarter Day is less than the amount of the Clearing Member's Contribution as so determined, the shortfall shall be paid by such Clearing Member to the Clearing House in accordance with the Procedures.

The provisions of this Rule do not apply to a Clearing Member which is a defaulter, unless the Clearing House so permits in any particular case.

Terms on which Contribution is held

23. (a) Subject to Rules 23(b) and 23(c), the outstanding balance of a Clearing Member's Contribution (or, as appropriate, part thereof) shall be repayable to the Clearing Member on the earliest to occur of the following events:
- (i) if the Clearing Member is not a defaulter, the effective date of termination of Clearing Member's status;
 - (ii) if the Clearing Member has become a defaulter, the date or event appointed by the Clearing House for repayment of sums due to the Clearing Member under Rule 9;

- (iii) the amount of the Contribution being reduced by virtue of the recalculation of its amount in accordance with Rule 19 (in which case the Contribution shall be repayable only to the extent of such reduction); and
 - (iv) the expiry of a period of 50 years from the date on which the Contribution was paid to the Clearing House.
 - (b) If a Clearing Member becomes a defaulter, the Clearing House shall as soon as practicable after any cover provided to the Clearing House in respect of the defaulter's obligations has been applied, certify the net sums then payable by the defaulter to the Clearing House (each a "**Default Loss**"), disregarding for this purpose the Clearing Member's Contribution. If the Clearing House certifies a Default Loss, the Clearing Member's Contribution shall immediately mature, but only in an amount not exceeding the Default Loss.
 - (c) If an amount becomes payable by the Clearing Member under Rule 28, the Clearing Member's Contribution shall immediately mature, but only to the extent of such amount.
24. On any day interest shall accrue on the amount of each Contribution then held by the Clearing House, to the extent that it has not been applied under Rule 26 or Rule 28, at such rate and in such manner as provided by the Procedures, provided that the rate of interest shall not be less than LIBOR plus one per cent. Interest shall be payable in arrear and shall be paid on the date or dates specified by the Procedures. In these Default Fund Rules any interest which has accrued under this Rule shall not be regarded as part of the Contribution.
25. A Clearing Member's entitlement to repayment of its Contribution or any part of it shall not be capable of assignment by the Clearing Member, nor shall it be capable of being charged or subject to any other form of security whether purporting to rank in priority over, *pari passu* with or subsequent to the rights of the Clearing House. Any purported charge or assignment by a Clearing Member (whether by way of security or otherwise) of its Contribution shall be void. A Clearing Member shall not otherwise encumber (or seek to encumber) its Contribution.

Application of defaulter's Contribution, and Certification of Excess Losses

26. Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, in the event of a Default and the certification by the Clearing House of a Default Loss under Rule 23(b) in respect thereof the Clearing House shall without notice set off in or towards satisfaction of any sums payable to the Clearing House from the defaulter any amount of the defaulter's Contribution which has matured in accordance with Rule 23(b). If the Clearing House is to have recourse, in accordance with Rule 16, to the indemnities and Contributions of Clearing Members other than the defaulter, as soon as practicable the Clearing House shall certify (by a "**Rule 26 Certificate**"):-
- (a) the amount of the defaulter's Contribution applied under this Rule and the net sum (if any), or each net sum (if more than one), then immediately payable by the defaulter to the Clearing House in respect of Contracts, taking into account for this purpose the defaulter's Contribution but excluding for this purpose any sum due to the Clearing House in respect of any Excluded Transaction; and
 - (b) the extent to which any sums so payable by the defaulter to the Clearing House but unpaid may be claimed by the Clearing House under a policy of insurance or analogous instrument relating to Default Losses.

The Clearing House may issue more than one Rule 26 Certificate in relation to losses arising upon any Default.

27. The Clearing House may in the exercise of the right conferred by Rule 26 set off the amount due (in accordance with Rule 23(b)) to a defaulter in respect of the defaulter's Contribution or any part thereof against sums owing on any account whether or not it is a client account, and the Clearing House shall have unfettered discretion in this regard. A defaulter's Contribution shall not be treated as standing to the credit of any client account of the defaulter except to the extent that any Default Loss certified under Rule 23(b) arises in relation to a client account and the Clearing House so requires.

Application of Fund and Indemnity

28. By virtue of the Clearing Membership Agreement and this Rule, and subject to Rule 29, each Clearing Member indemnifies the Clearing House in respect of each Excess Loss arising upon the Default of another Clearing Member in an aggregate amount not exceeding the outstanding balance of its Contribution at the date of the issue of the Rule 26 Certificate which relates to such excess loss. The amount due by a Clearing Member in respect of an Excess Loss shall be the Clearing Member's pro rata share of such Excess Loss arising upon the relevant Default calculated as the proportion of such Member's Contribution relative to the aggregate Contributions of all Clearing Members other than the relevant defaulter at the time of the relevant Default. The amount so due shall become immediately payable automatically (without any obligation on the part of the Clearing House to make demand on the Clearing Member) upon the issue by the Clearing House of the applicable Rule 26 Certificate. Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, the Clearing House shall forthwith without notice set off any amount due in accordance with Rule 23(c) to a Clearing Member in respect of such Clearing Member's Contribution in or towards satisfaction of the amount payable by such Clearing Member under this Rule 28.
29. This Rule applies to a defaulter (the "**First defaulter**") where the Contribution of the First defaulter has not been repaid to the First defaulter or applied by the Clearing House under Rule 26, and Excess Losses arise upon the Defaults of other Clearing Members. Where this Rule applies, Rule 28 shall have effect with the following modifications:-
- (a) the balance (if any) of the First defaulter's Contribution may be applied under Rule 28 in respect of such Excess Losses up to and including the date three months after the date of issue of the Default Notice in respect of the First defaulter's Default; and
 - (b) after the date three months after the date of issue of such Default Notice, the balance (if any) of the First defaulter's Contribution may not be applied under Rule 28 in respect of such Excess Losses, but it may be retained on account of losses arising upon the First defaulter's own Default, and for the purposes of Rule 28 it shall be disregarded.

30. The Clearing House shall give notice to each Clearing Member as soon as practicable after an amount has become due in accordance with Rule 28 and of the manner in which it has been satisfied.
31. If, in relation to a Default, the Clearing House has been unable to certify in any Rule 26 Certificates issued on or before the Quarter Day immediately after the Default all sums which may be or become due to the Clearing House from the Defaulter (because such sums will not or may not become liquidated or for any other reason payable until a later date), the Clearing House shall maintain a Contribution from each Clearing Member (other than the Defaulter) as cover for the performance by such Clearing Member of its obligation to indemnify the Clearing House in relation to any Excess Losses not yet certified. In fulfilment of this requirement the Clearing House may take any step which appears to the Clearing House to be appropriate, and the steps so taken may include any (including a combination) of the following:-
- (a) postponement of the date for adjustment of Clearing Members' Contributions under Rule 22;
 - (b) reduction of the amounts payable to some or all Clearing Members under Rule 22(a); and
 - (c) estimation of the amount of Excess Losses which may become certified after the Quarter Day in question, and application of Rule 28 as if such estimated amount were already realised as Excess Losses.

The Clearing House shall notify Clearing Members of any steps taken under this Rule.

Reinstatement of the Fund

32. Where, after a Default, the Clearing House has applied part or all of a Contribution under Rule 26 or Rule 28, the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and the EquityClear Fund Amount and the Exchange Fund Amount and the RepoClear Fund Amount and the SwapClear Fund Amount shall be reduced pro rata. Unless and until the Clearing House has repaid a defaulter's Contribution, the Fund Amount shall be treated as having been reduced by the amount of the defaulter's Contribution regardless of whether the Clearing House has applied part or all of that Contribution

under Rule 26. Following a reduction of the Fund Amount in accordance with this Rule, the Clearing House may by a single increase or by a series of increases raise the Fund Amount to such level not exceeding £640,000,000 and after such interval or intervals as it considers appropriate, provided that:

- (a) upon each such increase the EquityClear Fund Amount and the Exchange Fund Amount and the RepoClear Fund Amount and the SwapClear Fund Amount shall increase pro rata; and
- (b) no such increase shall bind any Clearing Member which does not agree to it.

Where by virtue of this Rule the Fund Amount is less than £640,000,000, the size of the Minimum EquityClear Contribution and the Minimum Exchange Contribution and the Minimum RepoClear Contribution and the Minimum SwapClear Contribution shall also be adjusted in proportion to the size of the Fund Amount as adjusted for the time being.

- A. If on any Quarter Day before the EquityClear Transition Date the Fund Amount is by virtue of Rule 32 less than it was before the default the formula in Rule 19A shall be modified so that the alternative basis of calculation is reduced from 10% of the Clearing Member's average daily requirement for initial margin (as provided by Rule 19A) to 10% of such average daily requirement multiplied by the Relevant Proportion. On any date in respect of which the Clearing House exercises its rights under Rule 18A and as at which the Fund Amount is by virtue of Rule 32 less than it was before the default the sum with which the Clearing Member's EquityClear Contribution is to be compared shall be reduced from 10% of the Clearing Member's requirement for initial margin (as provided by Rule 18A) to 10% of such requirement multiplied by the Relevant Proportion. For the purposes of this Rule, the "**Relevant Proportion**" means, in relation to a date, the proportion which the Fund Amount at such date bears to the amount before the default.

Effect of cessation of Clearing Member status

33. Subject to Rule 34, if a Quarter Day occurs after the giving of notice by or in respect of any Retiring Member and before the termination of such Retiring Member's Clearing Member status:-
- (a) if the Retiring Member is not a defaulter, the amount of such Retiring Member's Contribution shall be determined by the Clearing House on the basis set out in Rules 19, 19A, 19B, 19C and 19D without regard to the impending termination of such Retiring Member's Clearing Member status, and the provisions of Rule 22 shall apply in respect of such Contribution accordingly;
 - (b) if the Retiring Member is a defaulter, the balance of the defaulter's Contribution after any part of it has been applied under Rule 26 or Rule 28 shall not be subject to adjustment under Rules 19, 19A, 19B, 19C and 19D and the provisions of Rule 22 shall not apply to such Retiring Member.

Notwithstanding the foregoing, in such circumstances the amounts of the respective Contributions of all Clearing Members other than any Retiring Member shall be determined by the Clearing House on the basis set out in Rules 18A, 19, 19A, 19B, 19C and 19D, but disregarding for all purposes any Clearing Member which is a Retiring Member, in particular disregarding such Clearing Member's daily requirement for margin and such Clearing Member's daily number of Contracts and treating such Clearing Member as no longer being a Clearing Member, but without prejudice to any reduction of the Fund Amount under Rule 32.

34. This Rule applies at any Quarter Day after a Retiring Member has given notice of termination of its Clearing Member status, where another Clearing Member (the "**Continuing Member**") has arranged to undertake clearing on behalf of the Retiring Member. If, in the opinion of the Clearing House, the Contribution of the Continuing Member determined under Rules 18A, 19, 19A, 19B, 19C and 19D does not fairly reflect the Continuing Member's share of clearing activity, the Clearing House may determine the Contribution of the Continuing Member as if the EquityClear Margin Weight, Margin Weight, Volume Weight, RepoClear Margin Weight and SwapClear Margin Weight of the Retiring Member were part of the EquityClear Margin Weight, Margin Weight, Volume Weight, RepoClear Margin Weight and SwapClear Margin Weight respectively of the Continuing Member. If the Clearing House determines the

amount of a Continuing Member's Contribution under this Rule, the Clearing House shall give notice to the Continuing Member, and the provisions of Rule 33 shall not apply.

35. A Retiring Member shall, until the completion of the process set out in Rule 8 in relation to any Default, continue to be liable under its indemnity in respect of Excess Losses arising upon such Default, notwithstanding that the Clearing Member status of the Retiring Member has terminated before that time. While a Retiring Member continues to be so liable, it shall provide such cover as the Clearing House shall require in respect of its liability in relation to any Excess Losses not yet certified, subject to such cover not exceeding the Retiring Member's Contribution at the time of the termination of its clearing membership. In fulfilment of this requirement the Clearing House may take any step which appears to the Clearing House to be appropriate, including postponement of the date for repayment of part or all of the Retiring Member's Contribution. The Clearing House shall notify the Retiring Member of any steps taken under this Rule.

Recoveries from defaulters

36. If all or part of the Contribution of any Clearing Member shall have been applied in accordance with Rule 28, the Clearing House shall account to each such Clearing Member (whether or not he remains at the relevant time a Clearing Member of the Clearing House) in respect of any Net Recovery, pro rata to the respective amounts applied in accordance with Rule 28 in relation to the relevant Default and not exceeding, in relation to each such Clearing Member, the amount of its Contribution so applied.

Contracts on terms prescribed by new Exchanges

37. Notwithstanding anything in the Procedures, and subject as follows, any Contract on terms prescribed by any Exchange other than a Specified Exchange shall be an Excluded Transaction. The Clearing House may direct that any such Contract as is referred to in this Rule shall not be an Excluded Transaction, provided that no such direction shall bind any Clearing Member which does not agree to it.

LCH.Clearnet Limited

CLEARING HOUSE SETTLEMENT FINALITY REGULATIONS

Introduction

The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979) ("the SF Regulations") implement the Settlement Finality Directive (Directive 98/26/EC) of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems ("the SF Directive").

The SF Directive seeks to reduce the risks associated with participation in payment and securities settlement systems by minimizing the disruption caused by insolvency proceedings brought against a participant in such a system. The protection provided by the SF Regulations is given to any system which has been designated by the Financial Services Authority or the Bank of England as the "designating authority".

In order to obtain such designation the Clearing House is required to satisfy the relevant designating authority that the requirements of the Schedule to the SF Regulations, and certain other matters, are satisfied in respect of the Clearing House.

These Settlement Finality Regulations (which form part of these Regulations) have been promulgated by the Clearing House in order to meet such of those requirements as are not addressed elsewhere in these Regulations.

1. Definitions

- 1.1 "Concentration Bank" means a bank or other credit institution which has a current agreement with the Clearing House to participate in the Clearing House Protected Payments System (as described in the Regulations) as a concentration bank.
- 1.2 "Institution" shall have the same meaning as in the SF Regulations.
- 1.3 "The Clearing House System" means the standardized formal arrangements, common rules, procedures as described in the Regulations, Procedures and service descriptions (each as amended from time to time) published from time to time by the Clearing House, or, if applicable, those rules of LIFFE pursuant to which LCH acts as clearing service provider, and related functionality which:
 - (a) enable the Clearing House in operating its Clearing House Protected Payments System to give instructions to place at the disposal of its members (as set out in the Regulations) amounts of money on the accounts of certain banks or other credit institutions; and
 - (b) enable Members through the Clearing House Protected Payments System to give instructions to place at the disposal of the Clearing House (as set out in the Regulations) amounts of money on the accounts of certain banks or other credit institutions; and
 - (c) enable the Clearing House to give instructions to Securities Systems Operators to transfer title to, or interest in securities; and
 - (d) enable Members and Non Member Participants to give instructions to Securities Systems Operators to transfer title to or interest in securities; and
 - (e) enable the Clearing House to become central counterparty to Members in respect of eligible trades in certain derivative instruments, equities, repos, bonds GC and €GC and products, as described in the Regulations; and

- (f) enable the Clearing House and Members to fulfill the obligations they incur in respect of contracts registered by the Clearing House and in respect of which it has become central counterparty; and
 - (g) facilitate supplementary and incidental matters.
- 1.4 “**Member**” has the same meaning as in the Regulations.
- 1.5 “**Non Member Participant**” means a person:-
- (a) who is not a Member or an exchange, and who is party to any one or more of the following agreements as described in the Regulations:
 - (i) an EquityClear GCM/NCM Agreement (including an EquityClear GCM/NCM Agreement (virt-x);
 - (ii) a RepoClear Dealer Clearing Agreement;
 - (iii) a SwapClear Dealer Clearing Agreement;
 - (iv) an LCH EnClear OTC Third Party Clearing Agreement; or
 - (v) an EDX NCM-GCM Agreement; or
 - (b) who acts as settlement agent for any person described in section 1.5(a) above.
- 1.6 “**PPS Bank**” means a bank or other credit institution which has a current agreement with the Clearing House to participate, other than solely as a Concentration Bank, in the Clearing House Protected Payment System (including US PPS), as described in the Regulations.
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- 1.7 “**Participant**” means any of the following:
- (a) LCH.Clearnet Limited (“the Clearing House”);
 - (b) Any Member;
 - (c) Any Non-Member Participant;
 - (d) Any PPS Bank
- 1.8 “**Payment Transfer Order**” means
- (a) an instruction given by the Clearing House by means of a SWIFT message or other means to a PPS Bank to place at the disposal of a Member (by crediting a nominated account held by that Member at that bank) an amount of money to be debited from a nominated account held by the Clearing House at that bank (“a Credit Member/Debit LCH transfer order”); or
 - (b) an instruction given by the Clearing House by means of a SWIFT message or other means to a PPS Bank to place at the disposal of the Clearing House (by crediting a nominated account held by the Clearing House at that bank) an amount of money to be debited from a nominated account held by that Member at that bank (“a Credit LCH/Debit Member transfer order”); or
 - (c) an instruction given by the Clearing House to a Securities System Operator to place at the disposal of the Clearing House (by crediting a nominated cash account held by the Clearing House) an amount of money to be debited from a nominated account held by that Securities System Operator for a Member or Non-Member Participant, as the case may be (“an Inward Cash Account Transfer Order”); or
 - (d) an instruction given by the Clearing House to a Securities System Operator to place at the disposal of a Member or Non-Member Participant, as the case may be, (by crediting a nominated cash account held by such Member or Non-Member Participant) an amount of money to be debited from a nominated account held by that Securities System Operator for the Clearing House (“an Outward Cash Account Transfer Order”);
 - (e) an instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House or its agent or contractor containing data constituting particulars of an Exchange Contract,

- SwapClear Transaction, RepoClear Transaction, Repo Trade or Bond Trade, ATP Match, ATP Match (virt-x), EDX Orderbook Match, Eligible GC Trade, LCH EnClear Transaction, or Eligible OTC Trade and submitted to the Clearing House for registration by the Clearing House in accordance with the Regulations (not including, for the avoidance of doubt, particulars in respect of any LIFFE exchange contract);
- (f) an open Cleared Exchange Contract, SwapClear Contract, RepoClear Contract, EquityClear Contract, EquityClear Contract (virt-x), EDX Cleared Exchange Contract, LCH EnClear Contract or LCH EnClear OTC Contract which has been registered by the Clearing House (but no including, for the avoidance of any doubt, any LIFFE exchange contract); or
 - (g) an instruction given by the Clearing House to a PPS Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a Concentration Bank) an amount of money to be debited from a nominated account held by the Clearing House at that PPS Bank; or
 - (h) an instruction given by the Clearing House to a Concentration Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a PPS Bank) an amount of money to be debited from a nominated account held by the Clearing House at that Concentration Bank.
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- 1.9 **“Procedures”** means the practices and procedures of the Clearing House, as amended from time to time, including but not limited to the Procedures.
- 1.10 **“Regulations”** means the General Regulations, Default Rules and Procedures of the Clearing House as amended from time to time and **“the Procedures”** shall mean that part of the Regulations by that name.
- 1.11 **“Securities System Operator”** means:-
- (a) an operator of a securities depository and/or securities settlement system (including but not limited to Euroclear UK & Ireland Ltd, Euroclear Bank, Clearstream Frankfurt and Clearstream Luxembourg); or
 - (b) a bank or other credit institution (including but not limited to the National Bank of Belgium and Deutsche Bank AG) which provides securities holding and/or securities settlement services to the Clearing House as a nominee or otherwise through its participation in any securities settlement system or otherwise.
- 1.12 **“Securities Transfer Order”** means
- (a) an instruction, given by the Clearing House on its own behalf or on behalf of a Member or Non-Member Participant, to a Securities System Operator to transfer the title to or interest in securities to a Member, a Non-Member Participant, the Clearing House or other person by means of a book entry on the register maintained by that Securities System Operator, or otherwise; or
 - (b) an instruction given by a Member or Non-Member Participant to a Securities System Operator to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by that Securities System Operator, or otherwise; or
 - (c) an instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House containing data constituting particulars of an Exchange Contract for the transfer of Securities, RepoClear Transaction, Bond Trade, Repo Trade, ATP Match, ATP Match (virt-x), or EDX Orderbook Match, submitted for registration by the Clearing House in accordance with the provisions of the Regulations (not including, for the avoidance of doubt, particulars in respect of any LIFFE exchange contract); or

- (d) an open Cleared Exchange Contract for the transfer of Securities, a RepoClear Contract, an EquityClear Contract, EquityClear Contract (virt-x), or EDX Cleared Exchange Contract which has been registered by the Clearing House (but not including, for the avoidance of doubt, any LIFFE exchange contract).
- 1.13 **“Settlement Finality Directive”** means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.
- 1.14 **“SF Regulations”** means The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979).
- 1.15 **“Transfer Order”** includes a Payment Transfer Order or a Securities Transfer Order.

2. Transfer Orders – Specific Provisions

- 2.1 A Transfer Order takes effect and enters the Clearing House System in accordance with the following:
 - 2.1.1 Payment Transfer Orders
 - (a) A Payment Transfer Order of the type set out in sections 1.8(a), 1.8(b), 1.8(c), 1.8(d), 1.8(g) and 1.8(h) above takes effect and enters the Clearing House System when the relevant SWIFT message, or other electronic message or fax or other communication is sent by the Clearing House.
 - (b) A Payment Transfer Order of the type set out in section 1.8(e) takes effect and enters the Clearing House System when such particulars are received by the Clearing House or its agent or contractor.
 - (c) A Payment Transfer Order of the type set out in section 1.8(f) takes effect and enters the Clearing House System at the time of registration. Details of registration timings are given in the Procedures.
 - 2.1.2 Securities Transfer Orders:
 - (a) A Securities Transfer Order of the type set out in section 1.12(a) takes effect and enters the Clearing House System when the relevant SWIFT message, or other electronic message or fax is sent by the Clearing House.
 - (b) A Securities Transfer Order of the type set out in section 1.12(b) takes effect and enters the Clearing House system when the relevant SWIFT message, or other electronic message or fax is sent by the Member or Non-Member Participant.
 - (c) A Securities Transfer Order of the type set out in section 1.12(c) takes effect and enters the Clearing House system when the particulars thereof are received by the Clearing House or its agent or contractor.
 - (d) A Securities Transfer Order of the type set out in section 1.12(d) takes effect and enters the Clearing House system at the time of registration. Details of registration timings are given in the Procedures.
- 2.2 A Payment Transfer Order shall be irrevocable at the time specified below for that type of Payment Transfer Order.
 - 2.2.1 A Credit Member/Debit LCH transfer order shall be irrevocable at the time when the relevant PPS Bank sends a SWIFT confirmation message or otherwise confirms that such payment will be made.

- 2.2.2 A Credit LCH/Debit Member transfer order shall be irrevocable at the time when the relevant PPS Bank sends a SWIFT confirmation message or otherwise confirms that such payment will be made.
- 2.2.3 An Inward Cash Account Transfer Order shall be irrevocable from the time prescribed from time to time by the relevant Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- 2.2.4 An Outward Cash Account Transfer Order shall be irrevocable from the time prescribed from time to time by the relevant Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- 2.2.5 An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House or its agent or contractor containing data constituting particulars of an Exchange Contract, RepoClear Transaction, SwapClear Transaction, LCH EnClear Transaction or Eligible OTC Trade and submitted for registration by LCH in accordance with the Regulations shall be irrevocable from the time of its registration by the Clearing House.
- 2.2.6 An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to LCH, or its agent or contractor, containing data constituting particulars of a Bond Trade, Repo Trade, Eligible GC Trade, ATP Match, ATP Match (virt-x), or EDX Orderbook Match submitted to LCH for registration in accordance with the Regulations shall be irrevocable from the time when, having passed all relevant checks required by the Clearing House, it passes through the relevant Computer Gateway. For these purposes a relevant Computer Gateway shall mean a computer gateway of a system operated by LCH or by an agent or contractor of the Clearing House for the purposes, inter alia, of receiving such electronic messages and carrying out such checks.
- 2.2.7 An open Cleared Exchange Contract SwapClear Contract, RepoClear Contract, EquityClear Contract, EquityClear Contract (virt-x), EDX Cleared Exchange Contract, LCH EnClear Contract or LCH EnClear OTC Contract which has been registered by the Clearing House shall be irrevocable from the time of its registration by the Clearing House.
- 2.2.8 An instruction given by the Clearing House to a PPS Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a Concentration Bank) an amount of money to be debited from a nominated account held by the Clearing House at that PPS Bank shall be irrevocable at the time when the relevant PPS Bank confirms that such payment will be made.
- 2.2.9 An instruction given by the Clearing House to a Concentration Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a PPS Bank) an amount of money to be debited from a nominated account held by the Clearing House at that Concentration Bank shall be irrevocable at the time when the Concentration Bank confirms that such payment will be made.
- 2.3 Subject to section 2.5 below, a Securities Transfer Order shall be irrevocable at the time specified hereafter for the relevant type of Securities Transfer Order.

- 2.3.1 An instruction given by the Clearing House (on its own behalf or on behalf of a Member or Non-Member Participant) to a Securities System Operator of the kind referred to in section 1.11(a) to transfer the title to or interest in securities to a Member, Non-Member Participant, to the Clearing House or other person by means of a book entry on the register maintained by that Securities System Operator shall be irrevocable at the time prescribed from time to time by that Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- 2.3.2 An instruction given by the Clearing House (on its own behalf or on behalf of a Member or Non-Member Participant) to a Securities System Operator of the kind referred to in section 1.11(b) to transfer the title to or interest in securities to a Member, Non-Member Participant, to the Clearing House or other person by means of a book entry on the register maintained by another Securities System Operator shall be irrevocable at the time prescribed from time to time by that other Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- 2.3.3 An instruction given by a Member or, where permitted or required by the Regulations, a Non-Member Participant, to a Securities System Operator of the kind referred to in section 1.11(a) to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by that Securities System Operator shall be irrevocable at the time prescribed from time to time by that Securities Settlement System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- 2.3.4 An instruction given by a Member or, where permitted or required by the Regulations, a Non-Member Participant, to a Securities System Operator of the kind referred to in section 1.11(b) to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by another Securities System Operator shall be irrevocable at the time prescribed from time to time by that other Securities Settlement System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- 2.3.5 An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House or its agent or contractor containing data constituting particulars of an Exchange Contract, EDX Cleared Exchange Contract, or RepoClear Transaction for the transfer of securities, and submitted for registration by the Clearing House in accordance with the Regulations shall be irrevocable at the time of its registration by the Clearing House.
- 2.3.6 An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House, or its agent or contractor, containing data constituting particulars of a Bond Trade, Repo Trade, ATP Match, ATP Match (virt-x) or EDX Orderbook Match submitted to LCH for registration in accordance with the Regulations shall be irrevocable from the time when, having passed all relevant checks required by the Clearing House, it passes through the relevant Computer Gateway. For these purposes a relevant Computer Gateway shall mean a computer gateway of a system operated by the Clearing House or by an agent or contractor of the Clearing House for the purposes, inter alia, of receiving such electronic messages and carrying out such checks.

2.3.7 An open Cleared Exchange Contract a RepoClear Contract, an EquityClear Contract, EquityClear Contract (virt-x), or EDX Cleared Exchange Contract for the transfer of Securities which has been registered by the Clearing House shall be irrevocable from the moment of its registration by LCH.

2.4

2.4.1 Particulars of when registration occurs for exchange contracts are set out in section 2A.5.3 of section 2A (Exchange Clearing) of the Procedures.

2.4.2 Particulars of when registration occurs for RepoClear Transactions, are set out in Section 2B.3 of the Procedures.

2.4.3 Particulars of when registration occurs for SwapClear Transactions are set out in Section 2C of the Procedures.

2.4.4 Particulars of when registration occurs for ATP Matches and ATP Matches (virt-x) in EquityClear Eligible Securities are set out in Section 2D.

2.4.5 Particulars of when registration occurs for LCH EnClear Transactions and Eligible OTC Trades are set out in Section 2E.

2.4.6 Particulars of when registration occurs for EDX Orderbook Matches are set out in Section 2F.

2.5

2.5.1 For the purposes of this section 2.5 "Onward Instruction" shall mean any instruction to a securities settlement system, which is given by a Securities System Operator of the kind referred to in section 1.11(b) above, and through which that Securities System Operator gives effect to a Securities Transfer Order given to it by the Clearing House.

2.5.2 Where a Securities Transfer Order is given by LCH to a Securities Systems Operator of the kind referred to in section 1.11(b), that Securities Transfer Order shall be irrevocable from the time after which any Onward Instruction may not be revoked by that Securities Systems Operator as prescribed by the rules or other requirements of the securities settlement system to which such Onward Instruction is submitted.

3. Prohibition of Revocation of Transfer Orders

A Transfer Order shall not be revoked or purport to be revoked by a Participant (or by any liquidator or other insolvency office-holder appointed with regard to any undertaking operated by a Participant) after the time specified in section 2 above as being the time when such instruction becomes irrevocable.

4. Provision of information

- 4.1 A Participant shall, within 14 days of being requested to do so by any person ("the applicant") and upon being paid such reasonable charge as the Participant may require, provide to the applicant the following information:-
- 4.1.1 details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant, as the case may be, participates; and
- 4.1.2 information about the main rules governing the functioning of those systems.
- 4.2 Nothing in this section 4 shall require the Participant to provide any of the above information to an applicant where, or to the extent that, such request is frivolous or vexatious.
- 4.3 Each Participant shall promptly supply to the Clearing House such information as the Clearing House may require from time to time in order for LCH to meet its obligations as the operator of a system designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

5. Notification of certain insolvency events

- 5.1 Subject to section 5.2 below a Participant shall forthwith notify the Clearing House, the FSA and the Bank of England if:-
- 5.1.1 a resolution is passed for the voluntary winding up of the Participant; or
- 5.1.2 a trust deed granted by the Participant (as the case may be) becomes a protected trust deed.
- 5.2 If a Participant is required to give notice of any of the events set out in sections 5.1.1 and 5.1.2 above by any other provisions of the Regulations, then nothing in this section shall be taken to require the giving of a further notice to the Clearing House of the same even, providing always that such notice as is given under such other provision of the Regulations is given in writing and addresses to the person identified in section 5.3 below.
- 5.3 Any notice to be given to the Clearing House under this provision shall be given in writing, addressed to the General Counsel, and shall be sent by first class pre-paid post or hand delivered to the following address:

LCH.Clearnet Limited
Aldgate House,
33 Aldgate High Street
London EC3N 1EA

Or sent by fax (followed by postal confirmation) to the following fax number:
+44 (0)20 7426 7210

- 5.4 Any notice given to the FSA under this provision shall be sent by first class pre-paid post or hand delivered to:

Manager, Clearing/Settlement,
Financial Services Authority
Markets and Exchanges Division
25 The North Colonnade
London E14 5HS

Or sent by fax (followed by postal confirmation) to the following fax number:
+44 (0)20 7676 9735

- 5.5 Any notice given to the Bank of England under this provision shall be given by first class pre-paid post or hand delivered to:

The Senior Manager
Payment Systems Oversight
Market Infrastructure Division, HO-3
Bank of England
Threadneedle Street
London EC2R 8AH

Or sent by fax (followed by postal confirmation) to the following fax number:
+44 (0)20 7601 3561

**SUBMISSION OF NEWLY ADOPTED CLEARINGHOUSE RULES
AND A NEW PRODUCT**

TO THE
COMMODITY FUTURES TRADING COMMISSION

SUBMITTED BY
LCH.Clearnet Limited
an English limited company

FILING AS A REGISTERED DERIVATIVES CLEARING ORGANIZATION

Pursuant to Commission Regulations §40.2 and §40.6

Submission of FCM SwapClear Rulebook*:

- FCM Regulations 1 – 29
- Schedules A – B to the FCM Regulations
- FCM Procedures, Rules 1 – 7
- Default Rules 1 – 13
- Default Fund Rules 14 – 37
- Settlement Finality Regulations 1 – 5.5

Submission of “FCM SwapClear Contract” Product*

Submitted: February 15, 2011

*LCH.Clearnet Limited (“LCH”) is submitting for the first time its comprehensive set of rules and regulations relating to the clearing of OTC interest rate swaps (referred to as “FCM SwapClear Contracts”) through LCH by registered futures commission merchants that are admitted as clearing members of LCH. Such rules and regulations pertaining to FCM SwapClear Contracts, referred to collectively as the “FCM Rulebook”, include the general rules (referred to as the “FCM Regulations”), a set of additional procedural rules applicable to clearing members (referred to as the “FCM Procedures”), a set of rules pertaining to the default of a clearing member (referred to as the “Default Rules”), a set of rules pertaining to the clearinghouse’s default fund which consists of default fund contributions made by clearing members (referred to as the “Default Fund Rules”), and a set of rules promulgated by LCH to comply with certain European Regulations dealing with settlement finality in payment and securities settlement systems (referred to as the “Settlement Finality Regulations”). A further discussion of the FCM Rulebook continues on the first page of the submission.

**LCH.CLEARNET LIMITED SELF-CERTIFICATION OF
NEW “FCM SWAPCLEAR CONTRACT” PRODUCT AND NEW “FCM RULEBOOK”**

LCH.Clearnet Limited (“LCH”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification pursuant to CFTC Regulations §40.2 and §40.6 (i) a new over-the-counter (“OTC”) interest rate swap product for clearing through LCH called “FCM SwapClear Contracts” and (ii) a new set of rules and regulations of LCH pertaining to the clearing of FCM SwapClear Contracts referred to collectively as the “FCM Rulebook”. The FCM Rulebook will be implemented and become effective on February 17, 2011.

Part I: FCM SwapClear Contracts

LCH will clear FCM SwapClear Contracts for its clearing members (“FCM Clearing Members”) pursuant to the FCM Rulebook. Each FCM SwapClear Contract will represent one side of an OTC interest rate swap transaction.

OTC interest rate swap transactions where at least one side of the transaction will be registered as an FCM SwapClear Contract and that meet certain other criteria (“FCM SwapClear Transactions”) as set forth in the FCM Rulebook will be eligible for clearing as FCM SwapClear Contracts. The initial counterparties to FCM SwapClear Transactions are referred to as “Executing Parties”. We expect that in most cases, one of the Executing Parties to such a transaction will be a “SwapClear Clearing Member” (as such term is defined in the FCM Rulebook) which will not be admitted as an FCM Clearing Member, and which is subject to LCH’s “U.K. General Regulations” (as such term is defined in the FCM Rulebook) which govern its U.K.-based SwapClear Clearing Service. Such SwapClear Clearing Members will clear their respective sides of the transactions through LCH and such cleared contracts with LCH are considered “SCM SwapClear Contracts” (as such term is defined in the FCM Rulebook) and are governed by the U.K. General Regulations. The counterparty to such a SwapClear Clearing Member will typically be a party with a relationship with an FCM Clearing Member (referred to as an “FCM Client” in the FCM Rulebook). Such FCM Clients will clear their side of the initial OTC interest rate swap transaction through their respective FCM Clearing Members and the resulting cleared trade between the FCM Clearing Member (on behalf of its FCM Client) and LCH is an FCM SwapClear Contract governed by the FCM Rulebook.

As described in the paragraph above, a typical FCM SwapClear Transaction will result in two cleared trades with LCH: the first an FCM SwapClear Contract between the FCM Clearing Member and LCH governed by the FCM Rulebook, and the second an SCM SwapClear Contract between the SwapClear Clearing Member and LCH and governed by the U.K. General Regulations. Although SCM SwapClear Contracts are governed by the U.K. General Regulations and not by the FCM Rulebook, the rules and regulations governing SCM SwapClear Contracts are substantially equivalent to FCM SwapClear Contracts with respect to all of the substantive terms of the cleared contracts with LCH. The distinction between FCM SwapClear Contracts and SCM SwapClear Contracts is thus largely without practical effect. The need for a distinction between the two types of cleared contracts arises from the need for FCM Clearing Members to be governed by a set of rules applicable to U.S. futures commission merchants (the FCM Rulebook) and for SwapClear Clearing Members to be governed by a set of rules applicable to non-U.S. clearing members.

Other FCM SwapClear Transactions will not be executed by any Executing Party that is a SwapClear Clearing Member (or that intends to clear its side of the transaction through a SwapClear Clearing Member) but will instead be executed by two Executing Parties that are either FCM Clearing Members or that will clear their respective sides of the FCM SwapClear Transaction through FCM Clearing Members with which they have a relationship. In this case, both sides of the FCM SwapClear Transaction will be registered with LCH as FCM SwapClear Contracts pursuant to the FCM Rulebook and there will be no SCM SwapClear Contracts that are registered and subject to the U.K. General Regulations. There cannot be an FCM SwapClear Transaction where both Executing Parties are SwapClear Clearing Members (or parties clearing through SwapClear Clearing Members), because in such case both sides of the transaction would be registered as SCM SwapClear Contracts subject to the U.K. General Regulations and would thus not fall under the purview of the FCM Rulebook at all.

Part II: FCM Rulebook

The FCM Rulebook comprises LCH's comprehensive set of rules and regulations applicable to its U.S.-based FCM SwapClear Clearing Service and the clearing of FCM SwapClear Contracts by FCM Clearing Members on such service. The FCM Rulebook consists of five sections of rules which are (i) the FCM Regulations, (ii) the FCM Procedures, (iii) the Default Rules, (iv) the Default Fund Rules, and (v) the Settlement Finality Regulations.

A. FCM Regulations

The FCM Regulations submitted for self-certification are attached hereto as Exhibit A-1. The FCM Regulations constitute the primary set of rules governing the relationship between FCM Clearing Members and LCH and governing the clearing of FCM SwapClear Contracts, whether for FCM Clearing Members' own house accounts or on behalf of their clients. For example, Regulations 1, 2 and 3 describe the basic relationship between the FCM Clearing Members and LCH, and set forth certain criteria for obtaining and maintaining membership of LCH. The FCM Regulations also bind the FCM Clearing Members to adhere to the Commodity Exchange Act and the regulations of the CFTC promulgated thereunder, with appropriate citations where applicable.

The FCM Regulations set forth the rules applicable to all general aspects of the registration and clearing of FCM SwapClear Contracts, including, for example, the criteria for registration and transfer, marking to market, and initial and variation margin requirements (see for example Regulations 5, 8, 9, 10, 11 and 12). Schedule A to the FCM Regulations contains the economic terms applicable to the trading of FCM SwapClear Contracts.

The FCM Regulations also distinguish between the clearing of proprietary positions on the part of FCM Clearing Members and clearing by FCM Clearing Members on behalf of their clients. FCM Clearing Members and LCH are required to abide by all terms of the Commodity Exchange Act and the CFTC Regulations with respect to the segregation of client funds in segregated accounts maintained in accordance with the Commodity Exchange Act and CFTC Regulations (see CFTC Regulations 4, 6 and 29).

Finally, the FCM Regulations include certain miscellaneous legal provisions governing the relationship between LCH and the FCM Clearing Members. These provisions include rules

pertaining to governing law, jurisdiction, market disorders, force majeure, interpretation, and limitations on liability (see Regulations 13, 14, 22, 24, 25 and 26).

As mentioned above, the FCM Regulations form the foundation of the FCM Rulebook. The other sections of the FCM Rulebook, which are described below, are referenced in the FCM Regulations and further expand on parts of the FCM Regulations.

B. FCM Procedures

The FCM Procedures submitted for self-certification are attached hereto as Exhibit A-2. The FCM Procedures govern the procedural aspects of the relationship between FCM Clearing Members and LCH. The FCM Procedures cover a range of areas including the FCM Clearing Member application process, the clearing process for FCM SwapClear Contracts, the requirements relating to an FCM Clearing Member’s accounts, the payment of margin, the types of collateral that are acceptable to LCH, business continuity and the LCH appeal procedure. The FCM Procedures are governed by New York law.

C. Default Rules

The Default Rules submitted for self-certification are attached hereto as Exhibit A-3. The Default Rules are governed by English law and bind all clearing members (including FCM Clearing Members) of LCH. The Default Rules set out the actions that LCH can take in the event of a clearing member default (including that of an FCM Clearing Member) and the circumstances under which LCH can take these actions.

D. Default Fund Rules

The Default Fund Rules submitted for self-certification are attached hereto as Exhibit A-4. The Default Fund Rules are governed by English law and bind all clearing members including FCM Clearing Members) of LCH. The Default Fund Rules require clearing members to contribute to the LCH Default Fund and set out how these contributions are calculated.

E. Settlement Finality Regulations

The Settlement Finality Regulations submitted for self-certification are attached hereto as Exhibit A-5. The Settlement Finality Regulations were promulgated by LCH to ensure its compliance with certain European Regulations and deal with settlement finality in payment and securities settlement systems.

Part III: Certification by LCH

LCH has certified to the CFTC, in accordance with CFTC Regulations §40.2 and §40.6, that the FCM SwapClear Contract product and the FCM Rulebook comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. A signed certification is attached to this submission as Exhibit B.

Part IV: Opposing Views

“LCH FCM SwapClear Submission 10-001”

There were no substantive opposing views expressed to LCH by governing board or committee members, members of LCH or market participants, that were not incorporated into the rule.”

Exhibit A-1
FCM Regulations

See Attached.

Exhibit A-2
FCM Procedures

See Attached.

Exhibit A-3
Default Rules

See Attached.

Exhibit A-4
Default Fund Rules

See Attached.

Exhibit A-5
Settlement Finality Regulations

See Attached.

Exhibit B
LCH Certification to CFTC

See Attached.