



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


19 July 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 +44-207-426-7285 or at jay.iyer@lchclearnet.com.

Yours sincerely


PP Jay Iyer
CCO, LCH.Clearnet Limited

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:**

- **General Regulations: Schedule to the ForexClear Regulations**
- **Clearing House Procedures Section 2K**
- **FCM Regulation Schedule B**
- **FCM Procedures section 2B**

Submitted: July 19th, 2012

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

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 Regulations and Procedures. The amended Regulations and Procedures will be implemented and become effective on August 3rd, 2012.

LCH.Clearnet will also be submitting a filing under CFTC Regulation §39.5 in relation to mandatory clearing determination.

Part I: Explanation and Analysis

The operation, purpose and effect of the amendments to the Regulations and Procedures is to extend the coverage of the existing ForexClear service for clearing non-deliverable FX forwards (NDFs) to five additional currency pairs.

In addition to the six currency pairs already cleared, the effect of these amendments will be to add the following currency pairs to the ForexClear NDF service (in the format 'reference currency - settlement currency'):

- COP/USD (Colombian peso/US dollar)
- IDR/USD (Indonesian rupiah/US dollar)
- MYR/USD (Malaysian ringgit/US dollar)
- PHP/USD (Philippine peso/US dollar)
- TWD/USD (Taiwan dollar/US dollar)

General Regulations

The Schedule to the ForexClear Regulations is being amended to insert reference to the new currency pairs listed above (Part A, 3.2) and to insert the new currency pairs into the Product Eligibility Criteria (part B, 2).

Similar changes have been made to the corresponding paragraphs of Schedule B to the FCM Regulations.

Blacklined versions of the General Regulations and FCM Regulations are attached as Exhibits A-1 and A-2 respectively.

Clearing House Procedures

Section 2K of the Procedures, which covers ForexClear, will be amended to include the new currency pairs and to make some minor clarifications to other rules. Corresponding changes have also been made to the FCM Procedures as indicated.

Section 2K.3.3.1 has been amended to clarify validation requirements and include details for the new currency pairs. (FCM Procedures 2B.8.1)

LCH.Clearnet Rule Submission

Sections 2K.3.7 and 2K.4.3 will be amended to extend the table of Settlement Rate Options and Settlement Rate Publication Local Times to include the new currency pairs (FCM Procedures 2B.8.7 and 2B.9.3)

Section 2K.4.6 will be amended to add the new countries to the list of credit spreads monitored (FCM Procedures 2B.9.6).

Section 2K.5.5 and 2K.5.6 will be amended to clarify terminology about the margin model and multipliers. (FCM Procedures 2B.11)

A non-substantive change will be made to section 2K.7.6 to correct a reference (FCM Procedures 2B.20.6).

Blacklined versions of the Procedures and FCM Procedures are attached as Exhibits A-3 and A-4 respectively.

Part II: Certification by LCH.Clearnet

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the amendments the Clearing House Regulations and 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. 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.

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
Schedule to the ForexClear Regulations

SCHEDULE TO THE FOREXCLEAR REGULATIONS**Part A
ForexClear Contract Terms**

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

- (1) Interpretation;
- (2) Economic Terms; and
- (3) Standard Terms, being both the:
 - A. Specific Standard Terms; and
 - B. General Standard Terms

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

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

1. Interpretation (“Interpretation”)

- 1.1. **“ISDA Definitions”** means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), the Emerging Markets Trade Association (“EMTA”) and The Foreign Exchange Committee (“FXC”) and the same are incorporated by reference herein.
- 1.2. Words and expressions used in these ForexClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3. In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.
- 1.4. References in the ISDA Definitions to an “FX Transaction” shall be deemed to be references to a “ForexClear Transaction” for the purposes of ForexClear.
- 1.5. Except where expressly stated otherwise, all reference to “Sections” means Sections in the ISDA Definitions.
- 1.6. In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the ForexClear Clearing Members, give directions as to whether such amendment shall apply to ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).
- 1.7. Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to ForexClear Contracts going forward, these ForexClear Contracts shall

continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with ForexClear Contracts registered in a ForexClear Clearing Member's name prior to the time such amendment comes into effect.

- 1.8. The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

- 2.1. The Economic Terms of a ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding ForexClear Transaction.

- 2.2. The particulars of a ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:

- (1) Trade Date (Section 1.25)
- (2) Forward Rate (Section 2.1(a))
- (3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD
- (4) Reference Currency Buyer (Section 1.20)
- (5) Reference Currency Seller (Section 1.22)
- (6) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)
- (7) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).

- 2.3. However, as set out more particularly in Regulation 105, where the ForexClear Transaction specifies a ForexClear Clearing Member as the Reference Currency Seller, with the other ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each ForexClear Contract to which it is party pursuant to the corresponding ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such ForexClear Contract, respectively.

3. Specific Standard Terms ("Specific Standard Terms")

The following terms are designated as Specific Standard Terms of a registered ForexClear Contract:

- 3.1. The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA (www.emta.org or any successor website on the relevant Trade Date) (each an "EMTA Template")), governs the terms of a ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

3.2. In the format “Reference Currency – Settlement Currency”, the Currency Pairs are

- (1) BRL-USD
- (2) CLP-USD
- (3) CNY-USD
- (4) INR-USD
- (5) KRW-USD
- (6) RUB-USD
- (7) COP-USD
- (8) IDR-USD
- (9) MYR-USD
- (10) PHP-USD
- (11) TWD-USD

3.3. Certain Specific Standard Terms of each ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each ForexClear Contract:

- (1) Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

- (2) Reference Currency (Section 1.19):

To be determined by using the EMTA Template appropriate to the particular Currency Pair.

Calculation Agent (Section 1.3):

- (3) The Clearing House is the Calculation Agent.

3.4. If the terms of an EMTA Template conflict with these ForexClear Contract Terms, these ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

4. **General Standard Terms (“General Standard Terms”)**

The following terms are designated as General Standard Terms of a registered ForexClear Contract:

4.1. **Business Days**

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear Contract.

4.2. Withholding Tax Provisions

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

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

4.3. Payment of Stamp Tax

Each ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("Stamp Tax Jurisdiction") or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any ForexClear Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.

4.4. Payments under a ForexClear Contract

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

4.5. Regulations

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

4.6. Governing Law

Each ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent

jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

4.7. Third Party Rights

A person who is not a party to this ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**Part B
Registration of a ForexClear Contract - Product Eligibility Criteria**

1. Registration of a ForexClear Contract

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

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for a ForexClear Transaction;
- (b) each party to the transaction is either (i) a ForexClear Dealer or (ii) a ForexClear Clearing Member who has not been declared a defaulter by the Clearing House;
- (c) the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

2. Product Eligibility Criteria for a ForexClear Contract

Instrument	Non-Deliverable FX Transaction
Economic Terms	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
Reference Currency	One of
	1. BRL - Brazilian Real,
	2. RUB - Russian Rouble,
	3. INR - Indian Rupee,
	4. CLP - Chilean Peso,
	5. CNY - Chinese Yuan, ¥
	6. KRW - South Korean Won, ₩
	<u>7. COP – Colombian Peso,</u>
	<u>8. IDR – Indonesian Rupiah,</u>
	<u>9. MYR – Malaysian Ringgit,</u>
	<u>10. PHP – Philippine Peso, or</u>
	<u>11. TWD – Taiwan Dollar.</u>
Valuation Date	A valid Business Day for the Currency Pair to which the ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
Settlement Date	A date falling:

	A. not earlier than the date falling three business days immediately following the Submission Date; and
	B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template
Settlement Type	Non-Deliverable
Settlement Currency	USD
Calculation Agent	The Clearing House

Exhibit A-2
Schedule B to the FCM Regulations

SCHEDULE B – FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA

Part A

FCM ForexClear Contract Terms

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

- (1) Interpretation;
- (2) Economic Terms; and
- (3) Standard Terms, being both the:
 - A. Specific Standard Terms; and
 - B. General Standard Terms

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

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

1. Interpretation (“Interpretation”)

- 1.1 “ISDA Definitions” means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), the Emerging Markets Trade Association (“EMTA”) and The Foreign Exchange Committee (“FXC”) and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these FCM ForexClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the FCM Regulations and the FCM Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to an “FX Transaction” shall be deemed to be references to an “FCM ForexClear Transaction” for the purposes of the FCM ForexClear Service.
- 1.5 Except where expressly stated otherwise, all reference to “Sections” means Sections in the ISDA Definitions.
- 1.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the FCM ForexClear Clearing Members, give directions as to whether such amendment shall apply to FCM ForexClear Contracts with immediate effect or

with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to FCM ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).

- 1.7 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear Contracts going forward, these FCM ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear Contracts registered in a FCM ForexClear Clearing Member's name prior to the time such amendment comes into effect.
- 1.8 The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

- 2.1 The Economic Terms of an FCM ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear Transaction.
- 2.2 The particulars of an FCM ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:
- (1) Trade Date (Section 1.25)
 - (2) Forward Rate (Section 2.1(a))
 - (3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD
 - (4) Reference Currency Buyer (Section 1.20)
 - (5) Reference Currency Seller (Section 1.22)
 - (6) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)
 - (7) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).
- 2.3 However, as set out more particularly in FCM Regulation 40, where the FCM ForexClear Transaction specifies an FCM ForexClear Clearing Member as the Reference Currency Seller, with the other FCM ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each FCM ForexClear Contract to which it is party pursuant to the corresponding FCM ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such FCM ForexClear Contract, respectively.

3. Specific Standard Terms (“Specific Standard Terms”)

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

- 3.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA (www.emta.org or any successor website on the relevant Trade Date) (each an "EMTA Template")), governs the terms of an FCM ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.
- 3.2 In the format "Reference Currency – Settlement Currency", the Currency Pairs are
- (1) BRL-USD
 - (2) CLP-USD
 - (3) CNY-USD
 - (4) INR-USD
 - (5) KRW-USD
 - (6) RUB-USD
 - (7) COP-USD
 - (8) IDR-USD
 - (9) MYR-USD
 - (10) PHP-USD
 - (11) TWD-USD
- 3.3 Certain Specific Standard Terms of each FCM ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:
- (1) Date of Annex A (Section 4.2):
Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.
 - (2) Reference Currency (Section 1.19):
To be determined by using the EMTA Template appropriate to the particular Currency Pair.
Calculation Agent (Section 1.3):
 - (3) The Clearing House is the Calculation Agent.
- 3.4 If the terms of an EMTA Template conflict with these FCM ForexClear Contract Terms, these FCM ForexClear Contract Terms shall prevail. If the terms of an EMTA

Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

4. General Standard Terms (“General Standard Terms”)

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

4.1 Business Days

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract.

4.2 Withholding Tax Provisions

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

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

4.3 Payment of Stamp Tax

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

4.4 Payments under an FCM ForexClear Contract

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

4.5 FCM Regulations

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

4.6 Governing Law

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

4.7 Third Party Rights

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

Part B

Registration of an FCM ForexClear Contract - Product Eligibility Criteria

1. Registration of an FCM ForexClear Contract

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

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

2. Product Eligibility Criteria for an FCM ForexClear Contract

Instrument	Non-Deliverable FX Transaction
Economic Terms	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
Reference Currency	One of
	1. BRL - Brazilian Real,
	2. RUB - Russian Rouble,
	3. INR - Indian Rupee,
	4. CLP - Chilean Peso,
	5. CNY - Chinese Yuan, ¥
	6. KRW - South Korean Won ₩
	<u>7. COP- Colombian Peso.</u>
	<u>8. IDR – Indonesian Rupiah.</u>
	<u>9. MYR – Malaysian Ringgit.</u>
	<u>10. PHP – Philippine Peso, or</u>
	<u>11. TWD – Taiwan Dollar.</u>
Valuation Date	A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
Settlement Date	A date falling:
	A. not earlier than the date falling three business days

	immediately following the Submission Date; and
	B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template
Settlement Type	Non-Deliverable
Settlement Currency	USD
Calculation Agent	The Clearing House

Exhibit A-3
Clearing House Procedures section 2K

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2K. INTRODUCTION AND INTERPRETATION

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Any terms not defined in these Procedures have the definitions given to them in the Rulebook.

References to “Sections” shall mean Sections in these Procedures.

References to “Business Day”, “Calculation Agent”, “Currency Pair”, “Disruption Fallback”, “Notional Amount”, “Reference Currency”, “Scheduled Valuation Date”, “Settlement Currency”, “Settlement Currency Amount”, “Settlement Date”, “Settlement Rate”, “Settlement Rate Option”, “Trade Date”, “Valuation Date”, “Valuation Postponement” shall carry the meanings given to them in the Schedule to the ForexClear Regulations with respect to the relevant Currency Pair.

References to “business day” shall carry the meaning given to it in the Rulebook.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 39, which applies to these Procedures in its entirety unless provided otherwise.

2K.1 USERS OF FOREXCLEAR

The ForexClear Service is an interface that processes and stores all ForexClear Transactions. Those authorised by the Clearing House to submit trades (as defined below) for clearing in the ForexClear Service fall into two categories – ForexClear Clearing Members (“**FXCCMs**”) and ForexClear Dealers (“**FXDs**”). FXCCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the ForexClear Service. FXDs are not FXCCMs, but have met the criteria for registration as a ForexClear Dealer and have entered into a ForexClear Dealer Clearing Agreement with an FXCCM and the Clearing House. FXCCMs and FXDs are collectively known as ForexClear Participants (“**FXPs**”). For membership procedures, please see Section 1 of the Procedures.

For identification purposes each FXCCM is assigned a unique three-character mnemonic.

2K.1.1 Termination of FXCCM Status

Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; membership@lchclearnet.com) for details of how to resign from the ForexClear Service.

2K.1.2 Termination of FXD Status

The ForexClear Dealer Agreement and Regulation 107 set out how the FXD relationship may be terminated.

2K.2 SERVICE SCOPE**2K.2.1 Eligibility**

Non-Deliverable FX Transactions as defined in Schedule A to the ForexClear Regulations ("**NDFs**") may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the ForexClear Eligibility Criteria (as set out in Part B of the Schedule to the ForexClear Regulations).

2K.2.2 Service Operating Hours**2K.2.2.1 Opening Days**

The ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.

2K.2.2.2 Opening Hours

The ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning ("**Opening Hours**"). The ForexClear Service will not accept ForexClear Transactions outside of these hours.

2K.2.3 Account Structure**2K.2.3.1 FXCCMs**

- (a) The ForexClear Service provides each FXCCM with (i) a single house position-keeping account with the account code "H"; (ii) a financial account associated with the house position-keeping account; and (iii) a separate financial account for each FXCCM's ForexClear Default Fund Contribution with the account code "F".
- (b) The FXCCM's single financial account is used to record cash balances, liabilities, and securities/documentary credits.
- (c) The FXCCM's house position-keeping account, as described in Regulation 5 and Regulation 103(f), is for house business.
- (d) Sub-accounts within the FXCCM's house position-keeping account may be set up (e.g. for branches or FXDs). Each such sub-account will carry the unique Bank Identifier Code ("**BIC**") of the relevant branch/FXD (please see Section 2.3.2 below).
- (e) Sub-accounts within the FXCCM's house position-keeping account will be associated with the single financial account of the FXCCM and information contained across the house position-keeping sub-accounts is consolidated into the single financial account of each FXCCM.

2K.2.3.2 FXDs and Branches

- (a) Where an FXCCM enters into a ForexClear Dealer Clearing Agreement with an FXD, submission of a static data form to LCH will allow it to be provided with one or more sub-accounts for that FXD (for

position-keeping purposes) within that FXCCM's house position-keeping account. The ForexClear Dealer Clearing Agreement enables an FXD to nominate the "Designated Offices" (i.e. BICs) through which it may submit ForexClear Transactions.

- (b) Submission of a static data form to LCH's membership department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that FXCCM's house position-keeping account.
- (c) Because the single financial account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs (if applicable) and/or per branch (if applicable) will be provided as an estimate.

2K.2.3.3 Novation and Registration

- (a) An NDF is a ForexClear Transaction (i.e. eligible for registration as a ForexClear Contract) if it satisfies the ForexClear Eligibility Criteria (set out at Part B of the Schedule to the ForexClear Regulations) at the Registration Time.
- (b) The ForexClear Service will register ForexClear Transactions submitted during the Opening Hours, provided that all FXCCMs have sufficient cover for their Liabilities (as defined in Section 6.2) at the time of the relevant Margin Run.
- (c) If any FXCCM does not have sufficient cover for its Liabilities at the time of the relevant Margin Run, then the registration of ForexClear Transactions will be suspended until sufficient cover is provided or until the FXCCM's portfolio risk is reduced by the FXCCM submitting for registration risk reducing ForexClear Transactions.
- (d) Once the ForexClear Transaction has passed the Validation Checks (as defined in Section 3.3.1) and the required cover has been provided by the relevant FXCCMs, the Clearing House will send, via the ForexClear Matcher, a message confirming the registration of the ForexClear Transaction as a ForexClear Contract and including a timestamp of the relevant registration time. For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "**Registration Time**" of that ForexClear Contract.
- (e) The definitive report of the registered ForexClear Contract will be shown on the "All Open Contracts" report issued by ForexClear Reporting (as defined in Section 7).
- (f) If an FXCCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FXCCMs will continue to be registered (assuming sufficient cover for their Liabilities has been provided).

2K.3 TRADE MANAGEMENT

2K.3.1 Trade Capture

After the execution of an NDF (a "**trade**"), each FXP who is a party to the trade will submit individual instructions to the ForexClear Matcher for matching and clearing of the trade. FXPs are not required to submit a confirmation of any trade submitted to the Clearing House for registration. Submission of the matched trade terms through the ForexClear Matcher will ensure that the agreed terms of the trade are recorded.

Once the ForexClear Matcher receives the trade instructions from the FXPs who are parties to the trade, the ForexClear Matcher matches both instructions. The ForexClear Matcher validates the trade using the ForexClear Eligibility Criteria and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as a "**ForexClear Transaction**". Once the Clearing House receives the ForexClear Transaction message, it will send a message of acknowledgement back via the ForexClear Matcher to each FXP that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the ForexClear Eligibility Criteria (as per Section 3.3) are rejected. Rejections are reported back to the counterparties through the ForexClear Matcher.

The Clearing House will provide ForexClear Transaction/ForexClear Contract (as applicable) updates as and when these change e.g. for acceptance, rejection and novation.

2K.3.2 The ForexClear Matcher

FXCCMs must not submit instructions to the Clearing House for trades which will not meet the ForexClear Eligibility Criteria. The Clearing House will register a ForexClear Transaction on the basis of the data provided to it by the ForexClear Matcher and has no obligation to verify that the details received from the ForexClear Matcher in respect of a ForexClear Transaction properly reflect the trade entered into by the relevant FXCCMs.

The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any ForexClear Transaction reported to it for registration by the ForexClear Matcher. The Clearing House shall have no liability in the event that any FXCCM suffers any loss through the unauthorised input of details into a system of a ForexClear Matcher.

Notwithstanding the designation by the Clearing House of a system as a ForexClear Matcher, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any ForexClear Matcher or the timeliness or otherwise of the delivery of any ForexClear Transaction details by that ForexClear Matcher to the Clearing House. Such matters form part of the relationship between the FXCCM and the ForexClear Matcher and the terms of such relationship may entitle the ForexClear Matcher to suspend the ability of an FXCCM to make submissions from time to time.

The Clearing House accepts no liability for any error within or corruption of any data sent by the ForexClear Matcher to the Clearing House or to an FXCCM or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any ForexClear Contract(s) on the basis of incorrect or corrupted data sent to it by a ForexClear Matcher, the FXCCM(s) concerned shall be bound by the terms of such ForexClear Contract(s), unless the ForexClear Contract is subsequently cancelled in accordance with Regulation 104 or 106.

2K.3.3 Trade Validation and Registration

2K.3.3.1 Process Flow Description

- (a) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the ForexClear Eligibility Criteria and the Counterparty Validation Check (as defined below) required for ForexClear Transactions (together the "**Validation Checks**").
- (b) The fields checked are as follows:
- (i) **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the "**Counterparty Validation Check**");
 - (ii) **Trade type:** is the instrument type an NDF?
 - (iii) **Economic Terms:** does the trade include all the Economic Terms (as defined in the Schedule to the ForexClear Regulations)?
 - (iv) **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in the Schedule to the ForexClear Regulations)?
 - (v) **Settlement Currency:** is the Settlement Currency USD?
 - (vi) **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the "**Submission Date**") and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the ForexClear Transaction arrives after the ForexClear date roll (22.00 local London time), the Submission Date is defined as the next good business day.
 - (vii) **Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the ForexClear Transaction relates? Does the Settlement Date fall on a ~~specified number of Business Days~~Day after the Valuation Date ~~(the "Number of Business Days")~~? The

table below shows the relevant Business Days for determining the Valuation Date and the Settlement Date⁴ and the Number of Business Days:¹

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date	Number of Business Days
USD-BRL	BRL & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	USD	New York City	2
USD-RUB	USD & RUB	New York and Moscow	USD	New York City	1
USD-INR	INR	Mumbai	USD	New York City	2
USD-CLP	USD & CLP	New York and Santiago	USD	New York City	2 ²
USD-CNY	CNY	Beijing	USD	New York City	2
USD-KRW	KRW	Seoul	USD	New York City	2
<u>USD-COP</u>	<u>USD & COP</u>	<u>New York and Bogota</u>	<u>USD</u>	<u>New York City</u>	
<u>USD-IDR</u>	<u>IDR & SGD</u>	<u>Jakarta and Singapore</u>	<u>USD</u>	<u>New York City</u>	
<u>USD-MYR</u>	<u>MYR & SGD</u>	<u>Kuala Lumpur and Singapore</u>	<u>USD</u>	<u>New York City</u>	
<u>USD-PHP</u>	<u>PHP</u>	<u>Manila</u>	<u>USD</u>	<u>New York City</u>	
<u>USD-TWD</u>	<u>TWD</u>	<u>Taipei</u>	<u>USD</u>	<u>New York City</u>	

- (c) Trades that pass the Validation Checks are accepted and two trade records are created for the ForexClear Transaction: one for the ForexClear Contract between the Clearing House and the first FXCCM to the ForexClear Transaction and the other for the ForexClear Contract between the Clearing House and the second FXCCM to the ForexClear Transaction.
- (d) Provided each FXCCM has sufficient cover, the Clearing House will send a message via the ForexClear Matcher confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the ForexClear Matcher giving a reason for rejection.
- (e) As provided in Section 2.3.3, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that ForexClear Contract.

⁴ As amended from time to time as per the relevant EMTA Template.

¹ As amended from time to time as per the relevant EMTA Template.

² Banco Central de Chile tends to publish the "CLP-DÓLAR-OBS" or "CLP10" Settlement Rate at the end of the day (Santiago time) on the relevant Valuation Date but reserves the right to publish such rate by no later than 10:30 a.m. (Santiago time) on the following Business Day. With respect to any ForexClear Contract in relation to which CLP-USD is the relevant Currency Pair, in the event that such rate is published on the Business Day following the Valuation Date, the Settlement Date of such ForexClear Contract will fall on the Business Day following the date on which such rate is published, however, the Settlement Rate is still established as at the Valuation Date. In summary, the Settlement Date is a date falling two Business Days following the Valuation Date but the related Settlement Rate may be published one Business Day prior to the Settlement Date.

- (f) The internal sub-account (i.e. FXCCM, branch, or FXD) into which each trade record is booked is derived from the BIC code within the message from the ForexClear Matcher. The BIC links to the FXCCM reference data.
- (g) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the "**ForexClear ID**"). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

2K.3.4 **Manual Trade Rejection, Novation and Cancellation (Exceptional Event)**

- (a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a cancellation request for a ForexClear Contract or a ForexClear Transaction, in each case manually prior to a Margin Run, (e.g. in the case of a default event, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from a defaulted FXCCM).
- (b) The Clearing House acknowledges the action and sends a status message to the ForexClear Matcher of either "REJECTED" in respect of trades being manually rejected; "NOVATED" in respect of trades being manually registered; and "CANCELLED" in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, as appropriate.

2K.3.5 **Trade Cancellation**

- 2K.3.5.1 (a) The Clearing House accepts cancellation messages from FXPs against both non-novated trades (ForexClear Transactions) and novated trades (ForexClear Contracts).
- (b) With respect to any ForexClear Contract, cancellation messages may be submitted via the ForexClear Matcher until such ForexClear Contract is "fixed" – i.e. when its Settlement Rate has been determined on the relevant Valuation Date.
- (c) A successful cancellation message results in a "CANCELLED" status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled before or after a Margin Run (as defined in Section 6). The status messages are sent from the Clearing House to the FXCCM via the ForexClear Matcher.
- (d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.

2K.3.5.2 **Process Flow Description**

- (a) The Clearing House accepts trade cancellation instructions from the ForexClear Matcher for ForexClear Transactions or ForexClear Contracts (as the case may be) that have previously been submitted to the ForexClear Service. Cancellation instructions must include the ForexClear ID.

- (b) The Clearing House acknowledges receipt of the instruction from the ForexClear Matcher to cancel a ForexClear Transaction/ForexClear Contract (as the case may be) and sends a "PENDING CANCELLATION" message to the ForexClear Matcher for the relevant FXPs.
- (c) The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) a ForexClear Transaction or ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of a ForexClear Contract only, a ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.
- (d) Where a trade has already been rejected (as a result of having failed a Validation Check), the ForexClear Service sends a "CANCEL REJECTED" message to the ForexClear Matcher for the relevant FXPs.
- (e) If the ForexClear Transaction is "PARKED" but has not been included in a Margin Run, it is cancelled and a "CANCELLED" message is sent to the ForexClear Matcher to confirm to the relevant FXPs that the ForexClear Transaction has been cancelled. The ForexClear Transaction is excluded from the next and future Margin Runs. In accordance with Regulation 106(h), the date and time of the cancellation shall be as reported by the Clearing House via the ForexClear Matcher.
- (f) If a Margin Run is currently in progress, the request to cancel is routed to a temporary queue for later manual action. Once the Margin Run has finished, the Clearing House will re-submit or reject the request to cancel.
- (g) If the ForexClear Contract is "NOVATED", the Clearing House amends the status of the relevant ForexClear Contract to "PARKED PENDING CANCELLATION" and sends this information in a message to the ForexClear Matcher for the relevant FXPs. The effect of the "PARKED PENDING CANCELLATION" ForexClear Contract is included in the next Margin Run.
- (h) The ForexClear Contract under sub-paragraph 7 is cancelled if all FXCCMs across the ForexClear Service have pledged sufficient collateral with the Clearing House to cover the margin requirement of the ForexClear Service without that particular ForexClear Contract. If an FXCCM has insufficient collateral pledged, the Clearing House makes a cash margin call via PPS. When confirmation of receipt of the margin call is received, the ForexClear Contract is cancelled. The ForexClear Contract is excluded from future Margin Runs and a "CANCELLED" message is sent to the ForexClear Matcher for the benefit of the relevant FXPs to the now excluded ForexClear Contract. In accordance with Regulation 106(h), the time of dispatch of such message shall be the cancellation date and time in respect of that ForexClear Contract. If an FXCCM is declared a defaulter, the Clearing House will not process any cancellation of a ForexClear Contract to which the defaulter is a party, nor the corresponding ForexClear Contract that arose from the same underlying ForexClear

Transaction. All ForexClear Contracts between non-defaulting FXCCMs for cancellation (assuming sufficient cover for their Liabilities has been provided) will be cancelled.

2K.3.6 Backloading of Trades

As from 2 January 2012, the Clearing House will provide the facility for FXCCMs to backload ForexClear Transactions through the ForexClear Matcher. Backloading refers to submission for clearing of trades which were executed before the Submission Date.

For backloaded trades, as for non-backloaded trades, it is a pre-condition of registration that sufficient cover is provided. The Clearing House will perform the Validation Checks on backloaded trades and follow the processes as set out in Section 2K.3.3.1 above.

2K.3.7 Valuation Date Event Management

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each ForexClear Contract.

On the Valuation Date with respect to each ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in the Schedule to the ForexClear Regulations). The Market Data provider for Settlement Rates is Reuters.

ForexClear applies the relevant Settlement Rate to ForexClear Contracts using the following criteria:

- (a) Settlement Rate Option source code (as below);
- (b) Valuation Date.

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

Currency Pair	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)
USD-BRL	BRL PTAX (BRL09)
USD-RUB	RUB CME-EMTA (RUB03)
USD-INR	INR RBIB (INR01)
USD-CNY	CNY SAEC (CNY01)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-KRW	KRW KFTC18 (KRW02)
<u>USD-COP</u>	<u>COP TRM (COP2)</u>
<u>USD-IDR</u>	<u>IDR ABS (IDR01)</u>
<u>USD-MYR</u>	<u>MYR ABS (MYR01)</u>

<u>USD-PHP</u>	<u>PHP PDSPEO (PHP06)</u>
<u>USD-TWD</u>	<u>TWD TAIFX1 (TWD03)</u>

The Clearing House applies the Settlement Rate to all relevant ForexClear Contracts at a predefined time (see Section 4.3 below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear Contract. FXCCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting (as defined in Section 7) on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FXCCMs.

2K.3.7.1 Process Flow Description

- (a) After the Registration Time for a ForexClear Contract, the ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.
- (b) On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.
- (c) If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

2K.3.8 Settlement

With respect to each ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the ForexClear Contract Terms.

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open ForexClear Contracts will have resulted in variation margin ("VM") credits and debits between the parties (as set out at Section 5.2). With respect to each ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the ForexClear Contract, the result of which is a Net Settlement Amount ("NSA"), which will be reflected in the FXCCMs' cash accounts with the Clearing House on the Settlement Date. As such, with respect to each ForexClear Contract, the payment in full of all the VM required during the term of such ForexClear Contract shall satisfy the relevant party's obligation to pay the Settlement Currency Amount on the Settlement Date of such ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the ForexClear Contract Terms.

2K.3.9 Portfolio Management

The Clearing House allows portfolios of ForexClear Contracts to be transferred between FXCCMs e.g. in the event of merger, or where agreed between the relevant FXPs.

The portfolio transfer capability allows the transfer of:

- (a) A single ForexClear Contract.
- (b) Part of an FXCCM's portfolio (which includes the ability to transfer ForexClear Contracts to various other FXCCMs, e.g. Bank A to Bank B for USD/RUB, Bank A to Bank C for USD/KRW and Bank A to Bank D for USD/BRL).
- (c) Portfolio transfer (i.e. the transfer of all or just one of the portfolios belonging to an FXCCM).
- (d) Multiple portfolio transfers (i.e. the transfer of several portfolios of an FXCCM).

The Clearing House will carry out the portfolio transfer. For transfers under 2, 3 and 4, this can be on a ForexClear Contract by ForexClear Contract or on a Currency Pair basis.

Transfers will only be effected upon completion of a successful Margin Run.

2K.3.9.1 Legal Documentation

The Transfer of ForexClear Contracts will be documented in accordance with the standard legal documentation for the transfer of ForexClear Contracts provided by the Clearing House to FXPs. Any such transfer must be authorised by all relevant parties and executed by individuals with appropriate signing authority.

2K.3.10 Reference Data

2K.3.10.1 Holiday Event Calendar

For the ForexClear Service the Clearing House uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, INC.) the ("**SwapsMonitor Financial Calendar**") in order to determine holidays. This requires all ForexClear Participants to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the ForexClear Service, will be available online for inspection and for file download from Clearing Member Reporting. SwapsMonitor is used on a daily basis across all calendars.

2K.3.10.2 Date Adjustment

When a new holiday is declared in a particular jurisdiction, an update to the holiday calendar affecting ForexClear Contracts for which the Valuation Date is due on the new holiday is required. The Valuation Date and the Settlement Date will be adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House may accede to a request from FXCCMs to suspend processing of adjustments to the relevant affected Valuation Dates and Settlement Dates so as to allow FXCCMs to cancel and rebook any ForexClear Contracts following any such adjustment. In such case, the Clearing House will inform FXCCMs as to the timing and duration of any such suspension. Market Data.

2K.4 MARKET DATA

2K.4.1 Sources used by ForexClear Service

The ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 4.2) in relation to each Currency Pair:

- (a) FX spot rates ("**FX Spot Rates**");
- (b) FX swap points ("**FX Swap Points**");
- (c) Settlement Rate Option;
- (d) Interest rate curves (see Section 4.5.2 below) ("**Interest Rate Curves**");
- (e) USD LIBOR Curve;
- (f) PAI rates ("**PAI Rates**"); and
- (g) Country credit spreads (see Section 4.6 below) ("**Country Credit Spreads**"),

together, "**Market Data**".

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs during the Opening Hours (as defined in Section 2.2.2).

2K.4.2 Market Data Sources and Frequencies

The Clearing House receives the following updated raw prices:

- (a) FX Spot Rates:
 - (i) Source - FXCCMs.
 - (ii) Frequency - every time updated by FXCCMs up to a maximum rate of once every five minutes.
- (b) FX Swap Points:
 - (i) Source - all FXCCMs.
 - (ii) Frequency - every time updated by FXCCMs up to a maximum rate of once every five minutes.
 - (iii) Tenors – as shown in the table below.

Tenor
S/N
1 week
1 month
2 months
3 months
6 months
12 months
24 months

- (c) Settlement Rate Options:
- (i) Source - Reuters.
 - (ii) Frequency - when published (at the times shown in the table at Section 4.3 below).
- (d) Interest Rate Curves:
- (i) Source - internal Clearing House.
 - (ii) Frequency - at each SwapClear margin run.
- (e) Country Credit Spreads:
- (i) Source - Bloomberg.
 - (ii) Frequency - when published.
- (f) USD LIBOR Curve:
- (i) Source - SwapClear.
 - (ii) Frequency - at each SwapClear margin run.
- (g) PAI rates:
- (i) Source - LCH Treasury.
 - (ii) Frequency - Daily.

2K.4.3 Market Data

Reference Currency	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)	Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)
BRL	BRL PTAX (BRL09)	13:15 (São Paulo)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
INR	INR RBIB (INR01)	12:30 (Mumbai)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)

CNY	CNY SAEC (CNY01)	09:15 (Beijing)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
<u>COP</u>	<u>COP TRM (COP02)</u>	<u>10:30 (Bogota)</u>
<u>IDR</u>	<u>IDR ABS (IDR01)</u>	<u>11:30 (Singapore)</u>
<u>MYR</u>	<u>MYR ABS (MYR01)</u>	<u>11:30 (Singapore)</u>
<u>PHP</u>	<u>PHP PDSPEO (PHP06)</u>	<u>11:30 (Manila)</u>
<u>TWD</u>	<u>TWD TAIFX1 (TWD03)</u>	<u>11:00 – 12:00 (Taipei)</u>

2K.4.4 Market Data Provision to FXCCMs

All-Market Data used in a Margin Run is made available to FXCCMs via ForexClear Reporting (as defined in Section 7).

2K.4.5 Curve Building in ForexClear

2K.4.5.1 FX Curve (Zero Coupon/Market Rate Curve)

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House and FXCCM's risk and trading representatives) ("**RTWG**"). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalisation of forward cash flows.

2K.4.5.2 Interest Rate Curve

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

2K.4.5.3 Curve Use

End of day is defined as 22.00 local London time ("**EOD**"). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 6.1.2):

- (a) FX Spot Rates; and
- (b) FX Swap Points.

2K.4.6 Country Credit Spreads

The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile and South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

2K.5 VALUATION AND MARGIN

2K.5.1 Product Valuation

2K.5.1.1 Price Submission

FXCCMs shall provide pricing data to the Clearing House in accordance with the ForexClear Market Data Interface (a document issued by LCH and as amended from time to time) as amended from time to time.

This data is used to calculate the NPV (as defined in Section 5.1.2 below) of ForexClear Contracts.

2K.5.1.2 Net Present Value ("NPV")

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Sections 4.2 and 5.1.1).

At EOD on the Valuation Date, the Settlement Rate is used to value the ForexClear Contract.

If Valuation Postponement applies, the ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs, in accordance with Sections 4.2 and 5.1.1) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

2K.5.2 Variation Margin ("VM")

VM for each ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FXCCM, the net sum of the VM for all open ForexClear Contracts is credited to or debited from such FXCCM once a day, following the EOD Margin Run.

Cover for VM (adjusted by PAI, as set out below) will be paid each business day by or to each FXCCM in respect of all of its open ForexClear Contracts. The VM will be calculated in, and must be paid in, USD.

With respect to each ForexClear Contract, VM is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

2K.5.3 Reporting Breakdown

ForexClear margin reports show the portfolio of open ForexClear Contracts of each FXCCM and of each FXD by Currency Pairs and in the Settlement Currency (i.e. USD).

2K.5.4 Price Alignment Interest ("PAI")

The effect of daily cash VM movements results in the need for PAI. Without this adjustment, the pricing of ForexClear Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.

2K.5.4.1 PAI Calculation Methodology

PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section 5.4, "**T**" means any given business day; "**T-1**" means the business day immediately preceding T; "**T+1**" means the business day immediately following T; and "**MTM**" means the total value (expressed in USD) of an FXCCM's portfolio open of ForexClear Contracts after valuation in accordance with Section 5.2 at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

- (a) Principles:
- (i) MTM is calculated at EOD on T-1.
 - (ii) Change in MTM (net VM in respect of an FXCCM's portfolio of open ForexClear Contracts) is paid/ received on the morning of T.
 - (iii) PAI Rate for T to be applied is known at EOD T.
 - (iv) PAI is calculated on the night of T, for MTM of T-1 for ForexClear Contracts up to the business day before their Settlement Date.
 - (v) PAI is paid / received on morning of T+1 via PPS.
- (b) Components:
- (i) PAI Rate (annualised interest applied to an FXCCM's MTM).
 - (ii) MTM;
 - (iii) Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).
- (c) So:
- (i) $PAI_T = PAI_T \text{ Rate} \times MTM_{T-1} \times \text{Accrual Factor}$.

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

2K.5.4.2 VM/PAI Adjustment

With respect to each FXCCM, the Clearing House makes the following adjustment to the EOD VM:

- (a) if, with respect to its portfolio of open ForexClear Contracts, such FXCCM has (to but excluding the relevant EOD) paid an amount in VM greater than the amount of VM it has received, such FXCCM will receive PAI; and
- (b) if, with respect to its portfolio of open ForexClear Contracts, such FXCCM has (to but excluding the relevant EOD) received an amount

in VM greater than the amount of VM it has paid, such FXCCM will pay PAI.

2K.5.5 Initial Margin ("IM")

The Clearing House will require FXCCMs to post IM.

2K.5.5.1 Calculation of Initial Margin

IM will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FXCCM, it is calculated for the portfolio of open ForexClear Contracts and ForexClear Transactions using a value-at-risk (VaR) based methodology ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified filtered historical simulations ("Historical Simulation") simulation value-at-risk methodology. All open ForexClear Contracts and ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement. These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. ForexClear Clearing Members will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

~~Historical Simulation~~ FxPAR uses the historical (5 year) data submitted by FXCCMs pursuant to Section 5.1.1, which is adapted to current market prices.

2K.5.6 Initial Margin Risk Multipliers

Credit risk, liquidity risk and sovereign risk are measured and applied to FXCCMs as part of the IM calculation.

2K.5.6.1 Credit Risk Multiplier ("CRiM")

The CRiM applied will consider the FXCCM's credit worthiness, initial margin level and/or stress testing exposures in accordance with LCH.Cleernet Credit Risk Policy.

2K.5.6.2 Liquidity Risk multiplier ("~~IMMLRMM~~").

(a) Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of ForexClear Contracts, the ~~IMMLRMM~~ is applied and additional IM is charged. The ~~IMMLRMM~~ is calculated in accordance with parameters set by the ForexClear Default Management Group (the "FXDMG") according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

(b) ~~IMMLRMM~~ increases IM called due to concentrated Currency Pair exposure by tenor of ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in five days and/or the extra hedging costs that may be incurred.

- (c) The Clearing House calculates and applies IMMLRMM as part of each Margin Run, based on the IMLRM for each Currency Pair in the FXCCM's house position-keeping account.

2K.5.6.3 Sovereign Risk multiplier ("SRM").

- (a) An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:
 - i. the probability of sovereign default or a regime change event occurring; and
 - ii. the depreciation or appreciation risk of the Reference Currencies.
- (b) The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The probabilitiescountry CDS spreads are reviewed and updated weekly.
- (c) The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FXCCM's house position-keeping account.

2K.5.6.4 Additional Margin

The Clearing House may require an FXCCM to pay additional amounts (in addition to initial margin and variation margin) as security for the performance by an FXCCM of its obligations to the Clearing House in respect of ForexClear Contracts to which such FXCCM is a party in accordance with Regulation 12. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in ForexClear Contracts to which such FXCCM is a party not adequately covered by IM or VM. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Rules have increased.

2K.5.7 Initial Margin Management Events Service ("IMMES")

IMMES aims to find risk and IM reducing ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement.

FXCCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations on 0207 426 7527. To be eligible to participate in IMMES, an FXXCM must enter into an IMMES agreement with the Clearing House (the "**IMMES Agreement**").

2K.5.7.1 Step-By-Step Details

- (a) The Clearing House usually conducts the IMMES at least monthly.
- (b) A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.
- (c) On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the "**IMMES Trades**").
- (d) The Clearing House then analyses the relevant FXCCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.
- (e) The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.
- (f) If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the ForexClear Matcher for registration.

2K.6 GENERAL MARGINING PROCESS

A "**Margin Run**" is the process by which the Clearing House calculates an FXCCM's IM requirement (if any) and, during an EOD Margin Run, its VM requirement and PAI adjustment (if required) (together its "**Margin Requirements**"); and (a) applies that FXCCM's cover to satisfy the Margin Requirements for that FXCCM in respect of the ForexClear Contracts within that FXCCM's portfolio; and/or (b) calls for additional cover (if required) to cover the relevant Margin Requirement.

2K.6.1 Types of Margin Runs

There are three types of Margin Run:

2K.6.1.1 ITD/Ad Hoc - Day Margin Run

- (a) ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FXCCMs from time to time (the "**Schedule**") or as necessary, and are performed in the time period during which a PPS call can be made (the "**ITD/Ad-hoc Day Margin Run**"). PPS times are published on the Clearing House's website at: http://www.lchclearnet.com/risk_management/itd/pps/.
- (b) ITD/Ad-hoc Margin Runs are calls in respect of IM only. VM and PAI are not included in ITD/Ad-hoc Margin Runs.

2K.6.1.2 EOD Margin Run

- (a) The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 22:00 local London time on that business day (the "**EOD Margin Run**").
- (b) EOD Margin Runs are calls in respect of IM as well as VM and PAI.

2K.6.1.3 ITD / Ad Hoc - Night Margin Run

- (a) ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the "**ITD/Ad-hoc Night Margin Run**").
- (b) ITD/Ad-hoc Night Margin Runs are calls in respect of IM only. VM and PAI are not included in ITD/Ad-hoc Night Margin Runs.

2K.6.2 Margin Run Process

- (a) Margin Runs cover all registered ForexClear Contracts with the status "NOVATED", ForexClear Transactions with the status "PARKED" and ForexClear Contracts in respect of which the Clearing House has received a request for cancellation with the status "PARKED PENDING CANCELLATION".
- (b) Margin runs will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:
 - (i) EOD Margin Run on the Settlement Date; or
 - (ii) EOD Margin Run after the Settlement Rate is published.
- (c) During every Margin Run the Clearing House calculates the IM required and (where applicable) the VM and PAI required to cover each FXCCM's open ForexClear Contracts and ForexClear Transactions (each a "**Liability**" and together the "**Liabilities**").
- (d) Each FXCCM's Liability is offset against that FXCCM's non-cash collateral account (being a sub-account of the FXCCM's financial account) (for IM only) or funds in that FXCCM's cash account (being a sub-account of the FXCCM's financial account) (for VM/PAI/IM). IM will always be a Liability (payable to the Clearing House) and VM and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).
- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 7.1) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their

current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

- (f) If following a Margin Run an FXCCM is required to provide additional collateral, this is also indicated in the email and via the ForexClear Service Portal. Registration of ForexClear Transactions and cancellations of ForexClear Contracts will cease until all FXCCMs have provided sufficient cover.
- (g) Once it is confirmed that all FXCCMs have sufficient cover, the Clearing House:
 - (i) registers each ForexClear Transaction as two ForexClear Contracts and changes the status for each ForexClear Transaction from "PARKED" to "NOVATED" and informs the ForexClear Matcher; and
 - (ii) in respect of relevant ForexClear Contracts being cancelled, cancels the relevant ForexClear Contracts and changes the ForexClear Contract status of each relevant ForexClear Contract from "PARKED" to "CANCELLED".
- (h) The Clearing House acknowledges the ForexClear Contract status and sends a message to the ForexClear Matcher that the ForexClear Transaction/ForexClear Contract (as the case may be) is either "NOVATED" or "CANCELLED" as appropriate.

2K.7 FOREXCLEAR REPORTING

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service, thus an FXCCM will receive reports in respect of ForexClear and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearent website: [Banking Reports](#).³²

In respect of the ForexClear Service, on each business day the Clearing House will provide two sets of reports to FXCCMs: (1) Banking Reports; and (2) reports direct from the ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the ForexClear Service specific reports. Each day's report will remain available for download by FXCCMs from the ForexClear Service Portal for five days.

2K.7.1 Margin Liability Reports

Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin Run in accordance with Section 6.2 and where additional collateral cover has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that not all

³² http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

the Liabilities of all FXCCMs as covered by collateral by 22:00 local London time.

2K.7.2 **Market Data Reports**

Reports detailing Market Data are provided to FXCCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

2K.7.3 **Trade Reports**

Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.

2K.7.4 **Trade Fixing and Settlement Reports**

Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "NDF Fixings" report), ForexClear Contracts that have been settled during that current business day (the "Settlements Today" report) and ForexClear Contracts that will settle the next business day (the "NDF's Fixed with Settlement Tomorrow" report).

2K.7.5 **Fees Reports**

Reports on trading volumes on a daily and monthly basis are provided to FXCCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FXCCMs choosing to have tariffs levied per transaction.

2K.7.6 **Banking Reports**

[Follow this link for a full list of Banking reports.](#)⁴³

2K.8 **TREASURY OPERATIONS & COLLATERAL MANAGEMENT**

2K.8.1 **Cover Distribution**

The Clearing House nets each FXCCM's Liabilities (i.e. margins and multipliers) and then the total of cash collateral and non-cash collateral are applied to offset those net Liabilities. This process is known as cover distribution ("**Cover Distribution**"). FXCCMs can choose whether cash or non-cash collateral should be applied first. At the end of this process, if an FXCCM has a shortfall, a PPS (as defined in Section 8.2 below) call for additional collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 local London time, be repaid to the FXCCM.

⁴³ http://www.lchclearnet.com/Images/banking_report_tcm6-48014.pdf#membership/td/training_and_education/banking_reports_reference_pack.asp

2K.8.1.1 Cover Distribution Notification

- (a) FXCCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 7.1) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).
- (b) The reports accessed via the ForexClear Service Portal will enable FXCCMs to log in and examine the underlying data.

2K.8.2 Protected Payment System

The Clearing House operates the Protected Payments System (“PPS”) for transferring funds to and from its FXCCMs to cover their Margin Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FXCCMs are obliged to hold an account with a London PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US:

List of PPS Banks⁶⁴.

2K.8.3 Acceptable Forms of Collateral Cover

Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:

Risk Management/LCH.Clearent Ltd/Acceptable Collateral⁶⁵.

2K.8.4 Interest and Accommodation

Interest is paid to FXCCMs on cash collateral held by the Clearing House. The London Deposit Rate (“LDR”) is applied. This rate is set daily at 10.00 local London time.

A utilisation fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House’s Treasury Operations or follow the link below:

Overview of interest and charges⁷⁶.

⁶⁴ http://www.lchclearnet.com/risk_management/ld/pps/

⁶⁵ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

⁷⁶ http://www.lchclearnet.com/risk_management/ld/acceptable_collateral.asp

2K.9 PAYMENT OF STAMP TAX

Each FXCCM shall pay any Stamp Tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("**Stamp Tax Jurisdiction**") or by any other jurisdiction and shall indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by any such Stamp Tax Jurisdiction or by any other jurisdiction.

2K.10 DEFAULT MANAGEMENT**2K.10.1 Portfolio Splitting:**

As part of the ForexClear Default Management Process, the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear Default Management Group, seek to create:

- (a) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (b) one or more individual Auction Portfolios which are more risk neutral.

2K.10.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar

reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

2K.10.3 **Affiliate Bidding**

ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Membership Department (membership@lchclearnet.com; +44 (0)207 426 7949).

2K.10.4 **Default Fund: ForexClear Contributions**

ForexClear Contributions (as defined in the Default Fund Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the ForexClear Contribution under F2(a) of the Default Fund Rules (each a "**ForexClear Reset Day**"). ForexClear Contribution requirements will be notified to ForexClear Clearing Members at least two working days prior to each ForexClear Reset Day on Member Intranet Report 000032.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members' PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members' PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

2K.10.5 **Quantifying ForexClear Contributions**

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for initial margin applied to an FXCCM shall be determined by reference to the ForexClear Contracts comprising the ForexClear House Business of that FXCCM only.

2K.10.6 **Outsourcing**

Pursuant to Section 1 (Membership) of the Procedures, an FXCCM may appoint a third party to fulfil one or both of the the Clearing House's Membership requirements to: (i) participate in a ForexClear "fire drill" run by the Clearing

House; and (ii) participate in the ForexClear Default Management Process operated by the Clearing House. Where an FXCCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- A ForexClear Clearing Member
- any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FXCCM wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (a) details of the third party entity that the FXCCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (b) evidence of the existence of a legally binding agreement between the FXCCM Clearing Member and the third party; and
- (c) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FXCCM successfully appoints an LCH Approved Outsourcing Agent, that FXCCM may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FXCCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FXCCM (i.e. required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FXCCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FXCCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may

occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FXCCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FXCCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FXCCM.

2K.10.7 ForexClear DMG

The necessary involvement of FXCCMs and the ForexClear DMG in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Appendix 2K.A establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FXCCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FXCCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Appendix 2K.A covering confidentiality, non-disclosure and other terms.

APPENDIX 2K.A

Confidentiality, non-disclosure and participation in the ForexClear Default Management Group

1 Definitions

1.1 **“Confidential Material”** means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FXCCM, its associated companies and advisers, or to which the FXCCM, its associated companies and advisers obtains or otherwise has access as a result of participation in the ForexClear Default Management Process, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FXCCM).

1.2 **“FXDMG Member”** means an individual appointed by a Nominating FXCCM.

1.3 **“Nominating FXCCM”** means a ForexClear Member who, through their obligations under the ForexClear DMP Annex, makes available a representative to serve on the FXDMG.

1.4 **“Permitted Purpose”** means proper fulfilment by the FXCCM of its duties under the ForexClear DMP Annex and includes, after the completion of the Auction, the use by the FXCCM its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.

1.5 References denoting the masculine (including “his” and “he”) shall be construed as the feminine if the FXDMG Member is female.

1.6 All other terms have the meaning ascribed to them in the Default Rules (including the ForexClear DMP Annex).

Confidentiality and non-disclosure: general obligations of the FXCCM

2 Confidentiality

2.1 The FXCCM agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to paragraph ~~Error! Reference source not found.~~2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FXCCM shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :

a) it comes into the public domain other than through a breach by the FXCCM of this Agreement; or

b) the FXCCM is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FXCCM.

2.2 The FXCCM further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FXCCM expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Appendix 2K.A might result in the gaining of an unfair commercial advantage by the FXCCM over other members of the Clearing House ForexClear Service.

2.3 Subject to paragraph ~~Error! Reference source not found.~~2.5, the FXCCM may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

2.4 The FXCCM agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

2.5 This paragraph and the duties hereunder shall survive the termination of this Appendix 2K.A and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FXCCM.

3 Secrecy

3.1 Except in accordance with the terms of this Appendix 2K.A, the FXCCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

- a) Confidential Material;
- b) the fact that it has received any Confidential Material;
- c) the existence of any discussions or negotiations between the parties in this matter.
- d) details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FXCCM being relieved of such an obligation because of the circumstances covered in paragraphs 2.1a) and 2.1b).

3.2 The Clearing House undertakes to ensure that the FXCCM is fully appraised of information on the ForexClear Default Management Process that it makes public and which is accordingly of relevance to the FXCCM's obligations.

4 Property

4.1 The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FXCCM or any FXCCM, and the property in the media on which it is conveyed to the receiving party shall not pass to the FXCCM or any FXCCM unless expressly so agreed by the Clearing House in writing.

5 Return of Confidential Material

5.1 Upon request by the Clearing House, and in any event upon fulfilment of the Permitted Purpose, the FXCCM shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or

representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FXCCM is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

6 No Representations or Warranties; No Conflict of Interest

6.1 Subject to references made in paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Appendix 2K.A by the FXCCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this Appendix 2K.A, the FXCCM's participation in the ForexClear Default Management Process shall not prevent the FXCCM from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FXCCM may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FXCCM has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FXCCM or any of its directors, employees or other representatives.

7 Liability

7.1 Subject to Regulation 39, the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FXCCM or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or wilful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the FXDMG, and for the accuracy of the information (confidential material

as defined in this Appendix 2K.A) that it distributes to the FXCCM in connection with the ForexClear Default Management Process.

7.3 Under no circumstances shall the Clearing House have any liability to the FXCCM for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

8 Remedies

8.1 Without affecting any other rights or remedies that the Clearing House may have, the FXCCM acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Appendix 2K.A and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

Confidentiality and non-disclosure and general terms of participation in ForexClear Default Management Group

9 Conflict of interest

9.1 The FXCCM shall procure that, in the event that a FXDMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the FXDMG, he shall promptly report his view to the Chairman of the FXDMG, who shall act accordingly, taking the advice of other FXDMG Members as appropriate.

10 Confidentiality

10.1 Subject to paragraph 10.3 below, the FXCCM shall procure that the FXDMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a FXDMG Member (including, for the avoidance of doubt, the FXCCM who recommended his appointment to the FXDMG (the Nominating FXCCM) or his employer (if different) or any other

employee, adviser, officer or fellow worker of that FXCCM or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorised delegate, providing always that the FXDMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 2.1a) and 2.1b).

10.2 Subject to paragraph 10.3 below, the FXCCM shall procure that the FXDMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a FXDMG Member.

10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any ForexClear Clearing Member, the FXDMG Member may be required by the Nominating FXCCM and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the FXDMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may prescribed by the Clearing House and/or the FXDMG with regard to the management of that default.

10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the FXDMG Member of the FXDMG, the FXCCM shall procure that the FXDMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, provided that the FXDMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

11 Warranty and representation

11.1 The FXCCM represents and warrants that it will procure that:

- a) the Nominating FXCCM and the FXDMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

b) nothing in this Appendix 2K.A will cause the FXDMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FXCCM or to his employer, if different, or any other contract counterparty of the FXDMG Member.

12 Confidentiality and non-disclosure: general obligations of the Clearing House

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Appendix 2K.A, confining use to the ForexClear Default Management Process, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

Exhibit A-4
FCM Procedures section 2B

2B FOREXCLEAR**2B.1 Introduction and Interpretation**

This Section 2B of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an "FXCCM" is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

Unless otherwise specified, all times are in local London time.

2B.2 Users of FCM ForexClear

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. Those authorised by the Clearing House to submit trades (as defined below) for clearing in the FCM ForexClear Service fall into three categories – FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service ("**FX FCMs**"), FCM Clients of FX FCMs and Affiliates of FX FCMs. FX FCMs, FCM Clients of FX FCMs and Affiliates of FX FCMs are collectively known as ForexClear Participants ("**FXPs**"). For membership procedures, please see Section 1 of the FCM Procedures. At least one party to each FCM ForexClear Transaction will be an FX FCM, acting through a client or house account; the other party may be another FX FCM or may be a ForexClear Clearing Member.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

2B.3 Termination of FX FCM Status

Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; membership@lchclearnet.com) for details of how to resign from the FCM ForexClear Service.

2B.4 Service Scope**2B.4.1 Eligibility**

Non-Deliverable FX Transactions as defined in Part A of Schedule B to the FCM Regulations ("**NDFs**") may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the ForexClear Eligibility Criteria (as set out in Part B of Schedule B to the FCM Regulations).

2B.4.2 Service Operating Hours*Opening Days:*

The FCM ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.

Opening Hours:

The FCM ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning ("Opening Hours"). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

2B.5 Position Accounts**2B.5.1 FCM Accounts**

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

2B.5.2 Position-Keeping Accounts*FCM Clearing Member Accounts:*

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

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via FCM ForexClear Reporting (see Section 2B.20). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contract (provided that all Business Categories of FCM Contracts and related cover may be physically commingled in the same depository accounts). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows FCM Clearing Members to identify all FCM ForexClear Contracts registered in their name.

Sub-accounts within the FX FCM's Proprietary Account may be set up (e.g. for branches or Affiliates). Each such sub-account will carry the unique Bank Identifier Code ("**BIC**") (or equivalent unique identifier) of the relevant branch/ Affiliate (please see Section 2B.5.4 below).

Sub-accounts within the FX FCM's Proprietary Account will be associated with the House financial account of the FX FCM and information contained across the Proprietary Account sub-accounts is consolidated into the House financial account of each FX FCM.

2B.5.3 Clients

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 4(a), the FX FCM must submit an "FCM Client Static Data" form to the Clearing House's membership department. Positions of an FCM Client will be identifiable in ForexClear Reporting through that FCM Client's BIC/unique identifier.

2B.5.4 Affiliates and Branches

Under FCM Regulation 4(c), FX FCMs are permitted to clear for Affiliates through their Proprietary accounts.

Where an FX FCM enters into an agreement with an Affiliate in accordance with FCM Regulation 4(c), submission of an "FCM Affiliated Client Static Data" form to the Clearing House will allow the FX FCM to be provided with one or more sub-accounts for that Affiliate (for position-keeping purposes) within that FX FCM's house account.

Because the House financial account reflects the consolidated balances and liabilities of the FX FCM's proprietary business, the balances and liabilities associated with FCM ForexClear Transactions submitted by Affiliates (if applicable) and/or per branch (if applicable) will be provided as an estimate.

2B.6 Financial Accounts

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

2B.6.1 Relationship with Position-Keeping Accounts

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

2B.6.2 Other Financial Accounts

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

Code

Buffer accounts (House), used for holding additional cash in relation to Proprietary business B

Buffer account (Client), used for holding additional cash in relation to FCM Client Business E

2B.6.3 **Default Fund (DF) Account**

Each FCM Clearing Member's Default Fund Contribution is held in a separate financial account. The DF account code is "F". Each FCM Clearing Member's Default Fund Contribution relating to its FCM ForexClear Contracts is held in an account that is separate from any financial account containing such FCM Clearing Member's Default Fund Contribution relating to any other Business Categories of FCM Contracts.

2B.7 **Novation and Registration**

An NDF is an FCM ForexClear Transaction (*i.e.*, eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Eligibility Criteria (set out in Part B of the Schedule B to the FCM Regulations) at the Registration Time.

Where an FX FCM accepts registration of the FCM ForexClear Transaction and notifies the Clearing House of such acceptance, the FX FCM shall, pursuant to FCM Regulation 40(b), (i) be deemed to have presented the FCM ForexClear Transaction for clearing and (ii) become obliged to pay all cover required by the Clearing House in connection with the registration of the FCM ForexClear Transaction upon request of the Clearing House. It is a condition for registration of an FCM ForexClear Transaction that, where both Executing Parties intend to register the FCM ForexClear Transaction through an FX FCM, both FX FCMs accept the FCM Notification (or where such Executing Parties nominate the same FX FCM, such FX FCM accepts both acceptances) and therefore submit the FCM ForexClear Transaction to the Clearing House.

It is a condition for registration of an FCM ForexClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM ForexClear Contract prior to registration.

The FCM ForexClear Service will register FCM ForexClear Transactions submitted during the Opening Hours, provided that all FX FCMs have sufficient cover for their Liabilities (as defined in Section 2B.17) at the time of the relevant Margin Run.

If any FX FCM does not have sufficient cover for its Liabilities at the time of the relevant Margin Run, then the registration of FCM ForexClear Transactions will be suspended until sufficient cover is provided or until the FX FCM's portfolio risk is reduced by the FX FCM submitting for registration risk reducing FCM ForexClear Transactions.

Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2B.8.1) and the required cover has been provided by the relevant FX FCMs, the Clearing House will send, via the FCM Approved Trade Source System, a message confirming the registration of the FCM ForexClear Transaction as an FCM ForexClear Contract and including a datestamp of the relevant registration time. For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "**Registration Time**" of that FCM ForexClear Contract.

The definitive report of the registered FCM ForexClear Contract will be shown on the "All Open Contracts" report issued by ForexClear Reporting (as defined in Section 2B.20).

If an FX FCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FX FCMs will continue to be registered (assuming sufficient cover for their Liabilities has been provided).

2B.7.1 Trade Capture

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a "trade"). The FCM Approved Trade Source System validates the trade using the FCM ForexClear Eligibility Criteria and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as an "**FCM ForexClear Transaction**". Once the Clearing House receives the FCM ForexClear Transaction message, it will send a message of acknowledgement back via the FCM Approved Trade Source System that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the Validation Checks are rejected. Rejections are reported back to the FCM Approved Trade Source System.

The Clearing House will provide ForexClear Transaction/ForexClear Contract (as applicable) updates as and when these change e.g. for acceptance, rejection and novation.

2B.7.2 ForexClear FCM Approved Trade Source Systems

Currently the FCM Approved Trade Source System designated by the Clearing House for ForexClear is MarkitSERV. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

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

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify

that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract(s), unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 41.

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorised personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorised acceptance of an FCM Notification.

2B.8 **Trade Validation and Registration**

2B.8.1 **Process flow description**

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Validation Check (as defined below) required for FCM ForexClear Transactions (together the "**Validation Checks**").

The fields checked are as follows:

- **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the "**Counterparty Validation Check**");
- **Trade type:** is the instrument type an NDF?
- **Economic Terms:** does the trade include all the Economic Terms (as defined in the Schedule B to the FCM Regulations)?
- **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule B to the FCM Regulations)?
- **Settlement Currency:** is the Settlement Currency USD?
- **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the "**Submission Date**") and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 local London time), the Submission Date is defined as the next good business day.

- **Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? ~~Is the Validation Date in the future?~~ The table below shows the relevant Business Days for determining the Valuation Date and the Settlement Date:¹

<u>Currency Pair</u>	<u>Business Days for Valuation Date</u>	<u>Relevant City/Cities for Business Day for Valuation Date</u>	<u>Business Days for Settlement Date</u>	<u>Relevant City for Business Day for Settlement Date</u>
<u>USD-BRL</u>	<u>BRL & USD</u>	<u>Any of Rio de Janeiro, Brasilia or São Paulo and New York City</u>	<u>USD</u>	<u>New York City</u>
<u>USD-RUB</u>	<u>USD & RUB</u>	<u>New York and Moscow</u>	<u>USD</u>	<u>New York City</u>
<u>USD-INR</u>	<u>INR</u>	<u>Mumbai</u>	<u>USD</u>	<u>New York City</u>
<u>USD-CLP</u>	<u>USD & CLP</u>	<u>New York and Santiago</u>	<u>USD</u>	<u>New York City</u>
<u>USD-CNY</u>	<u>CNY</u>	<u>Beijing</u>	<u>USD</u>	<u>New York City</u>
<u>USD-KRW</u>	<u>KRW</u>	<u>Seoul</u>	<u>USD</u>	<u>New York City</u>
<u>USD-COP</u>	<u>USD & COP</u>	<u>New York and Bogota</u>	<u>USD</u>	<u>New York City</u>
<u>USD-IDR</u>	<u>IDR & SGD</u>	<u>Jakarta and Singapore</u>	<u>USD</u>	<u>New York City</u>
<u>USD-MYR</u>	<u>MYR & SGD</u>	<u>Kuala Lumpur and Singapore</u>	<u>USD</u>	<u>New York City</u>
<u>USD-PHP</u>	<u>PHP</u>	<u>Manila</u>	<u>USD</u>	<u>New York City</u>
<u>USD-TWD</u>	<u>TWD</u>	<u>Taipei</u>	<u>USD</u>	<u>New York City</u>

Trades that pass the Validation Checks are accepted and two trade records are created for the FCM ForexClear Transaction: one for the FCM ForexClear Contract between the Clearing House and the first FX FCM to the FCM ForexClear Transaction and the other for the FCM ForexClear Contract between the Clearing House and the second FX FCM to the FCM ForexClear Transaction (or the ForexClear Contract between the Clearing House and the ForexClear Clearing Member to the corresponding ForexClear Transaction pursuant to the UK General Regulations).

Provided each FXCCM has sufficient cover, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection.

As provided in Section 2B.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

¹ As amended from time to time as per the relevant EMTA Template

The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the "**ForexClear ID**"). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

2B.8.2 Manual Trade Rejection, Novation and Cancellation (Exceptional Event)

From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register an FCM ForexClear Transaction; or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case manually prior to a Margin Run, (e.g. in the case of a default event, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from a defaulted FX FCM).

The Clearing House acknowledges the action and sends a status message to the ForexClear Approved Trade Source System of either "REJECTED" in respect of trades being manually rejected; "NOVATED" in respect of trades being manually registered; and "CANCELLED" in respect of an FCM ForexClear Contract or an FCM ForexClear Transaction being manually cancelled, as appropriate.

2B.8.3 Trade Cancellation

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until such FCM ForexClear Contract is "fixed" – *i.e.*, when its Settlement Rate has been determined on the relevant Valuation Date.

A successful cancellation message results in a "CANCELLED" status message if the FCM ForexClear Transaction or the FCM ForexClear Contract (as the case may be) is cancelled before or after a Margin Run (as defined in Section 2B.15). The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

2B.8.4 Process flow description

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions or FCM ForexClear Contracts (as the case may be) that have previously been submitted to the FCM ForexClear Service. Cancellation instructions must include the ForexClear ID.

The Clearing House acknowledges receipt of the instruction from the FCM Approved Trade Source System to cancel an FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) and sends a "PENDING CANCELLATION" message to the FCM Approved Trade Source System for the relevant FXPs.

The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) an FCM ForexClear Transaction or FCM ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of an FCM ForexClear Contract only, an FCM ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

Where a trade has already been rejected (as a result of having failed a Validation Check), the FCM ForexClear Service sends a "CANCEL REJECTED" message to the FCM Approved Trade Source System for the relevant FXPs.

If the FCM ForexClear Transaction is "PARKED" but has not been included in a Margin Run, it is cancelled and a "CANCELLED" message is sent to the FCM Approved Trade Source System to confirm to the relevant FXPs that the FCM ForexClear Transaction has been cancelled. The ForexClear Transaction is excluded from the next and future Margin Runs. In accordance with FCM Regulation 41, the date and time of the cancellation shall be as reported by the Clearing House via the FCM Approved Trade Source System.

If a Margin Run is currently in progress, the request to cancel is routed to a temporary queue for later manual action. Once the Margin Run has finished, the Clearing House will re-submit or reject the request to cancel.

If the FCM ForexClear Contract is "NOVATED", the Clearing House amends the status of the relevant FCM ForexClear Contract to "PARKED PENDING CANCELLATION" and sends this information in a message to the FCM Approved Trade Source System for the relevant FXPs. The effect of the "PARKED PENDING CANCELLATION" FCM ForexClear Contract is included in the next Margin Run.

The "PARKED PENDING CANCELLATION" FCM ForexClear Contract is cancelled if all FXCCMs have pledged sufficient collateral with the Clearing House to cover the ForexClear margin requirement without that particular FCM ForexClear Contract. If an FX FCM has insufficient collateral pledged, the Clearing House makes a cash margin call via PPS. When confirmation of receipt of the margin call is received, the FCM ForexClear Contract is cancelled. The FCM ForexClear Contract is excluded from future Margin Runs and a "CANCELLED" message is sent to the ForexClear Approved Trade Source System for the benefit of the relevant FXPs to the now excluded FCM ForexClear Contract. In accordance with FCM Regulation 41, the time of dispatch of such message shall be the cancellation date and time in respect of that FCM ForexClear Contract. If an FX FCM is declared a defaulter, the Clearing House will not process any cancellation of an FCM ForexClear Contract to which the defaulter is a party, nor the corresponding FCM ForexClear Contract that arose from the same underlying FCM ForexClear Transaction. All FCM ForexClear Contracts between non-defaulting FX FCMs for cancellation (assuming sufficient cover for their Liabilities has been provided) will be cancelled.

2B.8.5 Trade Amendment

No amendment of the financial terms of an FCM ForexClear Transaction or FCM ForexClear Contract is permitted. FX FCMs who wish to change the FCM Client information on a ForexClear Transaction should contact ForexClear Business Operations at 0207 426 3729 for further information.

2B.8.6 Backloading of Existing Trades

The Clearing House provides the facility for FCM Clearing Members to load eligible existing FCM ForexClear Transactions, through an FCM Approved Trade Source System. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the ForexClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM ForexClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the ForexClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as a ForexClear Contract, the UK General Regulations will apply with respect to such registration of a ForexClear Contract.

For backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see Section 2B.20). It is a pre-condition of registration that sufficient cover for IM and variation margin ("VM") is provided.

2B.8.7 Valuation Date Event Management

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each FCM ForexClear Contract.

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in the Schedule to the ForexClear Regulations). The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the following criteria:

- Settlement Rate Option source code (as below)
- Valuation Date

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

Currency Pair	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)
USD-BRL	BRL PTAX (BRL09)
USD-RUB	RUB CME-EMTA (RUB03)
USD-INR	INR RBIB (INR01)
USD-CNY	CNY SAEC (CNY01)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-KRW	KRW KFTC18 (KRW02)
<u>USD-COP</u>	<u>COP TRM (COP2)</u>
<u>USD-IDR</u>	<u>IDR ABS (IDR01)</u>

<u>USD-MYR</u>	<u>MYR ABS (MYR01)</u>
<u>USD-PHP</u>	<u>PHP PDSPEO (PHP06)</u>
<u>USD-TWD</u>	<u>TWD TAIFX1 (TWD03)</u>

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time (see Section 2B.8.8 below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

2B.8.8 Valuation Date Event Management: Process flow description

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.

If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

2B.8.9 Settlement

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear Contract Terms.

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open FCM ForexClear Contracts will have resulted in VM credits and debits between the parties (as set out at Section 2B.10.3). With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the FCM ForexClear Contract, the result of which is a Net Settlement Amount ("**NSA**"), which will be reflected in the FX FCMs' cash accounts with the Clearing House on the Settlement Date. As such, with respect to each FCM ForexClear Contract, the payment in full of all the VM required during the term of such FCM ForexClear Contract shall satisfy the relevant party's obligation to pay the Settlement Currency Amount on the Settlement Date of such FCM ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the FCM ForexClear Contract Terms.

2B.8.10 Reference Data

Holiday Event Calendar:

For the FCM ForexClear Service the Clearing House uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, Inc.) the ("**SwapsMonitor Financial Calendar**") in order to determine holidays. This requires all FX FCMs to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM ForexClear Service, will be available online for inspection and for file download from Clearing Member Reporting. SwapsMonitor is used on a daily basis across all calendars.

Date Adjustment:

When a new holiday is declared in a particular jurisdiction, an update to the holiday calendar affecting FCM ForexClear Contracts for which the Valuation Date is due on the new holiday is required. The Valuation Date and the Settlement Date will be adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House may accede to a request from FX FCMs to suspend processing of adjustments to the relevant affected Valuation Dates and Settlement Dates so as to allow FX FCMs to cancel and rebook any FCM ForexClear Contracts following any such adjustment. In such case, the Clearing House will inform FX FCMs as to the timing and duration of any such suspension.

2B.9 Market Data

2B.9.1 Sources used by FCM ForexClear Service

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2B.9.2) in relation to each Currency Pair:

- FX spot rates ("**FX Spot Rates**");
- FX swap points ("**FX Swap Points**");
- Settlement Rate Option;
- Interest rate curves (see Section 2B.9.5 below) ("**Interest Rate Curves**");
- USD LIBOR Curve;
- PAI rates ("**PAI Rates**"); and
- Country credit spreads (see Section 2B.9.6 below) ("**Country Credit Spreads**"),

together, "**Market Data**".

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours (as defined in Section 2B.4.2).

2B.9.2 Market Data Sources and Frequencies

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- Source – FXCCMs (including FX FCMs).
- Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.

FX Swap Points:

- Source - all FXCCMs (including FX FCMs).
- Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.
- Tenors – as shown in the table below.

Tenor
S/N
1 week
1 month
2 months
3 months
6 months
12 months
24 months

Settlement Rate Options:

- Source - Reuters.
- Frequency - when published (at the times shown in the table at Section 4.3 below).

Interest Rate Curves:

- Source - internal Clearing House
- Frequency - at each SwapClear margin run.

Country Credit Spreads:

- Source - Bloomberg.
- Frequency - when published.

USD LIBOR Curve:

- Source - SwapClear.

- Frequency - at each SwapClear margin run.

PAI rates:

- Source - LCH Treasury.
- Frequency - Daily.

2B.9.3 Market Data

Reference Currency	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)	Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)
BRL	BRL PTAX (BRL09)	13:15 (São Paolo)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
INR	INR RBIB (INR01)	12:30 (Mumbai)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
<u>COP</u>	<u>COP TRM (COP02)</u>	<u>10.30 (Bogota)</u>
<u>IDR</u>	<u>IDR ABS (IDR01)</u>	<u>11:30 (Singapore)</u>
<u>MYR</u>	<u>MYR ABS (MYR01)</u>	<u>11:30 (Singapore)</u>
<u>PHP</u>	<u>PHP PDSPESO (PHP06)</u>	<u>11:30 (Manila)</u>
<u>TWD</u>	<u>TWD TAIFX1 (TWD03)</u>	<u>11:00 – 12:00 (Taipei)</u>

2B.9.4 Market Data Provision to FX FCMs

All-Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section 2B.20).

2B.9.5 Curve Building in ForexClear

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) ("**RTWG**"). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalisation of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 local London time (“**EOD**”). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 6.1.2):

- FX Spot Rates; and
- FX Swap Points.

2B.9.6 Country Credit Spreads

The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile and South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

2B.10 FCM ForexClear Contract Valuation**2B.10.1 Price Submission**

In accordance with the FCM Procedures, FX FCMs shall provide pricing data to the Clearing House in accordance with the ForexClear Market Data Interface (a document issued by LCH and as amended from time to time) as amended from time to time.

This data is used to calculate the NPV (as defined in Section 2B.10.2 below) of FCM ForexClear Contracts.

2B.10.2 Net Present Value (“NPV”)

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each FCM ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Sections 2B.9.2 and 2B.10.1).

On the Valuation Date, the Settlement Rate is used to value the FCM ForexClear Contract.

If Valuation Postponement applies, the FCM ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs in accordance with Sections 1.9.2 and 1.10.1) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

2B.10.3 Variation Margin (“VM”)

VM for each FCM ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FX FCM, the net sum of the VM for all open FCM ForexClear Contracts is credited to or debited from such FX FCM once a day, following the EOD Margin Run.

Cover for VM (adjusted by PAI, as set out below) will be paid each business day by or to each FX FCM in respect of all of its open FCM ForexClear Contracts. The VM will be calculated in, and must be paid in, USD.

With respect to each FCM ForexClear Contract, VM is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

2B.10.4 Reporting Breakdown

ForexClear margin reports show the portfolio of open FCM ForexClear Contracts of each FX FCM by Currency Pairs and in the Settlement Currency (*i.e.*, USD).

2B.10.5 Price Alignment Interest ("PAI")

The effect of daily cash VM movements results in the need for PAI. Without this adjustment, the pricing of FCM ForexClear Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.

2B.10.6 PAI Calculation Methodology

PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section 2B.10.6, "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "MTM" means the total value (expressed in USD) of an FXCCM's portfolio open of FCM ForexClear Contracts after valuation in accordance with Section 2B.10.3 at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

Principles:

- MTM is calculated at EOD on T-1.
- Change in MTM (net VM in respect of an FX FCM's portfolio of open ForexClear Contracts) is paid/ received on the morning of T.
- PAI Rate for T to be applied is known at EOD T.
- PAI is calculated on the night of T, for MTM of T-1 for FCM ForexClear Contracts up to the business day before their Settlement Date.
- PAI is paid / received on morning of T+1 via PPS.

Components:

- PAI Rate (annualised interest applied to an FX FCM's MTM).
- MTM
- Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- $PAI_T = PAI_T \text{ Rate} \times MTM_{T-1} \times \text{Accrual Factor}$.

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

2B.10.7 VM/PAI Adjustment

With respect to each FX FCM, the Clearing House makes the following adjustment to the EOD VM:

- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) paid an amount in VM greater than the amount of VM it has received, such FX FCM will receive PAI; and
- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) received an amount in VM greater than the amount of VM it has paid, such FX FCM will pay PAI.

2B.11 Initial Margin ("IM")

The Clearing House will require FX FCMs to post IM. This amount will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FX FCM, it is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear Transactions using a ~~value at risk (VaR)-based methodology~~ ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified filtered historical simulations ("Historical Simulation") simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

~~Historical Simulation~~ FxPAR uses the historical (5 year) data submitted by FXCCMs pursuant to Section 2B.9, which is adapted to current market prices.

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

The Clearing House reserves the right to require additional amounts of cover from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation 9.

2B.11.1 Credit Risk Multiplier ("CRiM")

The CRiM applied will consider the FX FCM's credit worthiness, initial margin level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.

2B.11.2 Liquidity Risk Multiplier ("IMMLRMM")

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the IMMLRMM is applied and additional IM is charged. The IMMLRMM is calculated in accordance with parameters set by

the ForexClear Default Management Group (the "FXDMG") according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

IMMLRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies IMMLRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM's house position-keeping account.

2B.11.3 Sovereign Risk multiplier ("SRM")

An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

- i. the probability of sovereign default or a regime change event occurring; and
- ii. the depreciation or appreciation risk of the Reference Currencies.

The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The probabilities country CDS spreads are reviewed and updated weekly.

The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM's house position-keeping account.

2B.12 Additional Margin

The Clearing House may require an FX FCM to pay additional amounts (in addition to initial margin and variation margin) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation 9. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party not adequately covered by IM or VM. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Rules have increased.

2B.12.1 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2B.9).

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

2B.13 **Initial Margin Management Events Service ("IMMES")**

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations on 0207 426 7527. To be eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the "IMMES Agreement").

2B.13.1 **Step-by-step details**

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the "IMMES Trades").

The Clearing House then analyses the relevant FX FCM's FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the ForexClear Approved Trade Source System for registration.

2B.14 **Intra-Day Margin Call: Collateral Management**

2B.14.1 **General – Intra-day Margining**

Following an intra-day margin call and unless notified otherwise by an FX FCM at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

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

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

2B.15 **General Margining Process**

A "**Margin Run**" is the process by which the Clearing House calculates an FX FCM's IM requirement (if any) and, during an EOD Margin Run, its VM requirement and PAI adjustment (if required) (together its "**Margin Requirements**"); and (a) applies that FX FCM's cover to satisfy the Margin Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio; and/or (b) calls for additional cover (if required) to cover the relevant Margin Requirement.

2B.16. **Types of Margin Runs**

There are three types of Margin Run:

2B.16.1 **ITD / Ad Hoc - Day Margin Run**

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the "**Schedule**") or as necessary, and are performed in the time period during which a PPS call can be made (the "**ITD/Ad-hoc Day Margin Run**"). PPS times are published on the Clearing House's website at: http://www.lchclearnet.com/risk_management/itd/pps/.

ITD/Ad-hoc Margin Runs are calls in respect of IM only. VM and PAI are not included in ITD/Ad-hoc Margin Runs.

2B.16.2 **EOD Margin Run**

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 22:00 local London time on that business day (the "**EOD Margin Run**").

EOD Margin Runs are calls in respect of IM as well as VM, NSA and PAI..

2B.16.3 **ITD / Ad Hoc - Night Margin Run**

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the "**ITD/Ad-hoc Night Margin Run**").

ITD/Ad-hoc Night Margin Runs are calls in respect of IM only. VM, NSA and PAI are included in ITD/Ad-hoc Night Margin Runs, but only as a component of IM.

2B.17 **Margin Run Process**

Margin Runs cover all registered FCM ForexClear Contracts with the status "NOVATED", FCM ForexClear Transactions with the status "PARKED" and FCM ForexClear Contracts in respect of which the Clearing House has received a request for cancellation with the status "PARKED PENDING CANCELLATION".

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- EOD Margin Run on the Settlement Date; or
- EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the IM required and (where applicable) the VM and PAI required to cover each FX FCM's open FCM ForexClear Contracts and FCM ForexClear Transactions (each a "**Liability**" and together the "**Liabilities**").

Each FX FCM's Liability is offset against that FX FCM's non-cash collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VM/PAI/IM). IM will always be a Liability (payable to the Clearing House) and VM, NSA and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 7.1) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for FCM ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional collateral, this is also indicated in the email and via the ForexClear Service Portal. Registration of FCM ForexClear Transactions and cancellations of FCM ForexClear Contracts will cease until all FXCCMs have provided sufficient cover.

Once it is confirmed that all FXCCMs have sufficient cover, the Clearing House:

- registers each FCM ForexClear Transaction as two FCM ForexClear Contracts (or registers an FCM ForexClear Contract and a ForexClear Contract under the UK General Regulations, if applicable) and changes the status for each FCM ForexClear Transaction from "PARKED" to "NOVATED" and informs the FCM Approved Trade Source System; and
- in respect of relevant FCM ForexClear Contracts being cancelled, cancels the relevant FCM ForexClear Contracts and changes the FCM ForexClear Contract status of each relevant FCM ForexClear Contract from "PARKED" to "CANCELLED".

The Clearing House acknowledges the FCM ForexClear Contract status and sends a message to the FCM Approved Trade Source System that the FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) is either "NOVATED" or "CANCELLED" as appropriate.

2B.18 **Transfer of FCM Clients**

In certain circumstance the Clearing House will transfer FCM ForexClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation 8(b) or 8(c).

2B.18.1 Partial Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2B.A), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM ForexClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts.

2B.18.2 Full Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2B.B), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM ForexClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM ForexClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM ForexClear Contracts on behalf of the FCM Client whose FCM ForexClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.

2B.18.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2B.C) which cover is attributable to the transferring FCM Client and the associated FCM ForexClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus OTC FX Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM ForexClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM ForexClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM ForexClear Contracts.

2B.18.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying	Deadline for notification (if any) from Carrying	Deadline for notification (if any) from Carrying FCM

<p>Time (all references below are to New York City Time)</p>	<p><u>Partial Transfer</u></p>	<p><u>Full Transfer (with collateral)</u></p>	<p><u>Full Transfer (without collateral)</u></p>
	<p>FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</p>	<p>FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</p> <p>Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.</p>	<p>Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</p>
<p>Day 2: 09:00 to 10:00</p>		<p>LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred.</p> <p>Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).</p>	
<p>Day 2: 14:30</p>	<p>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</p>	<p>Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.</p>	<p>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</p>
<p>Day 3: 03:00</p>	<p>Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</p>	<p>Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</p>	<p>Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</p>
<p>Day 3: 04:00</p>	<p>Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member</p>	<p>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</p>	<p>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</p>

Time (all references below are to New York City Time)	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
	required to enable the transfer.		
Day 3: 04:00	Clearing House transfers FCM ForexClear Contracts.	Clearing House transfers FCM ForexClear Contracts and associated collateral.	Clearing House transfers FCM ForexClear Contracts.

2B.19 Proprietary Account Position Transfers

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM ForexClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM ForexClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

2B.19.1 Legal Documentation

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

2B.19.2 Position Transfer Notice Period

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

2B.20 ForexClear Reporting

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service (including the FCM ForexClear Service), thus an FX FCM will receive reports in respect of the FCM ForexClear Service and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: Banking Reports.⁴²

⁴² http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

2B.20.1 Margin Liability Reports

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section 2B.17 and where additional collateral cover has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that not all the Liabilities of all FXCCMs as covered by collateral by 22:00 local London time.

2B.20.2 Market Data Reports

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

2B.20.3 Trade Reports

Reports are provided that enable FX FCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

2B.20.4 Trade Fixing and Settlement Reports

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "NDF Fixings" report), FCM ForexClear Contracts that have been settled during that current business day (the "Settlements Today" report) and FCM ForexClear Contracts that will settle the next business day (the "NDF's Fixed with Settlement Tomorrow" report).

2B.20.5 Fees Reports

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

2B.20.6 Banking Reports

Follow this link for a full list of Banking reports.²³

²³

http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf
[memberships/lttd/training_and_education/reference_guide_request_form.asp](http://www.lchclearnet.com/membership/lttd/training_and_education/reference_guide_request_form.asp)

2B.21 **Treasury Operations & Collateral Management**

2B.21.1 **Cover Distribution**

The Clearing House nets each FX FCM's Liabilities (i.e. margins and multipliers) and then the total of cash collateral and non-cash collateral are applied to offset those net Liabilities. This process is known as cover distribution ("**Cover Distribution**"). FX FCMs can choose whether cash or non-cash collateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section 2B.21.3 below) call for additional collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 local London time, be repaid to the FX FCM.

2B.21.2 **Cover Distribution Notification**

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 0) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash collateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

2B.21.3 **Protected Payment System**

The Clearing House operates the Protected Payments System ("**PPS**") for transferring funds to and from its FX FCMs to cover their Margin Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FX FCMs are obliged to hold an account with a London PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US:

List of PPS Banks³⁴

2B.21.4 **Acceptable Forms of Collateral Cover**

Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:

Risk Management/LCH.Clearnet Ltd/Acceptable Collateral⁴⁵

³⁴ http://www.lchclearnet.com/risk_management/ltd/pps/

⁴⁵ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

2B.21.5 Interest and Accommodation

Interest is paid to FX FCMs on cash collateral held by the Clearing House. The London Deposit Rate (“LDR”) is applied. This rate is set daily at 10.00 local London time.

A utilisation fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House’s Treasury Operations or follow the link below:

[Overview of interest and charges⁵⁶](#)

2B.22 Default Management

2B.22.1 Portfolio Splitting

As part of the ForexClear Default Management Process, the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear Default Management Group, seek to create:

- (a) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (b) one or more individual Auction Portfolios which are more risk neutral.

2B.22.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognized Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid

⁵⁶ http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

2B.22.3 Affiliate Bidding

ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member or an affiliated FCM Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member or FCM Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member or FCM Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Membership Department (membership@lchclearnet.com; +44 (0)207 426 7949).

2B.22.4 Outsourcing

Pursuant to Section 1 (Membership) of the Procedures, an FX FCM may appoint a third party to fulfil one or both of the the Clearing House's Membership requirements to: (i) participate in a ForexClear "fire drill" run by the Clearing House; and (ii) participate in the ForexClear Default Management Process operated by the Clearing House. Where an FX FCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- a ForexClear Clearing Member
- an FX FCM;
- an FCM Client; or
- any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FX FCM wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (a) details of the third party entity that the FX FCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (b) evidence of the existence of a legally binding agreement between the FX FCM Clearing Member and the third party; and
- (c) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FX FCM successfully appoints an LCH Approved Outsourcing Agent, that FX FCM may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FX FCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FX FCM (i.e. required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FX FCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FX FCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FX FCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FX FCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FX FCM.

2B.22.5 ForexClear DMG

The necessary involvement of FX FCMs and the ForexClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the ForexClear DMP Annex to the Default Rules) in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Appendix 2B.D establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FX FCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FX FCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Appendix 2B.D covering confidentiality, non-disclosure and other terms.

2B.23 Payment of Stamp Tax

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

2B.24 Section 168, Finance Act 1994

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

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

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

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

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

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

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

Exhibit B
Self-certification



AMENDED RULES SELF CERTIFICATION

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 General Regulations, FCM Regulations, Clearing House Procedures Section 2K and FCM Procedures Section 2B, concerning the addition of five new currency pairs to the ForexClear service, comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of July 19, 2012

pp By:  _____

Name: Jay Iyer

Title: Chief Compliance Officer

LCH.Clearnet Limited