



Mr David A Stawick  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Washington DC 20581


16 February 2012

Dear Mr Stawick

Please find enclosed a submission to the Commodity Futures Trading Commission by LCH.Clearnet Limited under the procedure set out in 17 CFR Section 40.6 for the self-certification of rules.

Should you have any questions regarding this submission please contact me on +44-207-426-7541 or at [lisa.rosen@lchclearnet.com](mailto:lisa.rosen@lchclearnet.com).

Yours sincerely

  
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Group Head of Compliance and Public Affairs

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**SUBMISSION OF AMENDMENTS TO THE CLEARINGHOUSE RULES**

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 Regulation § 40.6

**Submission of Amendments to the Clearing House  
Procedures:**

- Clearing House Procedures Section 3
- FCM Procedures Section 3

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Submitted: February 16<sup>th</sup>, 2012

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**LCH.CLEARNET LIMITED SELF-CERTIFICATION OF AMENDMENTS TO THE CLEARING HOUSE PROCEDURES SECTION 3 AND FCM PROCEDURES SECTION 3**

LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC Regulation §40.6, amendments to LCH.Clearnet's existing Clearing House Procedures Section 3 and FCM procedures at section 3 (together, "the Procedures") which form part of LCH.Clearnet's Rules and Regulations. The amended Procedures will be implemented and become effective on March 5<sup>th</sup>, 2012.

**Part I: Explanation and Analysis**

The operation, purpose and effect of the amendments to the Procedures is to allow members to nominate a preferred currency ("preferential currency") for intraday margin calls; introduce a new interest rate for credit cash balances on SwapClear Client accounts; and to update and clarify the existing text.

Some sections of the Procedures have been renumbered. All references to rule numbers in the explanations below relate to the new rule numbers.

Blacklined versions of the changes to the Clearing House Procedures and the FCM Procedures are attached as Exhibits A-1 and A-2.

*Preferential currencies*

At present, LCH.Clearnet contacts Clearing Members asking them to nominate the currency that they would like to use to cover their intraday margin calls on a case by case basis. This is performed prior to each intraday margin call and can significantly slow down the collection process. The amendments to the Procedures will introduce the concept of a preferential currency to be used for all intraday margin calls, eliminating the need for the case by case approach. This will allow LCH.Clearnet to call intraday margin using straight through processing.

Clearing Members will be able to nominate preferential currencies at an account and sub account level (e.g. house/client), which will be used for intraday margin calls relating to all services associated with the specified account and sub account. The information provided will be stored and set as the default currency.

Clearing Members will be able to nominate GBP, EUR or USD as their preferred currency for the purpose of intraday margin calls up until 14:30hrs London time. Calls after this time will be made in USD. Clearing Members may request to change the currency that is used for intraday margin calls from time to time provided the request is made by no later than 09.30hrs London time in order for the change to be effective for the following business day.

The relevant changes to introduce preferential currencies are found in section 3.2.1.5 of the Clearing House Procedures and section 3.2.2 of the FCM Procedures.

*Introduction of a new interest rate for credit cash balances*

Historically, all LCH.Clearnet cash collateral has accrued interest at London Deposit Rate (LDR). But from March 22<sup>nd</sup>, 2012, interest on cash collateral used to cover SwapClear client margin requirements will instead be calculated using Client Deposit Rate (CDR).

CDR is a new, transparent external benchmark with transparent spreads:

- USD = Fed Funds minus 5 bps
- EUR = EONIA minus 30 bps
- GBP = SONIA minus 10 bps.
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Interest to be paid out under CDR will be accrued daily and paid monthly to the Clearing Member's Client account.

The relevant changes to the rules are set out in Clearing House Procedures section 3.5.1 and FCM Procedures section 3.5.

*Other changes to the Clearing House Procedures and FCM Procedures*

Section numbers refer to sections in the Clearing House Procedures; the reference to the FCM Procedures, where changed, is included in brackets.

Section 3.1.1 has been amended to set out in more detail the types of financial accounts that can exist in the Clearing House's books to reflect clearing members' business.

Sections 3.1.2 and 3.1.3 have been simplified and corrected to reflect the types of postings that may be made on Cover and Tender accounts.

Section 3.1.4 refers to the provision of banking reports to clearing members and has been slightly amended. (FCM Procedures section 3.1.4 has been deleted and replaced with the same language as the Clearing House Procedures for consistency purposes.)

Section 3.2 has been amended to note that the Protected Payment System ("PPS") is a recognized payment system, overseen by the Bank of England (under the UK Banking Act 2009). It also now includes language previously under section 3.2.1.7 ("Value Date") describing the operation of the PPS and the obligations of members thereunder. (FCM Procedures section 3.2 has been amended to follow the wording of the Clearing House Procedures, save that the wording in relation to Hong Kong payments has been omitted.)

Section 3.2.1 now covers the PPS generally, instead of the London PPS.

Section 3.2.1.1 has been correspondingly amended to include requirements in relation to both the London and US PPS arrangements (the latter was previously set out in separate sections 3.2.2 and 3.2.2.1 which have now been deleted). Section 3.2.1.1 (and FCM Procedures section 3.2.1) have also been amended refer to the up-to-date lists of PPS banks kept on LCH.Clearnet's website.

Section 3.2.1.2 combines and clarifies requirements as to establishing PPS bank mandates. (FCM Procedures section 3.2.8)

Section 3.2.1.3 has been amended to clarify how liabilities in one currency may be covered by margin provided through the PPS in another currency.

Section 3.2.1.5 (FCM Procedures section 3.2.2) has been amended to refer only to intraday PPS calls and now includes language previously in section 3.2.2.2 (FCM Procedures 3.2.1(d)). It also includes the changes for preferential currencies described above.

Section 3.2.1.6 (FCM Procedures 3.2.3) has been amended to explain more clearly the procedure for clearing members to instruct automatic repayment of excess cash balances.

Section 3.2.1.8 has been amended non-substantively and a link to relevant information on the Clearing House's website has been added. (FCM Procedures section 3.2.5, previously included in 3.2.1(f), has been amended similarly.)

Section 3.2.1.9 has been amended to clarify the treatment of transactions on a UK public holiday. (FCM Procedures section 3.2.6, previously included in 3.2.1(f), has been amended similarly.)

Section 3.2.1.11 (FCM Procedures Section 3.2.8) has been amended to note that Clearing House may require clearing members to demonstrate that their contingency arrangements are effective.

Section 3.3 has been simplified, to refer more generally to collateral rather than specific assets.

Section 3.3.1 (FCM Procedures section 3.3.1) has been amended to clarify the Clearing House's treatment of requests for repayment of cash cover without proper notice.

Old section 3.3.4 has been removed to reflect that certain restrictions on the acceptance of collateral are described in the eligible collateral list and do not need to be included in the procedures.

Section 3.3.4 (FCM Procedures section 3.3.3) has been amended non-substantively.

Section 3.3.5 has been amended to update the names of services cleared and to correctly reflect the treatment of delivery margin.

Section 3.4.3 (FCM Procedures section 3.4.3) has been amended non-substantively.

Section 3.4.5, which sets out the collateral order for the purpose of applying fees, has been amended to reflect a simplified collateral order.

Section 3.4.6 has been amended non-substantively.

Section 3.5.1 (FCM Procedures section 3.5) has been amended to reflect the introduction of a different deposit rate for credit cash balances on SwapClear Client financial accounts, as described above; and to include the fact that the separate default fund for ForexClear business may pay a separate rate.

Section 3.5.3 (FCM Procedures section 3.5.2) has been amended to delete references to debit cash balances and in consequence of the change to section 3.5.1 (FCM Procedures section 3.5).

Section 3.5.4 (FCM Procedures section 3.5.3) has been amended to clarify how fee invoices are provided.

Section 3.7.2 (FCM Procedures section 3.7.1) has been amended to reflect that ForexClear default fund contributions will be reset monthly.

Appendices 3A-3D have been deleted, having been replaced by references to the Clearing House's website or, in the case of mandate forms, now being available electronically.

## **Part II: Certification by LCH.Clearnet**

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the amendments to Section 3 of the Clearing House Procedures and Section 3 of the FCM Procedures, comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. In addition, LCH.Clearnet certifies that LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at

[http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

A signed certification is attached to this submission as Exhibit B.

## **Part III: Compliance with Core Principles**

LCH.Clearnet complies, and will continue to comply, with all of the Core Principles.

LCH.Clearnet will continue to comply with all Core Principles following these amendments to the Clearing House Procedures and the FCM Procedures.

## **Part IV: Opposing Views**

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

**Exhibit A-1**  
**Clearing House Procedures Section 3**

See Attached

### 3. **FINANCIAL TRANSACTIONS**

#### 3.1. **ACCOUNTS**

##### 3.1.1. **Overview**

Clearing Members are usually provided with two sub-accounts per financial accounts that reflect their House and Client business; other financial accounts may be provided depending upon their participation in certain markets. All Clearing Members will also have a Default Fund (DF) account.

Each financial account will in turn have at least one sub account:

- Cover account; and other sub accounts depending on the market and collateral provided, for example:
- Tender account ~~(not applicable to Default Fund (DF) accounts):~~
- These Coupon account (for payment of coupons on securities held as collateral); and
- Buffer account (where additional collateral may be provided).

Liabilities arising from trading activity are recorded against the Cover account only. Sub accounts are used to record cash movements between the Clearing House and the Clearing Member. Refer Postings may be applied to section 2C.5 for a full description of financial Cover, Tender and other sub accounts.

##### 3.1.2. **Cover Account Postings**

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

- PPS ~~payments~~ calls and ~~receipts~~ pays;

settlement differences (for LME, GBP, EUR, and USD only);

- option premiums;
- LME prompt day delivery amounts ~~(GBP, EUR, and USD only):~~
- interest and accommodation charges;

currency purchases and sales;

- Clearing House fees, charges and rebates;
- exchange fees, levies and rebates; and

Swap Clear coupon payments;

Swap Clear coupon adjustments;

Net Present Value (NPV);

price alignment interest;



**consideration.**

- Variation margin, Price Alignment Interest, NPV, coupons.

3.1.3. **Tender Account Postings**

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

- PPS ~~payments~~calls and ~~receipts~~pays;
- ~~LIFFE Commodity Products and LME (JPY only)~~ delivery amounts;
- settlement differences ~~for LME (JPY only)~~; and
- Coupon Payments relating to member collateral.

3.1.4. **Financial Transaction Reporting**

~~A suite of banking~~Banking reports are generated each day that provide members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.

A "Banking Reports Reference Pack" can be requested from the LCH.Cleernet Client Training Team, this contains definitions and examples of each of the available reports.

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 Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London ("London PPS") and in the United States (where it is known as "US PPS"). The Clearing House also operates accounts in Hong Kong where Clearing Members will be mandated to hold accounts for the operation of certain Asian markets.

3.2.1. **London PPS**

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

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

### 3.2.1. **PPS**

#### 3.2.1.1. **Introduction**

A Clearing Member is required to maintain a PPS bank account(s) in London in GBP and in each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London (~~see Appendix 3A for a list of the relevant participating banks in London~~). Different banks may be used for different currencies.

~~Different~~ Each Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS Banks (please refer to the following link for details:

[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

Clearing Members are responsible at all times for ensuring that their PPS banks may accounts have sufficient funds or credit lines to be used for different currenciesable to meet margin calls from the Clearing House.

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

~~The account nominated by the Clearing Member to be the GBP non-segregated PPS account will, inter alia, be used to process DF contributions and share subscriptions (see section 3.7).~~ PPS Mandates

#### 3.2.1.2. **PPS Mandate**

Each Clearing Member is required to complete a standard form London and US PPS Mandate(s) (see Appendix 3B)copies are available from [membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

#### 3.2.1.3.3.2.1.2. **Currency Conversion**

~~Clearing Members may~~The Clearing House supports cross currency collateral, this allows the Clearing Member to elect to have initial and contingent margin liabilities converted into different currencies and debited through the appropriate London PPS accountcovered in a currency other than that in which the liability is calculated. Clearing Members must nominate the currency in which they wish to

cover margin liabilities by prior arrangement with LCH.Clearnet Limited Treasury Operations.

### 3.2.1.4.3.2.1.3. Morning PPS Calls

Clearing Members' liabilities are calculated overnight. Should the amount relevant liability not be covered by acceptable forms of cover held by the Clearing House (see section 3.3) the differenceany shortfall is called through London PPS with separate calls made for each currency. It is the responsibility of each 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.

### 3.2.1.5.3.2.1.4. OtherIntraday PPS FunctionsCalls

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

remit surplus cash balances to the 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;

The intra-day margin call by the Clearing House is for intra-day cover payments. GBP, EUR or USD can be used to cover margin intraday. Between 14.30 - 16.00 (London time) only USD will be called in London.

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 Clearing Member's nominated US PPS account.

Clearing Members must designate a currency (GBP, EUR or USD) that will be called by default during the hours of London PPS for each mnemonic/sub-account. Clearing Members may request a change to the default currency no later than 09.30am London time in order for the change to be undertaken the following day. Member can submit a request to change their currency at the following link:

[www.lchclearnet.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)

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

The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intraday call by the relevant bank **of the PPS Call. Such PPS calls will usually be made up until 16:00 hours**branch.

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

**3.2.1.5. Auto repay**

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. ([LCHOperations-Treasury@lchclearnet.com](mailto:LCHOperations-Treasury@lchclearnet.com) or tel +44 (0)20 7426 7505)

**3.2.1.6. Value Date**

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in sections 3.2.1.54 and 3.2.1.6, subject to section 3.2.1.8, all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

~~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 moneys due from 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 Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, inter alia, by the Clearing Membership Agreement, clearing extension documentation and these General Regulations, Default Rules and Procedures. 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.~~

**3.2.1.7. Foreign Bank Holidays**

The Clearing House has made arrangements with its London PPS bankers/banks 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 3.2.1.54 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. This applies to GBP, CAD, EUR and USD.

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

On 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.

Please refer to Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

[www.lchclearnet.com/member\\_notices/](http://www.lchclearnet.com/member_notices/)

### 3.2.1.8. **UK Bank Holidays**

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

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 the relevant currency centre is open for business that day too. It should be noted, however, that value for GBP is given on the next following LCH.Clearent Limited GBP business day.

~~LCH.Clearent 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 Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS Banks – a list of the participating branches appears at Appendix 3C.~~

~~This requirement is supplemental to and additional to the requirement that each Clearing Member must hold relevant PPS accounts in London.~~

### ~~3.2.2.1. **US PPS Mandates**~~

~~A 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 Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House.~~

### ~~3.2.2.2. **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 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 hours NY Time (18:30 hours London Time) from all Clearing Members, and until 16:00 hours NY Time (21:00 hours London Time) from Clearing Members active in RepoClear EGC or in markets which are open into the London evening and on US trading hours.~~

**3.2.2.3. Confirmations**

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

**3.2.2.4.3.2.1.9. Use of London PPS and US PPS**

These 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 a Clearing Member, and for making intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS Call or intra-day margin calls before 16:00 hours London time to a Clearing Member's US PPS account in exceptional circumstances (an "Exceptional PPS Call"). The Clearing House will use all reasonable commercial endeavours to notify the Clearing Member in advance of issuing any such Exceptional PPS Call.

**3.2.2.5.3.2.1.10. Contingency Payment Arrangements**

Clearing members must ensure that they have contingency arrangements to ensure continuity of margin payment in the event of failure of their nominated PPS Bank. From time to time the Clearing House may require the Clearing Member to provide evidence of these arrangements.

**3.2.3.3.2.2. Hong Kong Payments****3.2.3.1.3.2.2.1. Introduction**

In order to facilitate clearing services for the Asian/Pacific Markets, the ability to call funds to cover margin requirements during the Asian day is required.

The Clearing House mandates that Clearing Members clearing in certain Asian markets maintain bank accounts in Hong Kong to facilitate margin calls during the Hong Kong day.

Currently only USD accounts are operated in Hong Kong.

Where the Clearing House has mandated that Clearing Members must operate an account in Hong Kong, each Clearing Member is required to maintain one US dollar account at a bank in Hong Kong where the Clearing House also operates an account – a list of the banks used by the Clearing House in Hong Kong appears at in Appendix 3E3A.

**3.2.3.2.3.2.2.2. Intra-Day Margin Call in Hong Kong (overnight UK)**

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

The Clearing Member will be requested to make a payment to the Clearing House's account at their nominated bank.

A payment to the Clearing House's account in Hong Kong may be requested between the hours of 08:00 and 16:00 Hong Kong time.

**3.2.3.3.3.2.2.3. Confirmations**

The Clearing House must receive confirmation of payment from the Clearing House's bank within one hour of the Clearing House requesting funds from the Clearing Member.

**3.2.3.4.3.2.2.4. Operating days and Bank Holidays**

USD payments are supported during Hong Kong public holidays when the US is open.

Members may be called for additional margin on any day that the markets and the Clearing House are open.

Therefore the Clearing House can instruct a USD payment on a public holiday in Hong Kong and receive good value (except on a US currency holiday when margin will be collected once UK PPS opens in UK business hours or if the Clearing House consider that internal measures of credit tolerance may be breached additional margin can be requested ahead of US bank holidays).

**Value Date**

Clearing Members must meet these margin calls for all USD working days even if it is a Hong Kong holiday, if the markets are open.

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

Payment is only completed when the funds have been credited for the full value to the Clearing House bank account, at the nominated Hong Kong bank, and at the point in time when the Clearing House is able to verify that the funds are within the account.

**3.3. ACCEPTABLE FORMS OF COVER**

The Clearing House accepts certain types of ~~securities, cash and performance bonds~~collateral in the Clearing House's prescribed form against liabilities. ~~Certain contingent credits may also be allowed as cover (see section 3.4.6).~~ Please refer to the following link for further details:

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

**The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this section, either generally or in a particular case, without giving prior written notice to Clearing Members. Further, the Clearing House may vary the types of cover acceptable to it, including but not limited to cash, performance bonds, securities or contingent credits.**

To view our acceptable collateral list, go to: [http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.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 Clearing Members only in relation to current or anticipated obligations.

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

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 a Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will may decline to release such cash cover until the end of the required notice period.

### 3.3.2. Performance Bonds

Certain banks are approved by the Clearing House to issue performance bonds on behalf of Clearing Members. Performance Bonds forms are available from LCH.Clearnet Limited Treasury Operations for use by the London branches of approved banks. Approved banks which are also Clearing Members may not issue performance bonds on their own behalf. Nor may approved banks issue performance bonds on behalf of Clearing Members of which they are the parent, immediate or ultimate, or which belong to the same corporate group, or in which they have a shareholding greater than 20%.

**It is essential that Clearing Members agree their proposed arrangements with LCH.Clearnet Limited Treasury Operations in advance of making arrangements to lodge a performance bonds.**

### 3.3.3. Securities

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

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

### 3.3.4. Restrictions on Acceptance

**Spanish Treasury bills (Letras del Tesoro) may not be held in the Euroclear System on behalf of beneficial owners that are:**

1. Spanish residents or non-residents operating in Spain through a permanent establishment; or
2. nationals of, residents for tax purposes of, or earning income through, a tax haven country or territory as specified in Spanish legislation;

**the Clearing House will not normally accept securities owned by partnerships or held by trustees (e.g. pension funds). Clearing Members**



~~should not present lodgements of such securities except where the Clearing Member is itself a partnership and the owner of the securities;~~

~~the Clearing House will not accept strippable securities or stripped securities;~~

~~the Clearing House can only accept 0.01% of any one issue of European stocks.~~

### 3.3.5.3.3.4. Securities Value Notification

Clearing Members may obtain details on the cover value of securities credited to their account on a daily basis. "Collateral by Member" report viewing the relevant reports available on the Member Reporting Website.

### 3.3.6.3.3.5. Use of Credits as Cover

The following contingent margins are not paid in cash but may, with the restrictions described below, be used as cover:

~~NYSE-LIFFE Commodity Products delivery credit margin may be used to offset NYSE-LIFFE Commodity Products delivery debit margin within the same currency;~~

~~LIFFE financial delivery credit margin may be used to offset LIFFE financial delivery debit margin within the same currency.~~

~~NYSE-LIFFE equity delivery credit margin and credit Net Liquidating Value (NLV) may be used to offset NYSE-LIFFE equity initial margin, NYSE-LIFFE equity delivery debit margin and NYSE-LIFFE equity debit NLV across currencies;~~

~~LME credit variation margin may be used to offset LME debit variation margin and initial margin; across currency;~~

~~EquityClear credit contingent margin may be used to offset EquityClear initial and debit contingent margin across currencies;~~

~~EDXTurquoise Derivatives credit contingent variation margin (for forwards) and credit Net Liquidating Value may be used to offset Turquoise Derivatives debit initial margin, debit contingent variation margin and debit NLV; across currency; and~~

~~ENDEXEnClear credit variation margin may be used to offset ENDEXEnClear debit variation margin and initial margin across currency.~~

## 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.Cleernet Limited reports/records as "unutilised" or "excess") to meet the Clearing Member's liabilities/obligations to LCH.Cleernet Limited.**

#### 3.4.2. Liability Order

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

Liabilities will be covered in the order:

1. Secured debit cash balances (see section 3.2.1.10);
2. Variation and initial margin including offset of contingent credits (see section 3.4.6).

#### 3.4.3. Cover Application

**Note:** The following provision applies solely for the purpose of calculating fees during the overnight offsetting of Clearing Members collateral against liabilities. In case of default by a Clearing Member, please see section 3.4.7 below.

The order in which cover will be applied (in turn) to each liability is as follows:

1. Same currency collateral (performance bonds and securities), in the Collateral Order;
2. Different currency collateral (performance bonds and securities), in the Collateral Order and in the Currency Order;
3. Cash in the same currency as the liability;
4. Cash in a different currency from the liability, in the Currency Order.

Clearing Members may make the following choices:

- whether to have cash applied before or after collateral;
- whether to apply collateral to liabilities in a different currency;
- whether to apply cash to liabilities in a different currency.

#### 3.4.4. Currency Order

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

This defines the order in which different currency liabilities will be covered, as well as the order in which cash/collateral in different currencies will be used as cover. The order is:

1. GBP;
2. USD;
3. CHF;
4. EUR;
5. JPY;
6. SEK;
7. CAD;
8. NOK;
9. DKK;

#### 3.4.5. **Collateral Order**

**Note:** The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.67 below.

A Clearing Member may override this sequence with its own, on request to LCH.Clearnet Limited Treasury Operations.

1. Performance Bonds;
2. UK-Treasury bills;
3. European (and other international) Government Debt Securities (excluding Gilts);
4. US Treasury Government Debt Securities;  
~~Sterling-denominated government-backed bank-issued certificates of deposit;~~  
~~US Dollar-denominated government-backed bank-issued certificates of deposit\*;~~  
~~Euro-denominated government-backed bank-issued certificates of deposit;~~
5. UK Gilts;  
~~US Treasury bills\*;~~  
~~US Treasury Government Debt Securities /notes\*~~  
~~Other European Treasury bills (French, Italian & Spanish);~~  
~~Canadian Federal Treasury bills;~~

~~Canadian Government Debt Securities /notes.~~

~~6. Triparty collateral.~~

3.4.6. **Record of Cover Provided**

~~Members can obtain details in the 'Overnight Cover Distribution' report via relevant reports available on the MembersMember Reporting Website.~~

3.4.7. **Order of Priority on Default**

~~The order of priority (in which cash and collateral are applied to cover 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 a 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. **Interest rates**

~~The Clearing House applies interest to Clearing Member's cleared cash balances.~~

~~The following rates are applied:~~

3.5.1. **LDR – 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 and SwapClear Client Financial account).~~

3.5.1.1. **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.~~

~~CDR – Client Deposit Rate – the rate at which the Clearing House will pay interest, from 22nd March 2012, on credit cash balances on SwapClear Client financial accounts.~~

~~Default Fund – The rate at which the Clearing House will pay interest on default fund contributions.~~

~~Rates are available from the Member Reporting Website on Report 00047.~~

**Alteration**

~~The Clearing House reserves the right to alter the basis of calculating LDR interest rates. 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 clearing member and pay interest on cumulative variation margin paid in by the 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 from the previous day's COB, 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, SGD and ZAR, 365.

**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, SGD and ZAR, 365**

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in Regulation 34(b), specifies that it will not change the PAI rate without the consent of all SwapClear members holding open contracts in such currencies.

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.

Currency	PAI Rate
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank – as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.
HUF	The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.
SGD	The rate used shall be the "SONAR" rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page "ABSIRFIX01" or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page "NOINTR=ECI" or any successor page(s) thereto

Currency	PAI Rate
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### 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 relevant rate	pay LDR relevant rate of cover currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay LDR relevant rate	Pay LDR relevant rate	No charge or payment

**Note:**

1. "Foreign Cash" means cash in a currency other than that of the liability.
2. "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 are calculated on a daily basis and the resultant monthly total is posted to 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:

- ~~interest~~Interest due; and

~~accommodation charges;~~

~~collateral/performance bonds utilisation fees.~~

- ~~Accommodation charges and collateral utilisation fees are combined and reported as accommodation charges for each appropriate category.~~

~~VAT on the monthly invoice.~~

~~With the exceptions of RepoClear, SwapClear, LIFFE Non-Commodity Contracts and EquityClear contracts, accommodation charges are~~ subject to VAT at the standard rate, some markets may be excluded.

### 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, future or option type, 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.

#### 3.6.1. **VAT Status**

By default a member will be charged VAT for transactions on applicable markets. If the member's registered address is outside of the UK they will be required to provide a written declaration that their place of operations is also outside the UK for VAT purposes.

If a member extends to a VAT applicable market the member will be requested to provide written confirmation that the operations address is the same as that stated on their application form. If the address is different, and is outside the UK the member will also be asked to confirm that in writing so they will not be charged VAT on transactions on that market. If the address is in the UK VAT will be charged.

### 3.7. **PARTICIPATION MONIES**

#### 3.7.1. **Share Subscriptions**

Clearing Member share subscriptions will be called via PPS on a date advised by the Clearing House. They will be called from Clearing Members' house PPS account and subscriptions will be debited from the house cover account.



3.7.2. **DF Contributions**

For all market with the exception of ForexClear 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 Clearing Members at least two working days prior to each Reset Day on Member Reporting Website, ~~on Report 000032.~~

For ForexClear – contributions are reset monthly and paid in USD.

Excess DF amounts due to Clearing Members following the adjustment to DF accounts and the crediting of interest will be repaid to 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~~

~~The Royal Bank of Scotland NV~~

~~Skandinaviska Enskilda Banken AB~~

~~For more information on PPS Banks please contact LCH.Clearnet Limited Treasury Operations on +44 (0)20 7426 7505 or [lochoperations-treasury@lchclearnet.com](mailto:lochoperations-treasury@lchclearnet.com).~~

**APPENDIX 3B****MANDATE FOR LCH.CLEARNET LIMITED – CLEARING OPERATIONS**

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address: (Account holding branch):	
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			CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER		CURRENCY	ACCOUNT NUMBER
AUD			AUD	
CAD			CAD	
CHF			CHF	
CZK			CZK	
DKK			DKK	
EUR			EUR	
GBP			GBP	
HKD			HKD	
HUF			HUF	
ISK			ISK	
JPY			JPY	
NOK			NOK	
NZD			NZD	
PLN			PLN	
SEK			SEK	
SGD			SGD	
TRY			TRY	
USD			USD	
ZAR			ZAR	

For and on behalf of:

Name of Clearing Member: \_\_\_\_\_

Signature of Director: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date \_\_\_\_\_

~~When completed and signed, this original form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA – Email: [lchoperations-treasury@lchclearnet.com](mailto: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

Societe Generale

BMO Harris Bank NA (Chicago)

For more information on US PPS Banks please contact LCH.Clearnet Limited Treasury Operations on +44 (0)20 7426 7505 or [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com).

**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		CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER	CURRENCY	ACCOUNT NUMBER
USD		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 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, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com); Telephone: 020 7426 7505; Fax: 020 7426 7037.

**APPENDIX 3E****LCH.CLEARNET BANK ACCOUNTS IN HONG KONG**

Note: accounts are operated in USD only.

The Clearing Member will be mandated to hold an account with one of the following banks in order to facilitate margin calls during the Hong Kong day for certain markets.

When requested the Clearing Member must make a payment to the Clearing House's account at the same bank.

Clearing House bank in Hong Kong	LCH <sub>2</sub> Clearnet account details to which payments must be made.
Bank of America NA	84936018
Citibank NA	409908451168383025
HSBC Ltd	808 692818 201

For more information on Hong Kong PPS Banks please contact LCH.Clearnet Limited Treasury Operations on +44 (0)20 7426 7505 or [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com).

**Exhibit A-2**  
**FCM Procedures Section 3**

See Attached



## 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.Clearnet Limited Member Intranet Site. FCM Clearing Members with direct access to the LCH.Clearnet Limited's Member Intranet Site for SwapClear (see section 2.1.3) should use the "Yesterday's Cover Account Postings" report. Banking reports are generated each day that provide members with data~~

relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.

A "Banking Reports Reference Pack" can be requested from the LCH.Clearent Client Training Team, this contains definitions and examples of each of the available reports.

### 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"). The Clearing House operates a direct debit system, known as the Protected Payments System (PPS), for the transfer of funds to and from Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London ("London PPS") and in the United States (where it is known as "US PPS").

FCM Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys 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 Clearing Membership Agreement, clearing extension documentation and these General Regulations, Default Rules and Procedures. 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.

#### 3.2.1 **London-PPS**

##### (a) Introduction

An FCM Clearing Member must open and maintain PPS accounts in GBP and USD and such other currencies in which it incurs settlements on its Client or House accounts.

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)~~ (please refer to the following link for details of current PPS banks:

[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

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

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 Regulation 1.49.

### 3.2.1 Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of cover held by the Clearing House (see section 3.3) any shortfall 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.

### 3.2.2 Intraday PPS Calls

The intra-day margin call by the Clearing House is for intra-day cover payments. GBP, EUR or USD can be used to cover margin intraday. Between 14.30 - 16.00 (London time) only USD will be called in London.

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.

FCM Clearing Members must designate a currency (GBP, EUR or USD) that will be called by default during the hours of London PPS for each mnemonic/sub-account. Clearing Members may request a change to the default currency no later than 09.30am London time in order for the change to be undertaken the following day. FCM Clearing Member's may submit a request to change their currency at the following link:

[www.lchclearnet.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)

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

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

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

### 3.2.3 Auto repay

FCM Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lchclearnet.com or tel +44 (0)20 7426 7505)

### 3.2.4 Value Date

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in sections 3.2.1.4, subject to section 3.2.1.8, all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

### 3.2.5 Foreign Bank Holidays

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

Confirmation that PPS payments will be made must be received within the deadlines set out in section 3.2.1.4. 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. This applies to GBP, CAD, EUR and USD.

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

On 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.

Please refer to Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

[www.lchclearnet.com/member\\_notices/](http://www.lchclearnet.com/member_notices/)

### 3.2.6 UK Bank Holidays

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

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 the relevant currency centre is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

### 3.2.7 Use of London and US PPS

These 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 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 (an "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.

### 3.2.8 Contingency Payment Arrangements

FCM Clearing Members must ensure that they have contingency arrangements to ensure continuity of margin payment in the event of failure of their nominated PPS Bank. From time to time the Clearing House may require the FCM Clearing Member to provide evidence of these arrangements.

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

#### (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.~~

~~———— 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 Regulations 1.20 and 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 Regulation 1.49.~~

~~(h) — 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.~~

~~(i) — 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 16:00 hours NY Time (21:00 hours London Time)~~

(j) ~~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.~~

(k) ~~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/risk\\_management/ltc/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltc/acceptable_collateral.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 may 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

[http://www.lchclearnet.com/risk\\_management/ltc/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltc/acceptable_collateral.asp)



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

## 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 during the overnight offsetting of Clearing Members collateral against liabilities. In case of default by an FCM Clearing Member, please see section 3.4.4 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

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.~~

#### ~~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.Clearnet 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. The Clearing House applies interest to FCM Clearing Member's cleared cash balances.~~

The following rates are applied:

LDR – London Deposit Rate-the rate at which the Clearing House will pay interest on credit cash balances (excluding DF Contributions).

CDR – Client Deposit Rate – the rate at which the Clearing House will pay interest, from 22nd March 2012, on credit cash balances on SwapClear Client financial accounts.

Default Fund Rate;

Rates are available from the Member Reporting Website.

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

#### ~~Contingency Payment Arrangements~~

~~Clearing Members must ensure that they have contingency arrangements to ensure continuity of margin payment in the event of failure of their nominated PPS Bank.~~

### 3.5.1 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 clearing member and pay interest on cumulative variation margin paid in by the 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 from the previous day's COB 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, SGD 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 Clearing Members holding open contracts in such currencies.

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.
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.

Currency	PAI Rate
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank – as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.
HUF	The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.
SGD	The rate used shall be the "SONAR" rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page "ABSIRFIX01" or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page "NOINTR=ECI" or any successor page(s) thereto

For currency NOK, PAI is calculated using an appropriate overnight deposit rate for the currency

### 3.5.2 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 1.40%	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 2.40%	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 relevant rate LDR	pay LDR relevant rate of cover currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay relevant rate LDR	Pay LDR relevant rate	No charge or payment

**Note:**

1. "Foreign Cash" means cash in a currency other than that of the liability.
2. "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.

### 3.5.3 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:

- (c) — interest due;
- (d) — accommodation charges;

(e) ~~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. Interest due; and~~

~~• Accommodation charges.~~

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

### 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 on the Member Reporting Website, 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, N.A.~~

~~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 ✓	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

CLIENT ACCOUNT		
TICK ✓	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, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA. Email: [lchoperations-treasury@lchclearnet.com](mailto: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, N.A.~~

~~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.Clearnet 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		CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER	CURRENCY	ACCOUNT NUMBER
USD		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, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com); Telephone: 020 7426 7505; Fax: 020 7426 7037.

**Exhibit B**  
**Self Certification**

See Attached



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AMENDED RULES SELF CERTIFICATION

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LCH.Clearnet Limited ("LCH") hereby certifies to the Commodity Futures Trading Commission ("CFTC"), pursuant to the procedures set forth in the Commission Regulations 40.6, that the following:

- Amendments to the rules in LCH.Clearnet's Clearing House Procedures and FCM Procedures, concerning the introduction of preferential currencies for intraday margin calls, comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of February 16, 2012

pp By:   
Name: Lisa Rosen

Title: Group Head of Compliance and Public Affairs

LCH.Clearnet Limited