



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

2 May 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

A handwritten signature in blue ink, appearing to read "Lisa Rosen". To the left of the signature are two blue initials, possibly "LR".

**Lisa Rosen**  
**Group Head of Compliance and Public Affairs**

**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 Sections 3 and 4**

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Submitted: May 2nd, 2012

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## **LCH.CLEARNET LIMITED SELF-CERTIFICATION OF AMENDMENTS TO THE CLEARING HOUSE PROCEDURES SECTIONS 3 AND 4**

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 Sections 3 and 4 (the “Procedures”) which form part of LCH.Clearnet’s Rules and Regulations. The amended Procedures will be implemented and become effective on May 17th, 2012.

### **Part I: Explanation and Analysis**

The operation, purpose and effect of the amendments to the Procedures is to set out procedures for the acceptance of precious metals as margin collateral; and to reflect the extended scope of the Collateral Management system to process instructions for the delivery of collateral through triparty mechanisms.

Please note that changes are being made to the Procedures but not the FCM Procedures since FCMs will not be permitted to deliver precious metals as collateral at this time.

Blacklined versions of the changes to the Procedures are attached as Exhibits A-1 (section 3) and A-2 (section 4).

#### ***Addition of precious metals as acceptable margin collateral***

In response to member demand, LCH.Clearnet proposes to permit members to deliver gold as margin collateral. This facility is limited to members of the LCH.Clearnet EnClear service and the HKMEx clearing service. The rule changes being self-certified in this submission implement procedures for the delivery and release of precious metals as collateral. The inclusion of gold as acceptable collateral will then be effected by amendment to LCH.Clearnet’s acceptable collateral list.<sup>1</sup>

Precious metals will be delivered to LCH.Clearnet by lodgement via a London Precious Metals Clearing Limited Clearing Member (a “Collateral Agent”).

The main changes to the Procedures to accommodate this are as follows.

#### **Section 3**

Changes to Section 3 of the Procedures are consequential in nature, affecting only sections 3.3.3, 3.3.4 and 3.4.5. One other cosmetic change has also been made to section 3.5.1.

#### **Section 4**

Consequential changes have been made in Section 4 of the Procedures to amend the term “securities” to “non-cash collateral” where relevant, to make clear that precious metals are included. Similarly “or Collateral Agent” has been added to mentions of depositories.

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<sup>1</sup> posted at [http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

Sections 4.1.7 and 4.1.8 have been added to make clear that the Clearing House collect charges from Clearing Members relating to fees imposed by a Collateral Agent, and that it is the Clearing Member's responsibility to insure precious metals lodged as collateral.

Section 4.2.1.1 has been amended to clarify that there may be different forms of charge documentation for different collateral types.

A new Section 4.17 ("Precious Metals") has been added to the Procedures. The new section sets out information about the Clearing House's account; the procedures and timetables for the lodgement, substitution and release of precious metals; procedures for using lodged precious metals to meet deliveries; fees; and the rights of the Clearing House to suspend or limit acceptance of precious metals.

Precious metal lodgement and release forms have been added as annexes to Section 4.

As a minor change the client consent form previously included as an Annex to Section 4 is now available on-line.

#### *Delivery of margin collateral via a triparty mechanism*

Minor changes have been made to Section 4 of the Procedures to extend the use of the Collateral Management system (a system for giving instructions electronically) to cover lodgement of collateral through triparty mechanisms.

Section 4.3 has been split into two Sections (4.3 and 4.4) dealing separately with instructions via the Collateral Management system and securities settlement procedures. The former Section 4.3.1, now 4.3, set out procedures for making instructions through the Collateral Management system, now including for triparty delivery of margin collateral.

The remainder of Section 4 has been renumbered accordingly and some general clarifying changes made to titles.

Section 4.7, as renumbered, has been amended to reflect that the scope of faxed instructions as a contingency for the Collateral Management system is now wider than lodging and releasing securities.

Section 4.16.1 has been amended to note that instructions in relation to triparty lodgement must be provided through the Collateral Management system. The titles of the forms in the annexes have been amended as a consequence to reflect that they are for use in contingency.

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

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the amendments to Sections 3 and 4 of the Clearing House 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.

### **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.

**SECTION 3**

**CONTENTS**

3.	FINANCIAL TRANSACTIONS .....	2
3.1.	ACCOUNTS .....	2
3.2.	PROTECTED PAYMENTS SYSTEM (PPS).....	3
3.3.	ACCEPTABLE FORMS OF COVER.....	7
3.4.	DISTRIBUTION OF COVER.....	9
3.5.	INTEREST AND ACCOMMODATION CHARGE STRUCTURE .....	11
3.6.	FEES .....	14
3.7.	PARTICIPATION MONIES .....	15
	APPENDIX 3A .....	16
	LCH.CLEARNET BANK ACCOUNTS IN HONG KONG .....	16

### 3. **FINANCIAL TRANSACTIONS**

#### 3.1. **ACCOUNTS**

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

Clearing Members are usually provided with two 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;
- 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. Postings may be applied to 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 calls and pays;
- option premiums;
- prompt day delivery amounts;
- interest and accommodation charges;
- Clearing House fees, charges and rebates;
- exchange fees, levies and rebates; and
- 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 calls and pays;
- delivery amounts;
- settlement differences; and



- Coupon Payments relating to member collateral.

#### 3.1.4. **Financial Transaction Reporting**

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.Clearnet 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.

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. Different banks may be used for different currencies.

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 accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.

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

Each 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 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.

#### 3.2.1.2. **Currency Conversion**

The Clearing House supports cross currency collateral, this allows the Clearing Member to elect to have initial and contingent margin liabilities covered 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.

#### 3.2.1.3. **Morning PPS Calls**

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 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.

#### 3.2.1.4. **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 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).

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 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 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 3.2.1.4, 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.

#### 3.2.1.7. **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/)

#### 3.2.1.8. **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. It should be noted, however, that value for GBP is given on the next GBP business day.

#### 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.

#### 3.2.1.10. **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.

### 3.2.2. **Hong Kong Payments**

#### 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 in Appendix 3A.

#### 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.

#### 3.2.2.3. **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.

#### 3.2.2.4. **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 collateral in the Clearing House's prescribed form against liabilities. 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.**

### 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 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 and Precious Metals

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/lt/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/lt/acceptable_collateral.asp)

### 3.3.4. Securities Value Notification

Clearing Members may obtain details on the cover value of [securities-non-cash collateral](#) on their account by viewing the relevant reports available on the Member Reporting Website.

### 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;

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;

Turquoise 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

EnClear credit variation margin may be used to offset EnClear 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.Clearnet Limited reports/records as "unutilised" or "excess") to meet the 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 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 3.4.6 below.

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

1. Performance Bonds;
2. Treasury bills;
3. European (and other international) Government Debt Securities (excluding Gilts);
4. US Treasury Government Debt Securities;
5. UK Gilts;
6. Triparty collateral;
- ~~6-7. Precious metals.-~~

### 3.4.6. **Record of Cover Provided**

Members can obtain details in the relevant reports available on the Member Reporting Website.

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:

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

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.

The Clearing House reserves the right to alter the basis of calculating 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.

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
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay relevant rate	pay 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	Pay 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 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, 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. 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****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.Clearnet account details to which payments must be made.
Bank of America NA	84936018
Citibank NA	1168383025
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**  
**Clearing House Procedures Section 4**

See attached.

**SECTION 4****CONTENTS**

4.	COLLATERAL.....	1
4.1	General Information .....	1
4.2	Documentation .....	3
4.3	Instructions via Collateral Management system .....	5
4.4	Settlement Procedures – Securities.....	5
4.5	Tax Arrangements .....	<del>8</del> 7
4.6	References .....	9
4.7	Contingency arrangements.....	<del>10</del> 9
4.8	Performance Bonds .....	<del>10</del> 9
4.9	Lodgement Procedure .....	10
4.10	Amendment Procedure.....	10
4.11	Increase in Value of Performance Bonds.....	<del>11</del> 10
4.12	Decrease in Value of a Performance Bond .....	<del>11</del> 10
4.13	Amendment of Term .....	11
4.14	Release Procedure .....	11
4.15	Expiry .....	11
4.16	Triparty Service with Euroclear and Clearstream.....	11
4.17	Precious Metals .....	<del>13</del> 12
	APPENDIX 4A.....	<del>17</del> 16
	Performance Bond Form.....	<del>17</del> 16
	APPENDIX 4B.....	<del>22</del> 21
	Guarantee (“Performance Bond”) Amendment Form .....	<del>22</del> 21
	APPENDIX 4C .....	<del>25</del> 24
	Client consent form.....	<del>25</del> 24
	APPENDIX 4D .....	<del>29</del> 27
	Contingency Member Triparty Lodgement Form.....	<del>29</del> 27
	APPENDIX 4E.....	<del>30</del> 28
	Contingency Member Triparty Amendment Form .....	<del>30</del> 28
	APPENDIX 4F.....	<del>31</del> 29
	Contingency Member Triparty Closing Form.....	<del>31</del> 29
	APPENDIX 4G .....	<del>32</del> 30
	Contingency Member Triparty Lodgement Form.....	<del>32</del> 30



APPENDIX 4H .....	<a href="#">33</a> <del>31</del>
Contingency Member Triparty Amendment Form .....	<a href="#">33</a> <del>31</del>
APPENDIX 4I .....	<a href="#">34</a> <del>32</del>
Contingency Member Triparty Closing Form.....	<a href="#">34</a> <del>32</del>
APPENDIX 4J .....	<a href="#">35</a> <del>33</del>
Contingency Collateral Lodgement Form.....	<a href="#">35</a> <del>33</del>
APPENDIX 4K.....	<a href="#">37</a> <del>35</del>
Contingency Collateral Release Form .....	<a href="#">37</a> <del>35</del>
APPENDIX 4L .....	<a href="#">38</a> <del>36</del>
LCH.CLEARNET ACCOUNTS FOR DELIVERY OF MARGIN COLLATERAL- EXCLUDING FCM CLIENT .....	<a href="#">38</a> <del>36</del>
APPENDIX 4M .....	<a href="#">39</a> <del>37</del>
Precious Metal Collateral LoDgement Form .....	<a href="#">39</a> <del>37</del>
APPENDIX 4N .....	<a href="#">40</a> <del>38</del>

## 4. COLLATERAL

### 4.1 General Information

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as collateral and to determine when collateral will cease to be acceptable as collateral.

If any instrument or security, lodged in accordance with any of the following procedures, is in any way found to be unacceptable, it will immediately be given a zero value in the Clearing Member's cover account with the Clearing House. Replacement cover may be required immediately from the Clearing Member.

#### 4.1.1 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash, securities and ~~and securities~~ triparty collateral via the online Collateral Management system. Instructions for other types of collateral must be sent via fax using the appropriate form in the annex. The lodgement/release forms must be sent in by fax and email to:

Email to: [teamcollateral@lchclearnet.com](mailto:teamcollateral@lchclearnet.com)

Fax: 020 7375 3518

Treasury Operations can be contacted on +44 (0)207 426 7593

Originals of faxed instructions need to be sent into the Clearing House within fourteen days.

The Clearing House is entitled to act upon Collateral Management system instructions and faxed instructions or communications appearing to have been issued by, on behalf of, or have come from, a Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (a) to be inaccurate, whether in whole or in part; or
- (b) not to have been given by the Clearing Member or a client or with the authority of the Clearing Member or client.

The Clearing House will only accept delivery of securities ~~non-cash~~ collateral in accordance with these procedures, and will not sell, purchase or encash securities ~~non-cash~~ collateral for Clearing Members, except in so far as it is acting under its Default Rules and related General Regulations or in relation to exchange rules.

The Clearing House reserves the right to require a Clearing Member to execute revised versions of ~~the~~ Form of Charge and Client Consent documentation whenever the Clearing House, at its sole discretion, considers that it would be appropriate.

The Clearing House reserves the right to change the information required on instructions received via the Collateral Management system, whenever the Clearing House, at its sole discretion, considers that it would be appropriate.

#### 4.1.2 Excess Collateral

In the event that the Clearing House at any time determines that it is holding excess collateral (as defined below) from a Clearing Member, the Clearing House may notify

that Clearing Member of the intention to levy a charge in respect of excess collateral with effect from such date as is notified to the Clearing Member. In the event that the Clearing Member does not remove excess collateral before the date so notified, the Clearing House may, in its discretion, charge the Clearing Member at the rate of 1 basis point until excess collateral is removed by the Clearing Member through use of a release instruction. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS sterling account.

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

#### 4.1.3 Lodgement of Collateral as Replacement for Cash Cover for Margin

Clearing Members should note that they must give Treasury Operations no less than two (2) business days notice of their intention to lodge collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that Member as a result of such lodgement. Treasury operations must be advised no later than 15:30 two business days prior to lodgement. In the event that a Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

#### 4.1.4 Force Majeure

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

#### 4.1.5 Regulatory and Supervisory Information

In every case, the Clearing House will be entitled to supply a ~~securities~~ depository or Collateral Agent with all the information it requires for any purposes relating to a Clearing Member, or to ~~securities non-cash collateral~~ received by the Clearing House from a Clearing Member which are or may at any time have been held by the depository or Collateral Agent. ~~Securities Non-cash collateral~~ will be lodged and held within such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems and to any applicable law and subordinate rules relating thereto as well as to the terms of LCH.Clearnet Limited's form of charge and charge documentation and these procedures.

#### 4.1.6 Interest Payments (coupons)

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

#### 4.1.7 Other Charges

The Clearing House will collect any other charges incurred as deemed necessary using PPS. Examples of such charges may include a Collateral Agent's overnight custody charge, transfer charges or any charges relating to the movement of non-cash collateral. For a list of the Clearing House's Custody services fees, please see here, <http://www.lchclearnet.com/fees/ltd/default.asp>

#### 4.1.8 Insurance

It is the Clearing Member's responsibility to have appropriate insurance for any precious metal collateral lodged with the Clearing House.

### 4.2 Documentation

#### 4.2.1.1 Form of Charge

Clearing Members wishing to lodge non-cash collateral securities with the Clearing House must first complete a Form of Charge document for the relevant type of collateral e.g. securities, precious metals. This document establishes a fixed charge over specified ~~securities~~ non-cash collateral transferred into an account with the Clearing House by the Clearing Member. The document is required to be executed in accordance with the instructions which accompany it. The Form of Charge document covers ~~securities~~ non-cash collateral that ~~is~~ are transferred to the Clearing House via bilateral settlement, Precious Metals Settlement Agents or via Triparty arrangements. To operate Triparty arrangements with the Clearing House an additional Collateral Services Agreement (CSA) must also be executed with the relevant ICSD.

Charge documentation is available from the Clearing House Risk Department and should be returned on completion to that department.

#### 4.2.1.2 Segregation rules

Where a Clearing Member lodges collateral to cover both house and client accounts it must execute two separate charges. Forms relating to lodgements and releases of collateral must indicate the particular account to which they relate. Any collateral lodged with the Clearing House will be applied as cover against the Clearing Member's (house or client) margin liabilities as per the relevant documentation.

Collateral charged in respect of a Clearing Member's client account will not be applied by the Clearing House to his liabilities on a house account (see regulation 5(d)).

Collateral charged in respect of a Clearing Member's house account may be applied by the Clearing House towards the payment of any sum whatsoever due by the Clearing Member to the Clearing House, save that no collateral charged in respect of a Clearing Member's house account shall be applied on or towards payment or satisfaction of any of the Clearing Member's liabilities to the Clearing House on any of the Clearing Member's client accounts.

## 4.2.1.3 Client collateral

Where a Clearing Member wishes to pass a client's collateral to the Clearing House, the Clearing Member must, inter alia, ensure that at all times it remains expressly agreed with the client that the Clearing Member may charge the collateral to the Clearing House, on the Clearing House's terms and free of the client's or other owner's interest, to secure the Clearing Member's obligations to the Clearing House.

Where a client's collateral is to be passed to the Clearing House, the Clearing Member must ensure that a *Client Consent Form* is completed by the beneficial owner (see Appendix 4C).

The Clearing House gives no undertaking that, on the default of a Clearing Member, it will not utilise clients' collateral which has been passed to it by a Clearing Member, before utilising any other form of cover the Clearing House may hold.

Clause 7 of the charge prohibits the existence of any other charge or security interest, whether created before or after the Clearing House's interest, without the Clearing House's prior written consent (except a deferred charge in favour of the Clearing Member himself). The Clearing House consents to certain such other charges as follows.

Where a Clearing Member accepts business from a non-clearing broker and charges to the Clearing House, as cover for margin, securities belonging to a client of that broker with the client's express agreement, clause 7(2) of the charge will allow the Clearing Member to have a security interest in the securities deferred to that of the Clearing House. In addition, by the notification issued under clause 7(1) of the charge, the Clearing House consents to the non-clearing broker also obtaining or retaining a security interest in the same securities, provided always that:

- (a) the broker's interest is expressly deferred to that of the Clearing House; and
- (b) the broker is an authorised person within the meaning of the Financial Services and Markets Act 2000.

The consent given above allows a security interest only in favour of a broker from whom a Clearing Member accepts business. Where there is a chain of transactions involving other brokers, those other brokers may not hold security interests in reliance on this notification. If such brokers wish to hold security interests in collateral charged to the Clearing House, the Clearing Member should apply to the Clearing House under clause 7(1) (ii) of the charge for written consent in their particular case.

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

#### 4.3 Instructions via Collateral Management system

Instructions for cash, securities and triparty instructions may be entered using the Collateral Management system. The Clearing House will action instructions input and authorised via the Collateral Management system. The details input on Collateral Management system will form the basis of the matching instruction sent to the relevant CSD/custodian. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and then subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, please see section 4.4.7&8 below for further details.

The Clearing House will update the status of the instruction in the Collateral Management system in relation to the status of the instruction at the CSD/Custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the Clearing Member's account and provide value for the purposes of cover.

The Clearing House will notify Clearing Members of the relevant account details for matching. Clearing Members should refer to Appendix 4I to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a CSD/custodian or the Clearing Member (save for any liability which by law may not be excluded).

#### 4.4 Settlement Procedures – Securities

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

##### 4.4.1 Instructions via Collateral Management system

~~The Clearing House will action instructions input and authorised via the Collateral Management system. The details input on Collateral Management system will form the basis of the matching instruction sent to the relevant CSD/custodian. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.~~

~~It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and then subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, please see section 6.8 below for further details.~~

~~The Clearing House will update the status of the instruction in the Collateral Management system in relation to the status of the instruction at the CSD/Custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the Clearing Member's account and provide value for the purposes of cover.~~

~~The Clearing House will notify Clearing Members of the relevant account details for matching. Clearing Members should refer to Appendix 4I to establish the correct place(s) of settlement for a particular security.~~

~~The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non settlement or a delay in settlement as a result of the actions or omissions of a CSD/custodian or the Clearing Member (save for any liability which by law may not be excluded).~~

#### 4.4.2 Instruction Deadlines

Clearing Members may input security instructions via the Collateral Management system at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday – to Friday 08:00 – 20:00hrs UK time.

Instruction deadlines for same day settlement:

CSD/custodian	Deadline for instructions
Euroclear UK/IE (CREST)	14.00
Euroclear internal	16:30
Fedwire - Citi and BoNY Mellon	19:00

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

#### 4.4.3 Deliveries to and from Local Markets

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian, Clearing Members should refer to the relevant CSD/custodian for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before settlement date i.e. on S-1. Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

Deliveries from local market	Custodian deadline	Instruction deadline to Clearing House
Japan	02.45	16.30 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S

#### 4.4.4 Lodging Securities

Lodge instructions must be input via the Collateral Management system prior to the deadlines above for same day settlement. Settled transactions will be added to Clearing Member's cover balances following settlement.

Lodge instructions for future settlement dates will be instructed same day if received prior to the deadlines. Instructions received after the deadlines will be instructed the following day.

#### 4.4.5 Releasing Securities

##### 4.4.5.1 Release where sufficient cover is available

Release instructions input via the Collateral Management system prior to the deadlines above for same day settlement will be removed from the Clearing Member's cover balance on instruction.

##### 4.4.5.2 Release where sufficient cover is unavailable

Release instructions must be input via the Collateral Management system before 09:30 UK time. The Clearing Member will then be called for additional cash collateral. Following confirmation of the cash call the settlement instruction will be sent to the CSD/custodian and removed from the Clearing Member's cover balance.

#### 4.4.6 Substitutions

Substitutions may be input via the Collateral Management system, and will be actioned same day if input prior to the deadlines above.

Clearing Member's must input the relevant lodge instruction(s) first and then link the associated release instruction(s) to the lodge instruction(s).

#### 4.4.7 Transfers

Transfer instructions may be input via the Collateral Management system and will be actioned same day during operational hours.

Note: transfers are only permitted between mnemonics of the same Clearing Member and are subject to client segregation rules.

#### 4.4.8 Settlement Cancellations

Clearing Members may request cancellation of an instruction via the Collateral Management system. The Clearing House will cancel any instruction that has not yet been processed. The Clearing House will make best endeavours to cancel any settlement instructions already sent to the CSD/custodian but cannot guarantee that the transaction will not settle.

#### 4.4.9 Instruction statuses

The status of an instruction can be monitored via the Collateral Management system. Statuses reflect the status of the instruction at the Clearing House and not at the CSD/custodian. Please refer to the Collateral Management system User Guide for status definitions. Tax arrangements



## 4.5 Tax Arrangements

### 4.4.104.5.1 US securities

For tax reasons, the Clearing House is required to segregate foreign (i.e. non-US) owners' securities from US owners' securities. Clearing Members must deliver securities to the correct account. The Clearing House operates accounts with Citibank N.A and Bank of New York Mellon. See annex 4I for account details.

In order to reduce or eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, Clearing Members will be expected to provide one of the forms noted below to the Clearing House. A current form will be required for each owner (i.e. the Clearing Member or the person named in the Client Consent Form).

The relevant forms will normally be one of:

- (a) 'W-9 (Request for Taxpayer Identification Number and Certification)'. Applies to a US corporation including a foreign branch of a US corporation and is valid indefinitely; or
- (b) 'W-8BEN (Certificate of Foreign Status)'.

Applies to non-resident alien individuals, foreign corporations, partnerships and estates; valid for three calendar years.

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

**Note:** The Clearing House's arrangements with its Custodians only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.

Unless the Clearing House has already received the appropriate tax form, lodgements into A/c #090401 or #735136 must be accompanied by form W-9 and lodgements into A/c #090372 or #735137 normally by form W-8BEN.

**The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.**

Completed tax forms should be returned to Treasury Operations for onward transmission to its Custodians.

### 4.4.114.5.2 Italian securities

For tax purposes the Clearing House operates an account with Euroclear Bank specifically for deliveries of Italian securities – account 91737.

This account is operated by the Clearing House in accordance with “Euroclear Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities”.

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

- (a) resident in a country that has entered into a double taxation agreement with Italy (except Black list countries/countries that do not have a tax treaty with Italy); or
- (b) a corporation resident in Italy; or
- (c) a supranational organisation recognised by Italian Law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to exemption, and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within the gross account 91737.

The effective date depends on the type and terms of the security:

- Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

- Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

**Clearing Members should consult their own tax advisers before lodging Collateral to the Clearing House or submitting any tax documentation.**

#### 4.4.124.5.3 Withholding tax – CSDs/Custodians

CSDs/Custodians may offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House’s account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSDs/Custodian and the Clearing House at the time when a coupon is due.

#### 4.54.6 References

These procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer the each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

#### 4.64.7 Contingency arrangements

In the event of an outage of the Collateral Management system, Clearing Members will be able to ~~lodge and release securities~~ send instructions by ~~faxed instruction~~ to the Clearing House.

Clearing Member will be notified of a Collateral Management system outage via Member Circular that will notify Clearing Members of the switch to contingency arrangements. Clearing member should then revert to the fax forms for securities found in the annex.

Normal service hours and deadlines will apply to faxed instructions.

Clearing Members will be notified via Member Circular when normal service resumes.

#### 4.74.8 Performance Bonds

Clearing Members must first consult LCH.Clearnet Limited Treasury Operations ("Treasury Operations") about which issuing bank(s) they intend to use for the provision of a performance bond(s). Treasury Operations will advise on whether the proposed arrangements (bank(s) and size of performance bond) are acceptable or not.

When the arrangements have been agreed, a standard form available from Treasury Operations (Appendix 4A) should be completed by the issuing bank and returned to Treasury Operations.

If a Clearing Member chooses to cover house and client liabilities using performance bonds, separate performance bonds must be provided for each account. Each performance bond must state the type of account it covers.

The Clearing House gives no undertaking that on the default of a Clearing Member it will not call and utilise a performance bond provided to it before utilising any other form of cover the Clearing House may hold.

The Clearing House only accepts Performance Bonds from a limited range of issuers and limits are applied to the total accepted from any single issuer,

#### 4.84.9 Lodgement Procedure

By 16:30 hours the issuing bank delivers the performance bond to Treasury-Operations.

If it is in an acceptable form, the performance bond will be entered into the Clearing Member's cover account.

If it is unacceptable, Treasury Operations will contact the issuing bank and the Clearing Member (beneficiary) to inform them that the performance bond has been rejected. The performance bond will not be entered into the Clearing Member's cover account in the banking system.

#### 4.94.10 Amendment Procedure

Amendment letters (see Appendix 4B) must be delivered to Treasury Operations before 16:30 hours on any business day. They can be sent by fax to the following number: +44 (0)20 7375 3518 or scanned and emailed to [teamcollateral@lchclearnet.com](mailto:teamcollateral@lchclearnet.com).

Issuing banks should submit amendment letters, in duplicate, on their headed paper. Originals must be forwarded to the Clearing House within two business days of the fax transmission. The Clearing House will sign and return one original.

#### 4.104.11 Increase in Value of Performance Bonds

Any Clearing Member wishing to increase the value of a performance bond must first establish whether the increase is within limits and is acceptable to Treasury Operations. If it is, the relevant amendment letters have to be completed and submitted to Treasury Operations by the issuing bank. Upon receipt of these letters (completed to the satisfaction of the Clearing House) increases in the value of the Clearing Member's performance bond (s) will be put into effect.

#### 4.114.12 Decrease in Value of a Performance Bond

If the proposed decrease in the value of a performance bond leaves the Clearing Member with sufficient cover for liabilities and the relevant amendment letters are in acceptable form, the decrease in value will become effective. If the proposed decrease leaves the Clearing Member with insufficient cover, the cover balance will be reduced accordingly and the overnight cover calculation will assume the smaller amount. The Clearing House will not sign the amendment letter until the next morning's margin call is complete.

#### 4.124.13 Amendment of Term

An amendment to the term will become effective when the Clearing House signs the amendment letter.

#### 4.134.14 Release Procedure

By 16:30 hours the issuing bank should contact Treasury Operations to arrange for the release of the performance bond.

Under normal circumstances, fourteen calendar days' notice will be required in order to release the performance bond. However, if the performance bond is not being used to cover margins, it may, at the sole discretion of the Clearing House, be released earlier.

The performance bond will be amended in the Clearing Member's cover account to expire in fourteen calendar days, or at an earlier date if the Clearing House so permits.

On expiry or cancellation, the performance bond is returned to the issuing bank by the Clearing House.

#### 4.144.15 Expiry

Overnight before the Termination Date of the performance bond its value will be deducted from the amount of cover available in the relevant Clearing Member's account.

#### 4.154.16 Triparty Service with Euroclear and Clearstream

##### 4.15.14.16.1 General Information

In order to lodge securities at the Clearing House using an ICSD Triparty arrangement, Clearing Members, the ICSD and the Clearing House must have completed and signed

the relevant documentation. Please contact Treasury Operations on +44 (0)207 426 7237 for more information.

Clearing members may execute a 'Triparty' trade denominated in Euro, Sterling or United States Dollars to cover initial margin requirements at the Clearing House. [Triparty instructions must be provided to the Clearing House via the Collateral Management system.](#)

Under the triparty arrangement beneficial ownership for all securities must belong to the clearing member.

The Clearing House recommends members prioritise Clearing House trades avoiding any cash calls. Cash calls in relation to deficits will be made on a separate buffer account within the Clearing House, this account will be set up for automatic repayment and will be interest bearing.

Clearing Members must use the relevant triparty forms found in the Appendices to this Section 4.

**Note:** In these procedures, "S" refers to the settlement day, "S-1" the working day before settlement day.

#### [4.15.24.16.2](#) Lodgement and increase procedure

	Last instruction deadline to the Clearing House for (London Time):	
	Euroclear Bank	Clearstream
Same day settlement	16.00	15.00
Next day settlement	16.00* (S-1)	15.00* (S-1)

\*The Clearing House will assume settlement of the transaction and include the amount in the Clearing Member's cover account for next day value only if the settlement instructions are matched by 17.30 (London time). The Clearing House will check that the transaction has been fulfilled by 08.00 on Settlement Date. Any shortfall will be called in cash via the PPS system and will not be returned the same day.

#### [4.15.34.16.3](#) Decrease and closing procedure

	Last instruction deadline to the Clearing House for (London Time):	
	Euroclear Bank	Clearstream
Same day settlement	16.00	15.00
Next day settlement	16.00 (S-1)	15.00 (S-1)

Sufficient cover:

Where the Clearing Member has sufficient cover available the release or closure of the triparty transaction will be processed the same day and the cover account balance of the Clearing Member will be decreased accordingly.

Insufficient cover:

Where the Clearing Member has insufficient cover to release the triparty transaction the cover account will be decreased overnight. The following morning the Clearing House will only release the triparty transaction after 09.00 when any PPS cash calls have been confirmed.

#### 4.17 Precious Metals

##### 4.17.1 General information

Only Clearing Members on LCH EnClear and/or HKMEx are eligible to provide precious metals as collateral to cover liabilities on those markets. Please refer to Sections 2E and 2I of these procedures.

Clearing Members may lodge Precious Metals in unallocated form via a London Precious Metals Clearing Ltd (LPMCL) Clearing Member (referred to as Collateral Agents in this procedure) by transferring to the LCH.Cleamnet Ltd Unallocated Precious Metals account:

- Barclays Bank plc (SWIFT BARCGB22PMD)
- a/c LCH Collateral Account
- a/c 32989

Once the Clearing House has converted it into allocated form, the Precious Metals can then be used as cover.

In these procedures, "S" refers to settlement day, "S-1" the business day prior to settlement day, "S+1" the business day after settlement day.

This service will not be operational on UK Bank Holidays.

Please refer Appendix 4M and 4N for information on Lodgement and Release forms.

##### 4.17.2 Lodgement Procedure

The Clearing Member should complete a separate Lodgement Form for each precious metal lodgement.

###### 4.17.2.1 Lodgement Form submitted on S

- (a) By 11:00 hours (London time) on S.

The Clearing Member must submit to the Clearing House a completed Lodgement Form (Appendix 4M) and ensure that a "pay" transfer instruction has been given to their

Collateral Agent to credit the Clearing House's Unallocated Precious Metals account with its Collateral Agent.

Lodgement forms will not be accepted after 11:00 hours (London time) on S for lodgement that day.

(b) By 16:00 hours.

If the lodgement is approved the Clearing House will enter an unallocated precious metals transfer instruction to the Clearing House Collateral Agent to receive the Unallocated Precious Metal.

Upon approval of the lodgement it is the Clearing Member's responsibility to ensure that their Collateral Agent has entered a transfer instruction to pay the Clearing House.

The cut off time to match the unallocated gold bullion is 16:00 hours.

(i) If the Clearing Member's transfer instruction fails to match the Clearing House's transfer instruction by 16:00, the Clearing House will withdraw its transfer instruction.

(c) Once the transfer instructions have been matched and the Precious Metal credited to the Clearing House's account its Collateral Agent will, by the end of the day, allocate the Precious Metal.

(i) Only upon completion of the allocation of the precious metal is value given overnight to cover margin liabilities on the following business day.

#### 4.17.3 Release Procedure

The Clearing Member should complete a separate Release Form for each precious metal release request.

##### 4.17.3.1 Release Form submitted on S-1

(a) By 15:30 hours (London time) the day prior to release date (S-1), the Clearing Member must submit to Treasury Operations a completed Release Form (Appendix 4N) and ensure that a "receipt" transfer instruction has been given to their Collateral Agent to receive Precious Metal from the Clearing House's Unallocated Precious Metals account for the next value date (S):

(b) The Clearing House will adjust the member's collateral based on their utilisation:

(i) Where the Precious Metal is utilised as margin cover, it may be released on S, provided that:

- The Clearing Member has submitted a completed Release Form to the Collateral teams by 15:30 hours S-1 day; and
- The Clearing House has received confirmation of any PPS Calls for cover from the PPS Banks and that all calls are met on S at 09:00.

#### 4.17.3.2 On S (Release day)

- (a) After 09:00 when any necessary overnight margin liabilities have been met, the Clearing House will submit transfer instructions to its Collateral Agent to credit the member's unallocated precious metals account as per details submitted in the Release form.
- (b) It is the Clearing Member's responsibility to ensure that its Collateral Agent matches this transfer as soon as possible.
  - (i) If members fail to submit their transfer instructions and match with the Clearing House by 16:00, the Unallocated Gold Bullion will remain in the Clearing House's Unallocated account.

#### 4.17.4 Precious Metal Substitutions

Clearing Members wishing to substitute their utilised Precious Metal for alternative collateral types should follow the standard Lodgement procedures for the new collateral types. The new collateral should be of equal or greater value than the Precious Metal the Clearing Member is wishing to withdraw. Following a successful Lodgement the Clearing House will withdraw the requested Precious Metal.

#### 4.17.5 Deliveries

Clearing Members wishing to deliver for settlement precious metals, which have been lodged as collateral, for a delivery will have to release the Precious Metals or perform a collateral substitution (cash or non-cash), as set out above. Clearing Members must familiarise themselves with the various options available and the timings that must be adhered to. Collateral Release Forms should be submitted **by latest 15:30 hours (London time)** on the day prior to delivery and Release. Failure to do so may result in the Clearing House being unable to release the Precious Metal in order for the Clearing Member to make delivery.

#### 4.17.6 Transfer and Custody fees

Clearing Members remain liable for any transfer and custody fees owed on the allocated precious metals held on the Clearing House account, as collateral with the Clearing House.

The Clearing House will invoice the custody fees associated with holding and allocating the unallocated precious metal to the Clearing member on a quarterly basis together with the unallocated precious metal transfer fees for both delivery and receipt.

The Clearing House invoices will be sent to members each quarter and will be called by PPS on the next business day.

#### 4.17.7 Special cases

##### 4.17.7.1 Suspension of Precious Metal:

The Clearing House may choose to limit the acceptance of certain types of Precious Metal from time to time as margin collateral at its discretion. Such limits may be based on precious metal source, type, location, brand or any other quality or characteristic that the Clearing House deems appropriate, which includes any characteristics of Clearing Member themselves.



If necessary the Clearing House will post a notice of the suspension/rejection on its website and the same procedure with regards to calling cover collateral as per Collateral substitution will be followed.

#### 4.17.8 Intraday margin calls

Intraday Margin calls will continue to be fulfilled using cash via PPS within 1 hour.

**APPENDIX 4A**

**PERFORMANCE BOND FORM**

Date: \_\_\_\_\_

From: \_\_\_\_\_

\_\_\_\_\_

On behalf of: \_\_\_\_\_

\_\_\_\_\_

Account: \_\_\_\_\_

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

Attention: LCH.Clearnet Limited Treasury Operations

Dear Sirs

**PERFORMANCE BOND NO.....**

1. At the request of [.....] (“Clearing Member”) and in consideration of LCH.Clearnet Limited (“the Clearing House”) confirming or continuing the membership of the Clearing Member on such basis as the Clearing House may determine we hereby undertake to pay to the Clearing House on the Clearing House’s written demand or demands from time to time without set-off or counterclaim or deduction such sum or sums (not exceeding in aggregate the amount and in the currency specified in the proviso below) as the Clearing House may certify in such demand as being any one or more of:
  - 1.1 a sum owed to the Clearing House by the Clearing Member and unpaid and/or the amount of any loss, damage, expense or cost of whatsoever nature suffered or incurred by the Clearing House as a result of the failure by the Clearing Member to pay any amounts due to the Clearing House, or
  - 1.2 the Clearing House’s estimate of the amount likely to become due following any default by the Clearing Member, or
  - 1.3 the balance finally established by the Clearing House as being due from the Clearing Member to the Clearing House and which is in excess of any principal amount already paid to the Clearing House by us together with (but without prejudice to our obligation to make prompt payment) interest at the Specified Rate from the date of receipt by us of demand until the date of payment.
  
- 2 Any demand or demands hereunder shall be in the form of the Schedule, as nearly as circumstances admit and amended as appropriate.



from time to time affecting the Clearing House's relations with the Clearing Member or by any act matter or thing which but for this provision might have operated to exonerate us as a surety.

- 6 The expression "Specified Rate" shall mean:-
- 6.1 in relation to an amount expressed in Sterling, the Base Rate for the time being of HSBC Bank Plc, and
- 6.2 in relation to an amount expressed in another currency, the day to day Bid Rate quoted by HSBC Bank Plc at or about 11.00 hours in London for overnight deposits of such currency in the London Interbank Market.
- 7 This undertaking shall be governed by and construed in accordance with English Law. The International Standby Practices (ICC Publication ISP 98) apply except to the extent of any inconsistency with the terms of this letter.

Full Name: \_\_\_\_\_

Position: \_\_\_\_\_

Signed: \_\_\_\_\_

- \* Insert 14.00 hours in London on specific termination date, if required. If no date is stated, the guarantee will remain in force until determined at 14.00 hours in London immediately after the expiry of 14 clear days' notice by us to the Clearing House in writing to that effect in accordance with paragraph 4.2.2 above.

**SCHEDULE****[On Clearing House Notepaper]**To: **[NAME OF BANK]****[ADDRESS PER PARA 4.4 OF BOND]**

Dear Sirs

**[NAME OF CLEARING MEMBER] (the "Clearing Member")****PERFORMANCE BOND NO [.....]**

1. We refer to your Performance Bond referenced above. Terms defined in the Performance Bond have the same meanings where used in this letter.
2. **[WHERE DEMAND MADE UNDER PARAGRAPH 1.1 OF BOND]**

We now demand payment of [currency/amount]. We certify that this represents a sum owing to the Clearing House by the Clearing Member which remains unpaid and/or the amount of any loss, damage, expense or cost of whatsoever nature suffered or incurred by the Clearing House as a result of the failure by the Clearing Member to pay any amounts due to the Clearing House.

AND/OR

**[WHERE DEMAND MADE UNDER PARAGRAPH 1.2 OF BOND]**

We now demand payment of [currency/amount]. This represents our estimate of the amount likely to become due following a default by the Clearing Member. We confirm that this amount represents an estimate and we undertake to repay to you the excess (if any) of the amount paid by you over the amount of the liability of the Clearing Member when finally established. Any such refund shall be paid together with interest in compliance with the terms of paragraph 3 of the Performance Bond.

AND/OR

**[WHERE DEMAND MADE UNDER PARAGRAPH 1.3 OF BOND]**

We now demand payment of [currency/amount]. We certify that this represents the balance finally established by the Clearing House as the amount due from the Clearing Member to the Clearing House which is in excess of any amount paid by you to the Clearing House pursuant to paragraph 1.2 of the Performance Bond.

3. Payment should be made to our account as follows:

Bank:

Address:

Clearing Code:

Account Number:

[Other details as appropriate]

Yours faithfully

For and on behalf of

| LCH-Clearnet Limited



**Guarantee (“Performance Bond”) Amendment Form**

[Bank’s Headed Paper]

Date:

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

Re: Guarantee No: [ ]  
 Date of Issue: [ ]  
 Amount: [ ]  
 On behalf of: [Insert the Clearing Member’s Name]  
 Account: [State “House” or “Client”]

In consideration of your continuing the membership of [ ] (the “Clearing Member”) on such basis as you may determine, we hereby agree to amendments to the terms of the above mentioned guarantee (the “Performance Bond”) as set out in this letter.

- \* Our maximum aggregate liability in respect of all demands under the Performance Bond, previously stated in the Performance Bond as [ ], shall be [increased] [decreased] to [ ], exclusive of interest due in respect of late payment by us.
- \* The period of our undertaking under the Performance Bond previously stated in the Performance Bond to terminate on [ ] shall be extended and such undertaking shall remain in force until [ ] unless otherwise terminated by notice as provided in the Performance Bond.
- \* The period of our undertaking under the Performance Bond previously stated in the Performance Bond to remain in force until 14 days’ notice by us shall terminate on the earlier of [ ] or upon 14 days notice by us as provided in the Performance Bond.
- \* The period of our undertaking under the Performance Bond previously stated in the Performance Bond to terminate on [ ] shall continue until the expiry of 14 days’ notice by us to you in writing to the effect that the Performance Bond shall expire upon the date specified in such notice. The amendments agreed between us and set out in this letter shall come into effect upon the date of your signing and returning the attached copy letter to us. This letter amends, supplements and shall be construed as part of the Performance Bond. Subject to the amendments set out in this letter, the Performance Bond shall remain in full force and effect.

This letter shall be governed by and construed in accordance with English law.

(\*) One or more of these paragraphs to be included as applicable.

Signed: .....



ON DUPLICATE

We have read the above letter and agree to its terms.

For and on behalf of LCH.Clearnet Limited

Signature: \_\_\_\_\_

Name/Position: \_\_\_\_\_

Date: \_\_\_\_\_


**APPENDIX 4C**

**CLIENT CONSENT FORM**

Client Consent Form can be found at the following link:

[http://www.lchclearnet.com/Images/Client%20Consent%20Form\\_tcm6-60957.pdf](http://www.lchclearnet.com/Images/Client%20Consent%20Form_tcm6-60957.pdf)

**CLIENT CONSENT FORM – TO BE REPLACED WITH CATCH-ALL FORM**

	<p><b>CLIENT CONSENT FORM</b> LCH.Clearnet Limited Ref No: 05403 Version 11: June 2009 (last amended June 2009)</p>												
<table border="1"> <thead> <tr> <th>CLEARING MEMBER</th> </tr> </thead> <tbody> <tr> <td>Name:.....</td> </tr> <tr> <td>House/Client Account#</td> </tr> <tr> <td>.....</td> </tr> <tr> <td>.....</td> </tr> <tr> <td>*Please delete as appropriate</td> </tr> </tbody> </table>	CLEARING MEMBER	Name:.....	House/Client Account#	.....	.....	*Please delete as appropriate	<table border="1"> <thead> <tr> <th>SECURITIES</th> </tr> </thead> <tbody> <tr> <td>Securities Description:.....</td> </tr> <tr> <td>.....</td> </tr> <tr> <td>Amount/Nominal Value:.....</td> </tr> <tr> <td>.....</td> </tr> <tr> <td>Clearing House Ref No: (from Lodgement Form):.....</td> </tr> </tbody> </table>	SECURITIES	Securities Description:.....	.....	Amount/Nominal Value:.....	.....	Clearing House Ref No: (from Lodgement Form):.....
CLEARING MEMBER													
Name:.....													
House/Client Account#													
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*Please delete as appropriate													
SECURITIES													
Securities Description:.....													
.....													
Amount/Nominal Value:.....													
.....													
Clearing House Ref No: (from Lodgement Form):.....													

**NB. If you require any explanation as to the legal effect of this form and/or the terms of any security which the Clearing Member may, from time to time, have granted in favour of the Clearing House to secure its obligations to the Clearing House, or which the Clearing House or Clearing Member may from time to time have granted to the operator of any depository, securities clearing or settlement system to secure obligations due to such operator, you should seek independent legal advice**

**To the above-named Clearing Member ("the Clearing Member") and to LCH.Clearnet Limited ("the Clearing House")**

We represent as follows:-

The Clearing Member has entered into a charge in favour of the Clearing House (the "Charge") over one or more securities accounts. The effect of the Charge is that any securities placed in such accounts (the "Specified Securities") shall be immediately charged to the Clearing House in order to secure all monies due or owing by the Clearing Member to the Clearing House under any account maintained by it with the Clearing House or under the Clearing House Rulebook (the "Secured Obligations").

The Charge shall extend both to Specified Securities and to all rights, benefits and proceeds attaching to or arising from Specified Securities, and such rights may not be varied except with the written agreement of the Clearing House. Once securities have become Specified Securities, they will remain so until they are discharged by written agreement of the Clearing House.

The Clearing Member is hereby authorised to use and dispose of the abovementioned securities (the "Securities") as if it were the owner thereof. The purpose of this grant is to enable the Clearing Member to grant security over the Securities to the Clearing House under the Charge in respect of the Secured Obligations, so that they become Specified Securities. We agree that the Securities shall be free of any adverse interest of ours or of any other person whilst they are subject to the Charge.

As at the date of this grant, we are entitled to the entire beneficial interest in the Securities, save for any security from time to time permitted by the Clearing House in favour of the Clearing Member or any other person, and the Securities are not subject to any trust, sale agreement or security.

We acknowledge and consent that:

if there occurs a default by the Clearing Member in its obligations to the Clearing House or some other material event in relation to the Clearing Member (each "**the Clearing Member's default**"), the Clearing House may sell or otherwise dispose of the Securities and apply the proceeds in or towards satisfaction of the Clearing Member's obligations to the Clearing House;

all transactions between the Clearing Member and the Clearing House are effected by the Clearing Member and the Clearing House as principals, and no account will be taken by the Clearing House of any commercial interest we have in any transaction;

the Clearing Member's obligations to the Clearing House which are secured by the Charge are not directly related to our obligations to the Clearing Member (or any other person) and may in part reflect obligations to the Clearing Member or persons with which the Clearing Member is affiliated;

on the Clearing Member's default, the Clearing House may well enforce the Charge before resorting to any guarantee or letter of credit provided to the Clearing House in relation to the Clearing Member's obligations to the Clearing House and irrespective of whether or not we have satisfied our obligations to the Clearing Members (or any other person);

the Clearing House may remit to the Clearing Member (and not to us) any interest or other accrual on the Securities; and

the Securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities or similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator – and in particular we consent to the Securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No 62 of 100 November 1967 promoting the circulation of securities as amended from time to time.

We shall not seek directly or indirectly to prevent the Clearing House from protecting or enforcing the Charge.

The agreement here recorded is governed by, and this document is to be construed in accordance with English law.

**NOTE:** ~~When executed by a corporate entity the signatories for such entity must sign on this page and on page 2.~~

~~When executed by an individual such individual and the witness to his/her signature must also sign on this page and on page 2.~~

~~Signatory:.....~~

~~Signatory:.....~~



CLIENT CONSENT FORM

LCH.Clearnet Limited Ref No: 05402

Version 11: June 2009 (last amended June 2009)

CLEARING MEMBER

Securities Description .....

A EXECUTION BY CORPORATE ENTITIES

The signature of two representatives authorised to execute on behalf of, and to bind the Company is required. Where it is not possible for both signatories to sign at the same time, Section C Witness below must be completed when the second signatory executes this document.

1 Signature of director (or equivalent officer in the case of a non-UK company):

2 Signature of director or secretary (or equivalent officer in the case of a non-UK Company):

.....

.....

Date: .....

Date: .....

Position held by Signatory:

Position held by Signatory:

.....

.....

Print Name of Signatory:

Print Name of Signatory:

.....

.....

For: ..... (Client)

Registered Address of Client: .....

.....

Registered Number of official identification: .....

B EXECUTED BY INDIVIDUALS

Signature: .....

Full Postal Address: .....

Print Name: .....

.....

Date: .....

.....

<b>C</b>	<p><b>WITNESS</b></p> <p><del>This section must be completed by an independent witness (not being an employee of the Client or Clearing Member) if execution of this document is by an individual or where representatives of a corporate identity have not signed at the same time if executed by representatives of a corporate entity.</del></p> <p>Signature of Witness:.....</p> <p>Print name:.....</p> <p>Occupation/Position.....</p> <p>Full Postal Address:.....</p> <p>.....</p> <p>.....</p>
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**APPENDIX 4D**

**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM**

**EUROCLEAR**

Version 1: July 2007

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From Clearing Member (full name) .....

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of The Clearing Member

1. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

2. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4E**

**CONTINGENY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY AMENDMENT FORM**

**EUROCLEAR**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name) \_\_\_\_\_

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4F**

**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING FORM**

**EUROCLEAR**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name) \_\_\_\_\_

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_



**APPENDIX 4G**

**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM**

**CLEARSTREAM**

Version 1: July 2007

To LCH.Clearnet Limited (“the Clearing House”)

LCH.Clearnet Limited Ref No:

From Clearing Member (full name) .....

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4H**

**CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY AMENDMENT FORM**

**CLEARSTREAM**

Version 1: May 2007

To LCH.Clearnet Limited (“the Clearing House”)

From Clearing Member (full name) \_\_\_\_\_

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4I**

**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING FORM**

**CLEARSTREAM**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name) .....

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4J**

**CONTINGENCY COLLATERAL LODGEMENT FORM**



**CONTINGENCY COLLATERAL LODGEMENT FORM**

Version 1: December 2011

To: LCH.Clearnet Limited (the "Clearing House")

LCH.Clearnet Limited Ref No:

From: Clearing Member (full name) .....

**House/Client/Buffer\*** Mnemonic: ..... **\*Please delete as appropriate**

We are/A client is\* entitled to the entire beneficial interest in these securities. (If a client is entitled to the entire beneficial interest, a Client Consent Form must be completed by the client and submitted to the Clearing House.)

**\*Please delete as appropriate**

Beneficial Owner Name (full name) \_\_\_\_\_

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: Depository/Agent \_\_\_\_\_  
 (for US Securities, Broker Code): \_\_\_\_\_  
 Account Holder: \_\_\_\_\_  
 Account Number: \_\_\_\_\_  
 Beneficial Owner Italian Tax ID: \_\_\_\_\_  
 Delivery to: \_\_\_\_\_

BONY (US Owners)	BONY (Non-US Owners)	Citibank (US Owners)	Citibank (Non-US Owners)	Euroclear Bank (Global)	Euroclear Bank (Italian)	Euroclear UK & Ireland (Crestco)
735136	735137	090401	090372	91205	91737	5165

Signatories for and on behalf of the Clearing Member:

1. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

2. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

Date: \_\_\_\_\_



**APPENDIX 4K**

**CONTINGENCY COLLATERAL RELEASE FORM**



**CONTINGENCY COLLATERAL  
RELEASE FORM**

Version 1: February 2011

To: LCH.Clearnet Limited ("the Clearing House")

From: Clearing Member (full name): .....

House/Client Account\* Mnemonic: ..... \* Please delete as appropriate

We hereby request you to release the securities described below.

Security Code Number(e.g. . ISIN )	Delivery Date	Trade Date	Amount/Nominal Value(Issue - Coupon - Maturity)	Description of Security

The Clearing House Ref No: ..... (from lodgement form)

Delivery to: Depository/Agent

US Securities, Broker Code

Account Holder

Account Number

Signatories for and on behalf of the Clearing Member:

1

.....  
(Signature) (Print Name) (Position)

2

.....  
(Signature) (Print Name) (Position)

Date

To: THE ABOVE-NAMED CLEARING MEMBER

The release of the above-mentioned securities is agreed.

For and on behalf of

LCH.Clearnet Limited: Date: ..... Time: .....

(Authorised Signatory):

**APPENDIX 4L****LCH.CLEARNET ACCOUNTS FOR DELIVERY OF MARGIN COLLATERAL-EXCLUDING FCM CLIENT**

	Margin Collateral-Excluding FCM Client						
	Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
	735136	735137	090401	090372	91205	91737	5165
Australia					X		
Austria					X		
Belgium					X		
Canada					X		
Denmark					X		
EUR Agencies					X		
Finland					X		
France					X		
Germany					X		
Italy						X	
Japan					X		
Luxembourg					X		
Netherlands					X		
Norway					X		
Spain					X		
Sweden					X		
United Kingdom							X
United States	X	X	X	X			
US Agencies	X	X	X	X			

**APPENDIX 4M**

**PRECIOUS METAL COLLATERAL LODGEMENT FORM**



**Precious Metal Collateral Lodgement Form**

Version 11: April 2011

LCH.Clearnet Limited Ref No: \_\_\_\_\_

To: LCH.Clearnet Limited (the "Clearing House")

From Clearing Member (full name):

:

House/Client Account\*

Mnemonic: \_\_\_\_\_

*\*Please delete as appropriate*

We are entitled to the entire beneficial interest in the Precious Metal described below and wish to provide it by way of security for the arrangements described in this Lodgment Form

We acknowledge that (i) the Precious Metals may be held by the Clearing House in an unallocated account and/or through an allocated account via vault of the Clearing House held with or through an institution ("LPMCL Precious Metals Agent") which is a member of London Precious Metals Clearing Limited ("LPMCL"). (ii) the Precious Metals may be held subject to the terms of AURUM (the electronic matching and settlement system operated by LPMCL). (iii) the Clearing House has no responsibility for the performance of, or any default on the part of, any such LPMCL Precious Metals Agent, LPMCL or any associated custodian, system or operator and (iv) we consent to the Precious Metals being held in or through an unallocated and/or allocated account on the terms just described.

<u>Description of Precious Metal</u>	<u>Weight Oz (round 400oz lots, minimum 10.000oz)</u>	<u>Lodgement date</u>	<u>Member Ref</u>

<u>AURUM Client name</u>	<u>AURUM Client ID</u>	<u>AURUM Client Account Ref</u>	<u>AURUM members Clearer ID</u>

<u>AURUM account details</u>	
<u>Clearing House Account No</u>	<u>To Barclays Bank plc (SWIFT BARCGB22PMD) a/c LCH Collateral Account a/c 32989</u>

Signatories for and on behalf of the Clearing Member:

1. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

2. \_\_\_\_\_  
 (Signature) (Print Name) (Position)

Date: \_\_\_\_\_

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

We accept the Precious Metal as "Charged Property" transferred to us under the Charge over Precious Metals which you have executed in our favour and, where necessary or appropriate for these purposes, the Precious Metal shall be included in the Schedule to the Form of Charge over Precious Metals as Charged Property in order to complete the collateral arrangements.


For and on behalf of LCH Clearnet Limited      Date: \_\_\_\_\_      Time: \_\_\_\_\_

(Authorised Signatory): \_\_\_\_\_

25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA



**APPENDIX 4N**

	<p><b>Precious Metal Collateral Release Form</b></p> <p style="text-align: right;">Version 11: April 2011</p> <p>LCH.Clearnet Limited Ref No: _____</p>								
<p>To: <u>LCH.Clearnet Limited (the "Clearing House")</u></p>									
<p>From: <u>Clearing Member (full name):</u> :</p>									
<p><b>House/Client Account*</b></p>	<p><b>Mnemonic:</b> _____ <small>*Please delete as appropriate</small></p>								
<p><u>We hereby request you to delete the Precious Metal described below from The Schedule of the Charge over Precious Metals which we have executed in your favour.</u></p>									
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Description of Precious Metal</th> <th style="width: 25%;">Weight Oz (round 400oz lots, minimum 10,000oz)</th> <th style="width: 25%;">Release date</th> <th style="width: 25%;">Member Ref</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Description of Precious Metal	Weight Oz (round 400oz lots, minimum 10,000oz)	Release date	Member Ref					
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AURUM Client name	AURUM Client ID	AURUM Client Account Ref	AURUM members Clearer ID						
<p><b>AURUM account details</b></p>									
<p><u>Clearing House Account No</u></p>	<p><u>To Barclays Bank plc (SWIFT BARCGB22PMD)</u> <u>a/c LCH Collateral Account</u> <u>a/c 32989</u></p>								
<p>Signatories for and on behalf of the Clearing Member:</p> <p>1. _____ (Signature) (Print Name) (Position)</p> <p>2. _____ (Signature) (Print Name) (Position)</p> <p>Date: _____</p>									
<p>To: <b>THE ABOVE-NAMED CLEARING MEMBER</b></p> <p><u>The deletion of the above-mentioned Precious Metal from The Schedule of the Charge over Precious Metals which you have executed in our favour is agreed.</u></p> <p>For and on behalf of LCH Clearnet Limited Date: _____ Time: _____</p> <p>(Authorised Signatory): _____</p> <p>Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA Recognised as a Clearing House under the Financial Services and Markets Act 2000. LCH.CLEARNET LIMITED COPY</p>									

**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 Sections 3 and 4, concerning the provision of precious metals as margin collateral and changes to the Collateral Management system, comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of May 2, 2012

By: \_\_\_\_\_

PP Name: Lisa Rosen

Title: Group Head of Compliance and Public Affairs

LCH.Clearnet Limited