

SUBMISSION OF AMENDMENTS TO THE CLEARINGHOUSE RULES

TO THE

COMMODITY FUTURES TRADING COMMISSION

SUBMITTED BY

LCH.Clearnet LLC

a Delaware Limited Liability Company

FILING AS A REGISTERED DERIVATIVES CLEARING ORGANIZATION

Pursuant to Commission Regulation § 40.6

Submission of Amendments to the Clearing House Procedures:

Default Rules

Submitted: October 29, 2012

LCH.CLEARNET LLC'S SELF-CERTIFICATION OF CHANGES TO THE RULEBOOK SINCE THE 23 AUGUST 2012 VOLUNTARY SUBMISSION UNDER COMMISSION REGULATION § 40.5 (OTHER THAN CHANGES PREVIOUSLY REQUESTED BY COMMISSION STAFF)

LCH.Clearnet LLC 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 Rulebook. The amended Rulebook will be implemented and become effective on November 13, 2012.

Part I: Explanation and Analysis

A matrix is attached containing a section by section explanation and analysis of the rules.

Part II: Certification by LCH.Clearnet

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the amendments to its rules comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. In addition, LCH.Clearnet certifies that it has posted a notice of pending certification with the CFTC and a copy of the submission on its website at:
http://www.lchclearnet.com/rules_and_regulations/lhc/default.asp

A signed certification is attached to this submission.

Part III: Compliance with Core Principles

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

Part IV: Opposing Views

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



AMENDED RULES SELF CERTIFICATION

LCH.Clearnet LLC hereby certifies to the Commodity Futures Trading Commission ("CFTC"), pursuant to the procedures set forth in Commission regulation § 40.6, that the following comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder:

- LCH.Clearnet LLC's self-certification of changes to the Rulebook since the 23 August 2012 voluntary submission under Commission regulation § 40.5 (other than changes previously requested by Commission staff).

Signed as of November 7, 2012

A handwritten signature in blue ink that reads 'Suzanne Calcagno'.

Suzanne Calcagno
Chief Compliance Officer (CCO)
LCH.Clearnet LLC

CFTC Self- Certification – Matrix of Rulebook Changes

Rule Reference	Amendment	Commentary
Regulations		
1. Definitions		
<i>'Account Manager Executing Party'</i>	Deletion.	Following the CFTC's provision of no-action relief with respect to the introduction of block trades required under rule 1.35, the applicable section of the LCH rulebook has been deleted and will be introduced at a later date.
<i>'Allocating Transaction'</i>	Deletion.	Following the CFTC's provision of no-action relief with respect to the introduction of block trades required under rule 1.35, the applicable section of the LCH rulebook has been deleted and will be introduced at a later date.
<i>'DMG'</i>	Definition amended.	SwapClear will operate one Default Management Group across the two CCPs.
<i>'Non-Porting Client'</i>	New definition.	A number of changes have been made to the customer transfer provisions to bring the SwapClear US model in line with the SwapClear global model.
<i>'Porting Account Assets'</i>	New definition.	A number of changes have been made to the customer transfer provisions to bring the SwapClear US model in line with the SwapClear global model.
<i>'Suspension Sub-Account'</i>	Deletion.	Following the CFTC's provision of no-action relief with respect to the introduction of block trades required under rule 1.35, the applicable section of the LCH rulebook has been deleted and will be introduced at a later date.
<i>'Unallocated SwapClear Contract'</i>	Deletion.	Following the CFTC's provision of no-action relief with respect to the introduction of block trades required under rule 1.35, the applicable section of the LCH rulebook has been deleted and will be introduced at a later date.
<i>'Unallocated SwapClear Transaction'</i>	Deletion.	Following the CFTC's provision of no-action relief with respect to the introduction of block trades required under rule 1.35, the applicable section of the LCH rulebook has been deleted and will be introduced at a later date.
Regulation 103		
103(a)	Additional wording.	Clarificatory language has been included to set out the exact extent of a clearing member's obligations.
103(d)(ii)	Amendment.	Insertion included to clarify that the Clearing House records the value of assets rather than the actual individual assets held on behalf of a client.

103(f)(iv)	Clarifactory language.	Insertion to clarify that reference to 4(d) accounts in this paragraph is to 4(d)(a) accounts under the CEA.
Regulation 104		
104(a)	Additional wording.	Only FCM Clearing Members may clear for Affiliates. Non FCM Clearing Members can clear for affiliates through the SwapClear Dealer model.
Regulation 108		
108(a)	Deletion.	Paragraph redundant as a result of changes to the transfer provisions.
108(b)	Amendment.	<p>A number of changes have been made to the transfer provisions in the global SwapClear model and have been mirrored for SwapClear US. Changes include:</p> <ul style="list-style-type: none"> (i) further discretion has been introduced for a Receiving FCM Clearing Member to accept the assets transferred by the Clearing House. (ii) limitations on the porting process where such a port would lead to increased risk exposures at the Carrying FCM Clearing Member. (iii) protections for the Clearing House have been included to limit transfers in certain conditions. (iv) limitations for a transferring where a client and clearing member have agreed that a port can not take place (together with an indemnity for the Clearing House in the event that it suffers a loss as a result of not porting positions and collateral – see 108(h).
108(a) (new)	Conforming changes.	See above.
108(b)	Conforming changes.	See above.
108(c)	Conforming changes.	See above.
108(e)	Conforming changes.	See above.
108(f)(i)	Conforming changes.	See above.
108(f)(ii)	Addition.	The Clearing House will now verify the contracts that are subject to a request for transfer – in the event of a discrepancy, the transfer will not be carried out.
108(h)	Addition.	See reference to indemnity above.
Regulation 117		
117(d)(i)	Amendment.	Changes made following a request from certain market participants.
117(d)(v)	Amendment.	Changes made following a request from certain market participants.

Regulation 204		
204(i)(i)	Amendment	New paragraph included to state that the DMG is one body covering the Clearing House and LCH.Clearnet Limited.
204(i)(iv)	Conforming changes.	None.
Regulation 306		
306	Amendment.	Wording has been introduced to cater for the fact that the Clearing House may not always pay interest payments on the default fund contributions it holds, based upon market conditions. Interest payments are linked to Fed fund rates.
Regulation 322		
322	New paragraph.	The Clearing House is currently working on a segregation solution that will protect its members in the event of a Clearing House insolvency. The intention is to provide this service at the go-live date, however, if this is not possible then it will become available from such time that the Clearing House notifies the market by way of member circular.
322(c)	Amendment.	The security interest granted to protect members' contributions may be held in more than one account.
Regulation 401		
401(b), 401(c)	Conforming changes to bring the SwapClear US model in line with the global model.	Certain changes have been introduced in the global SwapClear model, changes to this section have been included to harmonize the two models.
401(d)	Amendment.	Further clarification around registration timing.
401(e)	Amendment.	Amendment to clarify the extent of a member's obligations to the Clearing House.
401(l)	Clarification.	Inter-dealer proprietary positions are not eligible for compression.
401(m)	Deletion.	Following the CFTC's provision of no-action relief with respect to the introduction of a cleared block trade model required under rule 1.35, the applicable section of the LCH rulebook has been deleted and will be introduced at a later date.
Regulation 402		
402(c)	Formatting change.	None.
Schedule 4A – Part A		
3.3	Amendment.	Tax changes have been introduced to cater for changes in legislation and the fact that LCH.Clearnet LLC is a US entity.

Part B		
1.2 Eligibility Criteria	Amendments.	Certain new products that were proposed for LCH.Clearnet Ltd are still pending regulatory approval in the UK. Changes have been made to this section to bring the two clearing houses in line.
2.1(f)	New paragraph.	The Clearing House is amending its eligibility criteria with respect to the settlement of up-front fees under a registered swap.
Procedures		
1.4.1(c)	Amendment.	Tax wording has been updated.
2A.3	Amendment.	Conforming changes to cater for harmonization of the SwapClear US and SwapClear global models.
2A.3.2	Deletion	The concept of a 'Consent Required Clearing Member' has been deleted. A 'Consent Required Clearing Member' was a reference to an Executing Broker that could 'pull' a trade from registration in advance of FCM acceptance.
2A.3.5	Deletion	MarkitWire is no longer the only Approved Trade Source System.
2A.3.5	New paragraph.	Inclusion of a new paragraph to clarify that a transaction that is submitted for clearing with a fee that is settled after the registration date is not 'backloaded'.
2A.6.4	New paragraph.	Variation margin payments are due within one hour of being notified to FCM Clearing Members. This is to permit FCM to carry out segregation calculations and arrange for payments, as appropriate.
2A.8	New paragraphs.	Initial and intra-day margin payments are due within one hour of being notified to FCM Clearing Members. This is to permit FCM to carry out segregation calculations and arrange for payments, as appropriate.
2A.12	Conforming changes.	Harmonization of Global SwapClear and SwapClear US.
2A.12.4	Amendments.	Times updated for the US market.
2A.12.5	Conforming change.	None.
Various appendices to section 2A.	Amendments.	Changes to transfer forms as a result of Harmonization.
Section 3 – Financial Transactions	Amendments.	Certain operational and other updates including clarifications around PPS (margin settlement) and its role as a conduit for margin payments. Changes are in line with those introduced for LCH.Clearnet Limited.

CONTENTS

<u>1.</u>	<u>CLEARING MEMBER AND DEALER STATUS</u>	1
1.1	<u>Clearing Member and SwapClear Dealer Application Procedure</u>	1
1.2	<u>Net Capital</u>	6
1.3	<u>Calculation of Net Capital</u>	7
1.4	<u>Reporting</u>	8
1.5	<u>Additional Requirements</u>	10
1.6	<u>Other Conditions</u>	11
<u>2.</u>	<u>PRODUCT-SPECIFIC PROCEDURES</u>	12
<u>2A.</u>	<u>SWAPCLEAR</u>	13
2A.1	<u>The Clearing Process</u>	13
2A.2	<u>Operating Times And Calendars</u>	14
2A.3	<u>Registration</u>	14
2A.4	<u>Position Accounts</u>	19 18
2A.5	<u>Financial Accounts</u>	19
2A.6	<u>SwapClear Contract Valuation</u>	20 19
2A.7	<u>Coupon Payments</u>	22 21
2A.8	<u>Initial Margin</u>	34 33
2A.9	<u>Intra-Day Margin Call: Collateral Management</u>	35 34
2A.10	<u>Compression</u>	35
2A.11	<u>Affiliate Clearing</u>	36
2A.12	<u>Transfer of Client Positions</u>	36
2A.13	<u>Proprietary Account Position Transfers</u>	41 40
2A.14	<u>Amendment of Trade References</u>	41
2A.15	<u>Early Termination Events</u>	44 43
2A.16	<u>Termination of Clearing Member and SwapClear Dealer Status</u>	44 43
2A.17	<u>Default Management</u>	45 44
2A.18	<u>Taxes</u>	51 50
<u>APPENDIX 2A.A</u>	<u>SWAPCLEAR PROCESSING SCHEDULE</u>	52 51
<u>APPENDIX 2A.B</u>	<u>CLIENT – PARTIAL TRANSFER FORM</u>	53 52
<u>APPENDIX 2A.C</u>	<u>CLIENT – FULL TRANSFER FORM</u>	55 54
<u>APPENDIX 2A.D</u>	<u>CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPONSES FORM</u>	58 57
<u>APPENDIX 2A.E</u>	<u>CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP</u>	60 59

regulatory requirement, and in accordance with the terms of the Clearing Membership Agreement;

- (iv) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and
- (v) will attempt to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.
- (e) FCM Clearing Member Status: An applicant that wishes to apply for FCM Clearing Member status in order to clear Contracts on behalf of Clients must indicate so to the Clearing House, must fill out any additional application materials required by the Clearing House in connection with such application and must comply with the additional requirements applicable to FCM Clearing Members set forth in the Rulebook.
- (f) Clearing Member Status Criteria – Generally:

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

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time.

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

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

The applicant must open Protected Payments System (PPS) bank account(s) at one or more of the bank branches participating in the PPS system in the USA in US dollars and must execute all necessary PPS mandates for House and Client accounts.

The applicant must maintain a back office:

~~(i)~~ (vi) remote from the trading desk;

~~(ii)~~ (vii) with adequate systems (including but not limited to computer and communications systems) and records;

~~(iii)~~(viii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the contracts cleared by the Clearing House in which the applicant participates; and

~~(iv)~~(ix) with such technology and connectivity as may be stipulated by the Clearing House.

Applicants for Clearing Member status and Clearing Members must at all times respond promptly to inquiries or requests for information made by the Clearing House. Such inquiries may require Clearing Members to demonstrate compliance with the applicable clearing membership criteria and/or applicable laws and regulations.

Pursuant to Regulation 102(b)(iv), each Clearing Member must be able to participate successfully, or have: (i) an affiliated Clearing Member (or, alternatively, a non-Clearing Member Affiliate that clears through it) that can participate; or (ii) an LCH Approved Outsourcing Party that can successfully participate in a “fire-drill” run by the Clearing House from time to time. Such “fire drill” may involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. It is a condition of membership that an applicant demonstrate its ability to perform in “fire-drill”. The “fire-drill” run by the Clearing House during a Clearing Member’s application process is known as the “driving test”. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and may result in: (i) an applicant’s application for Clearing Member status being refused; or (ii) the Clearing House taking certain action with respect to a Clearing Member, including a suspension or loss of such Clearing Member’s Clearing Member status with the Clearing House.

The Clearing House may determine in its sole discretion that a “driving test” is not required with respect to an affiliated Clearing Member (or non-Clearing Member Affiliate, as the case may be) where it considers that the relevant entity has already demonstrated to the Clearing House (or another entity within the LCH.Clearnet Group) that it is capable of passing the “driving test.” A determination by the Clearing House that a “driving test” is not required does not absolve a Clearing Member of its future obligations to comply with the Clearing House’s future requirements with respect to any other “fire drill”.

Each Clearing Member shall at all times continue to comply with the qualifications and requirements set forth in the Rulebook and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

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

- (g) SwapClear Dealer Status Criteria – Generally: An applicant must satisfy the criteria set out below in order to be considered for admission to the Register of

CFTC Regulation 1.16. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of a Clearing Member.

(b) Each Clearing Member must provide the Clearing House in a prompt and timely manner with:

- (i) copies of all financial returns/reports made to its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC Regulations (including CFTC Regulation 1.12 in the case of FCM Clearing Members);
- (ii) those financial reports detailed in CFTC Regulation 1.10 (in the case of FCM Clearing Members);
- (iii) any information concerning any financial or business development that that the Clearing Member reasonably considers may materially affect the Clearing Member's ability to comply with the membership criteria or applicable laws or regulations;
- (iv) copies of all reports that are required to be filed by it with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations;
- (v) information and documents regarding the Clearing Member's risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that Clearing Member's financial resources and its settlement procedures;
- (vi) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis; and
- (vii) notice if the Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event of which it is required to notify the Clearing House under the Clearing Membership Agreement or the Rulebook.

In addition, and upon request from the Clearing House or the CFTC, each Clearing Member shall promptly provide the information detailed in (v) above directly to the CFTC.

~~Upon its admission as a Clearing Member, such Clearing Member shall provide the Clearing House with a valid Internal Revenue Service Form W-9 or successor form (in the case of a Clearing Member that is a U.S. person), or a valid Internal Revenue Service Form W-8BEN or a related or successor form, as applicable (in the case of a Clearing Member that is not a U.S. person). In the case of an FCM Clearing Member that is not a U.S. person, the Clearing House may require such FCM Clearing Member to provide it with Forms W-8IMY (or successor forms) relating to Clients. Each Clearing Member shall update such form(s) as necessary to ensure that such form(s) does not become invalid. The Clearing House shall provide~~

~~Clearing Members a valid Internal Revenue Service Form W-8ECI or successor form and shall update such form as necessary to ensure that such form does not become invalid.~~

(c) The Clearing House and each Clearing Member shall provide to each Clearing Member or the Clearing House, as relevant, (i) any forms or documents specified in a Contract between the Clearing House and the Clearing Member and (ii) any other form, document, statement or certification reasonably requested in writing by the Clearing Member or the Clearing House (provided the Clearing Member or the Clearing House is legally eligible to provide such form, document, statement or certification) in order to allow the Clearing Member or the Clearing House to make a payment under the Rulebook or any Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. In the case of the Clearing House, the forms required pursuant to clause (ii) above include an Internal Revenue Service Form W-9. Additionally, to the extent the Clearing House is entitled to an exemption from, or reduction of, any applicable Tax on account of which a Clearing Member would otherwise be required to make a payment to the Clearing House, the Clearing House will take such further actions as necessary to perfect the exemption from, or reduction of, such Tax.

1.4.2 **Regulated Clearing Members**

Regulated Clearing Members must provide the Clearing House with copies of all applicable returns made to their regulators. Clearing Members must provide the Clearing House with copies of all reports that they are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations.

1.4.3 **Non-Regulated Clearing Members**

Non-regulated Clearing Members must provide the Clearing House with a quarterly balance sheet and income statement (or profit and loss statement) within 30 days of their quarter-end date. These quarterly statements must be signed by authorized signatories of the Clearing Member, as appropriate. Evidence of signing authority together with specimen signatures must also be provided.

1.4.4 **Reduction in Net Capital**

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

- (a) shareholders' funds;
- (b) net capital.

1.5 **Additional Requirements**

1.5.1 **Notification of Changes of Ownership**

Clearing Members and SwapClear Dealers are required to notify promptly or pre-notify the Clearing House of any changes in control (defined as the exercise or

SWAPCLEAR

2A. SWAPCLEAR

2A.1 The Clearing Process

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

For the purposes of the Rulebook, a branch office of a Clearing Member is considered a part of the same legal person as the Clearing Member. Where a SwapClear Transaction is presented for registration by a branch of a Clearing Member, it is deemed to have been presented by, and in the name of, the Clearing Member of which the branch is part.

2A.1.1 **SwapClear US Service Functions**

The following functions are performed within the SwapClear US Service:

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

SwapClear Transactions presented via an Approved Trade Source System (*i.e.*, new trades presented for intra-day registration or existing trades presented for overnight registration – see Sections 2A.3.2 and 2A.3.3) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the system for the SwapClear US Service. Information regarding SwapClear Contracts and margin reporting will be disseminated via the clearing member reporting System (see Section 2A.1.3).

2A.1.2 **Clearing House System Requirements**

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

2A.1.3 **SwapClear Clearing Member Reporting System**

The Clearing House has various arrangements for the notification to Clearing Members of SwapClear Contract registrations and other information. These make use of systems including the following:

- Report 001;
- Approved Trade Source Systems; and
- The SwapClear API.

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

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

Clearing Members will be able to customize and produce reports either to print locally or to download in machine-readable data-file format. Queries about the Clearing Member-only website should be directed to the Clearing House Service Desk at +1 (212) 513-5660.

2A.2 **Operating Times And Calendars**

2A.2.1 **Opening Days**

The Clearing House will publish a circular detailing the days on which the SwapClear US Service will be open.

2A.2.2 **Opening Hours**

The SwapClear US Service will be operational during the following hours:

07:30 to 19:00 hours (a “**Business Day**”).

2A.2.3 **SwapClear Clearing System Calendars**

The SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the SwapClear US Service, will be available online for inspection and for file download from [the](#) clearing member reporting system (see Section 2A.1.3).

2A.3 **Registration**

2A.3.1 **Executing Parties and Presentation for Clearing**

A SwapClear Transaction may be entered into by and presented for clearing by, or on behalf of, any ~~of the following parties: (1) Executing Party, including~~ Clearing Members (or a branch office of a Clearing Member); ~~;(2) SwapClear Dealers;~~ [Affiliates](#) and ~~(3) Clients.~~

The Clearing House receives details of a new eligible SwapClear Transaction using agreed format messages via an Approved Trade Source System. The Approved

Trade Source System will send details of a SwapClear Transaction to the Clearing House once it has been bi-laterally agreed by two Executing Parties and will confirm which Clearing Member(s) has been elected to register the SwapClear Transaction. For the avoidance of doubt, an Executing Party may appoint a third party to present details of a SwapClear Transaction to the Clearing House on its behalf.

2A.3.2 Clearing House Notification

In the case of a Clearing Member which ~~(i) has been nominated to register a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer; or (ii) is a Consent Required Clearing Member (as defined below) in relation to a SwapClear Transaction,~~ the Clearing House will provide notification to such Clearing Member of the relevant SwapClear Transaction ~~(and, in the case of a Clearing Member falling within (i) fact that it has been so nominated),~~ via member reports, the SwapClear API or otherwise (the “**Notification**”). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of a SwapClear Transaction ~~in the capacities described in (i) and/or (ii) of this paragraph,~~ such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction.

Following receipt of a Notification, a Clearing Member may choose to ~~grant~~accept or refuse consent to register the SwapClear Transaction. It is a condition for registration of a SwapClear Transaction that a Clearing Member grants a separate consent in respect of each Notification received by it in relation to the registration of the relevant SwapClear Transaction. The Clearing House has an automated system which it operates on each business day (currently at or around 15:00 hours) for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any consent to a Notification (each a “**Necessary Consent**”) has not been notified to the Clearing House prior to the LCH Cut-off Time. The “**LCH Cut-off Time**” in respect of a SwapClear Transaction will be the time on the business day following the day when the relevant SwapClear Transaction was presented for clearing at which the reject system is operated by the Clearing House and the relevant SwapClear Transaction is itself rejected by such system. If a Clearing Member has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant SwapClear Transaction. Any Necessary Consent of a SwapClear Transaction notified by a Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a Clearing Member to the Clearing House after the LCH Cut-off Time shall be invalid.

~~The Clearing House offers a system pursuant to which a Clearing Member can elect that, whenever (i) it is acting in the capacity of both an Executing Party in relation to a SwapClear Transaction and a Clearing Member in relation to a SwapClear Contract resulting from the registration of such SwapClear Transaction and (ii) the other Executing Party to the relevant SwapClear Transaction is a Client, it will be notified by the Clearing House of the relevant SwapClear Transaction and shall then choose whether to grant or refuse its consent to registration of such SwapClear Transaction. A Clearing Member which has elected for such system to apply is referred to in these Procedures as a “**Consent Required Clearing Member**”.~~

~~Clearing Members that wish to become Consent Required Clearing Member should contact the Clearing House's Membership Department for further details at +1 (212) 513-5645; membership@lchclearnet.com. Where a Clearing Member consents to the registration of the SwapClear Transaction and notifies the Clearing House of such consent and where such consent and notification is not necessary because the relevant Clearing Member is either an Executing Party but not a Consent Required Clearing Member in respect of the relevant SwapClear Transaction or is clearing the relevant SwapClear Transaction on behalf of a SwapClear Dealer, the relevant Clearing Member shall be deemed to have presented the SwapClear Transaction for clearing.~~

In circumstances where the registration of a SwapClear Transaction is conditional upon one or more Necessary Consent(s) being notified to the applicable Clearing Member(s), the relevant SwapClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such Clearing Member at the time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a SwapClear Transaction shall be "submitted" to the Clearing House by the applicable Clearing Member upon being presented to the Clearing House for clearing by such Clearing Member (or its branch) or by a SwapClear Dealer (acting in such capacity with respect to the relevant SwapClear Transaction) approved to clear SwapClear Transactions through the relevant Clearing Member.

In accordance with Section 2A.3.4 of these Procedures, it is a condition for registration of a SwapClear Contract that the applicable Clearing Member provide sufficient cover to the Clearing House in respect of such SwapClear Contract prior to registration.

2A.3.3 **Approved Trade Source Systems**

Currently the Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg and Tradeweb. Where the Clearing House approves additional Approved Trade Source Systems, it will notify Clearing Members via a member circular.

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

NOTWITHSTANDING THE DESIGNATION BY THE CLEARING HOUSE OF ANY SYSTEM AS AN APPROVED TRADE SOURCE SYSTEM, THE CLEARING HOUSE MAKES NO WARRANTY (AND WILL ACCEPT NO LIABILITY) AS TO THE EFFECTIVENESS, EFFICIENCY, PERFORMANCE OR ANY OTHER ASPECT OF THE SERVICES PROVIDED BY ANY APPROVED TRADE SOURCE SYSTEM OR THE TIMELINESS OR OTHERWISE OF THE DELIVERY OF ANY SWAPCLEAR TRANSACTION DETAILS BY THAT APPROVED TRADE SOURCE SYSTEM TO THE CLEARING HOUSE. SUCH MATTERS FORM PART OF THE RELATIONSHIP BETWEEN THE CLEARING MEMBERS AND THAT APPROVED TRADE SOURCE SYSTEM.

The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis and, subject to the Regulations

and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and approved by the relevant 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 APPROVED TRADE SOURCE SYSTEM TO THE CLEARING HOUSE OR TO A 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 SWAPCLEAR CONTRACT ON THE BASIS OF INCORRECT OR CORRUPTED DATA SENT TO IT BY AN APPROVED TRADE SOURCE SYSTEM AND ~~CONSENTED TO~~ (WHERE ACCEPTED (WHETHER AUTOMATICALLY OR MANUALLY, AS APPLICABLE) BY A CLEARING MEMBER, THE CLEARING MEMBER CONCERNED SHALL BE BOUND BY THE TERMS OF SUCH SWAPCLEAR CONTRACT. THE CLEARING HOUSE SHALL USE ITS REASONABLE BEST EFFORTS TO ASSIST THE RELEVANT CLEARING MEMBER(S) IN RE-REGISTERING THE TRADE ON THE CORRECT BASIS BUT THE CLEARING HOUSE SHALL NOT BE LIABLE TO A CLEARING MEMBER OR TO ANY OTHER PARTY WITH REGARD TO THE REGISTRATION (OR LACK OF REGISTRATION OR RE-REGISTRATION) OF ANY SUCH SWAPCLEAR CONTRACT.

Clearing Members shall ensure that Necessary Consents are provided by appropriately authorized personnel. Apart from in respect of Necessary Consents, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. THE CLEARING HOUSE SHALL HAVE NO LIABILITY IN THE EVENT THAT ANY CLEARING MEMBER SUFFERS ANY LOSS THROUGH THE UNAUTHORIZED GRANTING OF A NECESSARY CONSENT.

2A.3.4 Registration of New Trades

The Clearing House will perform regular, intra-day registration runs on each business day. SwapClear Transactions duly submitted to the Clearing House for registration will ordinarily be included in the next following registration run unless the Clearing House determines to register such SwapClear Transaction prior to such run.

Prior to it registering a SwapClear Contract, the Clearing House ~~will~~may require the Clearing Member in whose name such SwapClear Contract is to be registered to provide it with Initial Margin and Variation Margin in respect of such SwapClear Contract as a precondition to registration. In accordance with Regulation 401(d)(iv), a Clearing Member becomes obligated to provide such cover to the Clearing House at the time when both SwapClear Contracts relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable) by the relevant Clearing Member(s) and such Clearing Member(s) shall provide such

Margin prior to registration upon request of the Clearing House. Variation Margin can be covered intra-day in non-cash collateral.

In order for registration of a SwapClear Contract (the “**actual SwapClear Contract**”) to occur, where such actual SwapClear Contract is part of a registration run containing other SwapClear Contracts (the “**other SwapClear Contracts**”), Margin from each Clearing Member which would be a party to such other SwapClear Contracts is required to be provided to the Clearing House in advance and, if any one or more of such Clearing Members does not provide such Margin, the Clearing House will take whatever steps it deems appropriate to seek to register the actual SwapClear Contract as soon as practically possible.

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation 401 having been satisfied in respect of the related SwapClear Contracts, the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the clearing member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the clearing member reporting system (see Section 2C.1.3) on the SwapClear clearing member reporting account.

2A.3.5 Backloading of Existing Trades

The Clearing House provides the facility for Clearing Members to load eligible existing SwapClear Transactions, through an Approved Trade Source System ~~(currently only MarkitWire)~~. Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and the granting of consent by the Clearing Member(s) of the full particulars required by the Clearing House for each such SwapClear Transaction. Following such consent, the backloaded trade shall be deemed to have been submitted by the Clearing Member(s) for registration by the Clearing House. The Clearing House will, in the case of SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the SwapClear Transaction overnight for registration the following day. For backloaded trades, the Clearing House will notify Clearing Members of their submission and status as part of SwapClear clearing member reporting (see Section 2A.1.3). It is a pre-condition of registration that sufficient cover for Initial Margin and Variation Margin is provided.

If a SwapClear Transaction that is presented for registration by a Clearing Member would otherwise be considered backloaded but has a fee with a value date that falls after the date of submission, the trade will not be considered backloaded.

2A.3.6 Notification

The Clearing House will send to the originating Approved Trade Source System notification of registration or rejection, as the case may be, and the Clearing Members will be notified by the Approved Trade Source System or the SwapClear

The Clearing Members are required to make Variation Margin payments to the Clearing House within one hour of notification that payment is due.

2A.6.5 **Price Alignment Interest**

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

2A.7 **Coupon Payments**

2A.7.1 **Calendars and Coupons**

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section 2A.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to Clearing Members by the Clearing House in a Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the SwapClear Contract Terms.

2A.7.2 **Calculation of Fixed Amount**

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

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

$$\begin{array}{ccccccc} \text{Fixed Amount} & = & \text{Calculation} & \times & \text{Fixed} & \times & \text{Fixed Rate Day} \\ & & \text{Amount} & & \text{Rate} & & \text{Count Fraction} \end{array}$$

2A.7.3 **Calculation of Floating Amount**

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

$$\text{Floating Amount} = \text{Calculation} \times \text{Floating} \times \text{Floating Rate Day}$$

2A.7.13 Applying Reset Rate

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual business days according to the Calendar(s) and Business Day Convention specified.

2A.7.14 Negative Interest Rate Method

Clearing Members should note the provisions of Section 3.2 of Part A of Schedule 4A to the Regulations regarding the applicability of the Negative Interest Rate Method to a SwapClear Contract. Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative Interest Rate Method.

2A.8 Initial Margin

The Clearing House will require Clearing Members to post Initial Margin. The amount of Initial Margin required will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (“PAIRS”) will be used to calculate Initial Margin requirements for SwapClear Contracts.

Separate Initial Margin calculations are performed for a Clearing Member’s House “H” and Client “C” accounts.

The Clearing House reserves the right to require certain Clearing Members or all Clearing Members to pay to the Clearing House additional amounts of Margin in accordance with Regulation 106.

[The Clearing Members are required to make Initial Margin payments to the Clearing House within one hour of notification that payment is due.](#)

2A.8.1 Margin Parameters

The Clearing House Risk Management Department uses appropriate yield curve scenarios, both in terms of shape and magnitude of movement, to capture potential losses based on an observed history – the primary component of the Initial Margin calculation. These scenarios will be continually monitored and reviewed periodically or on an *ad hoc* basis according to market conditions. However, in accordance with the Regulations, the Clearing House retains the right, at its sole discretion, to vary the rates for the whole market or for a specific Clearing Members’ House and/or Client accounts.

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 yield curve scenarios.

2A.8.2 Liquidity Multiplier

Risk Management applies a liquidity multiplier based on Worst Case Loss (“WCL”) exceeding certain thresholds on the Clearing Member’s whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis. Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

2A.8.3 Intra-day Margin Calls

In accordance with the 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 (07:30 to 16:00 hours). Intra-day margin calls will usually be made via the PPS (see Section 2A.9). [The Clearing Members are required to make Margin payments to the Clearing House within one hour of notification that payment is due.](#)

2A.8.4 Calculation of Initial Margin

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

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the Initial Margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Risk Management team at +1 (212) 513-5654.

2A.8.5 Modification of Margin Requirements Pursuant to Regulation 106(d)

Any modifications to margin requirement calculations made by the Clearing House pursuant to Regulation 106(d) will be effected in accordance with the CEA and the CFTC Regulations.

2A.9 Intra-Day Margin Call: Collateral Management

2A.9.1 General – Intra-day Margining

Following an intra-day Margin call and unless notified otherwise by a Clearing Member at the time of an intra-day Margin call the Clearing House will deduct cash, in USD, directly from the relevant Clearing Member’s PPS account to cover that intra-day Margin call.

It is the responsibility of each Clearing Member to ensure that it has sufficient cash funds in place with its PPS Bank(s) in order to avoid any intra-day liquidity issues.

2A.10 Compression

A Clearing Member may compress existing SwapClear Contracts in accordance with Regulation 401(k). There are two options available to a Clearing Member that wishes to compress existing SwapClear Contracts:

(a) A Clearing Member can request that all SwapClear Contracts entered into (i) on behalf of a designated Client, (ii) on behalf of a designated Affiliate or (iii) on such Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the Clearing Member by 19:00 hours on each applicable day) until the Clearing Member notifies the Clearing House to discontinue such compression of SwapClear Contracts. Clearing Members should contact the Clearing House's Membership Department to request such a compression of SwapClear Contracts.

(b) A Clearing Member may notify the Clearing House directly through the SwapClear API specifying which SwapClear Contracts should be compressed. The Clearing Member will be notified by 19:00 hours on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to declare a SwapClear Contract, a Clearing Member must register with an Approved Trade Source System an offsetting SwapClear Contract and shall then follow the process for compression as set out above.

The Clearing House shall process the compression of all SwapClear Contracts as notified to it prior to 18:00 hours shortly after 18:00 hours and shall notify the applicable Clearing Member by 19:00 hours of the result of such compression procedure. A notification received after 18:00 hours shall be treated as if such notification was submitted on the following day prior to 18:00 hours, and as such shall be considered shortly after 18:00 hours on such following day and the results notified to the applicable Clearing Member by 19:00 hours on such following day.

Following the compression process described above and as further set out in Regulation 401(k), the applicable Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed SwapClear Contracts as notified to the Clearing Member by the Clearing House.

2A.11 Affiliate Clearing

Under Regulation 104, Clearing Members are permitted to clear for Affiliates through their Proprietary Accounts.

2A.12 Transfer of Client Positions

In certain circumstance the Clearing House will permit the transfer of SwapClear Contracts from ~~one~~a Carrying FCM Clearing Member to a Receiving FCM Clearing

Member on behalf of a Client ~~and~~, pursuant to and in accordance with Regulation 108 ~~(b) or 108(e)~~, and these Procedures.

2A.12.1 Partial Transfers

~~Where~~ Where, in accordance with Regulation 108, a Receiving FCM Clearing Member wishes, on behalf of a Client, to receive a transfer of a portion of such Client's portfolio of SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with a Client Partial Transfer Form (see Appendix 2A.B), signed on behalf of the relevant Client. Such form shall list all of the Porting SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of a Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer the Porting SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2A.12.4. In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House and the relevant FCM Clearing Members, the relevant partial transfer shall not take effect.

In the event that any of the conditions set forth in Regulation 108 ~~(ea)~~ are not satisfied, ~~and including where~~ the Carrying FCM Clearing Member notifies the Clearing House that ~~they~~ certain of the conditions have not been satisfied using the Carrying FCM Clearing Member Response Form, the Clearing House shall not proceed with the transfer of the Porting SwapClear Contracts and shall promptly notify the Receiving FCM Clearing Member of such outcome. If the Receiving FCM Clearing Member wishes to proceed with such transfer, it shall be required to submit a new request to transfer in accordance with these Procedures.

2A.12.2 Full Transfers

Where, in accordance with Regulation 108, a Receiving FCM Clearing Member wishes, on behalf of a Client, to receive a transfer of ~~such Client's entire portfolio~~ all of the SwapClear Contracts ~~held of such Client registered~~ with a Carrying FCM Clearing Member, it shall provide the Clearing House with a Client Full Transfer Form (see Appendix 2A.C), signed on behalf of the relevant Client. Such form shall confirm that all SwapClear Contracts attributable to the applicable Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits a Client Full Transfer Form, it must confirm whether or not the Client also wishes ~~to~~ the transfer ~~the Margin held by~~ to include the ~~Clearing House in respect~~ transfer of ~~the transferring SwapClear Contracts~~ Porting Account Assets. Following receipt of a Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2A.12.4. In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House and the relevant FCM Clearing Members, the relevant transfer shall not take effect.

In the event that any of the conditions set forth in Regulation 108 ~~(ba)~~ are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that ~~they~~ certain conditions have not been satisfied using the Carrying Member Response

Form, the Clearing House shall not proceed with the transfer of the Porting SwapClear Contracts or the ~~transfer of~~Porting Account Assets (when applicable)), and shall promptly notify the Receiving FCM Clearing Member of such outcome. If the Receiving FCM Clearing Member wishes to proceed with such transfer or any other transfer of the Porting FCM SwapClear Contracts of such Client, it shall be required to submit a new request to transfer in accordance with these Procedures.

Following receipt ~~of by the Carrying FCM Clearing Member of the notice that a~~ Full Transfer Form has been received, the Carrying FCM Clearing Member shall not be permitted to ~~register~~submit additional SwapClear Contracts on behalf of the Client whose SwapClear Contracts are subject to transfer ~~until~~during the period commencing at the end of the SwapClear US Service operating hours on the day on which the relevant FCM Clearing Member received such notice and ending at the time at which the relevant transfer (~~and including~~ the transfer of the ~~related~~Porting Account Assets, if applicable) is actually effected, fails or is rejected in accordance with Regulation 108 and these Procedures.

2A.12.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that a Client wishes to transfer ~~Margin~~Porting Account Assets 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~~request 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 2A.D) ~~which Margin is attributable~~the appropriate Account Assets to the transferring Client constitute the Porting Account Asset and the ~~associated~~appropriate SwapClear Contracts to constitute the Porting SwapClear 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 Margin from the FCM Clearing Member's Omnibus Client Swaps Account with LCH (such Margin as selected shall determine (in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the amount of Margin~~the appropriate Account Assets that is to be transferred, it should constitute the Porting Account Assets. The Clearing House shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the ~~Margin~~Porting Account Assets that will be transferred in accordance with the timetable below. Following receipt of such notification by the Clearing House, the Receiving FCM Clearing Member may elect to reject the transfer of some or all of the relevant Porting Account Assets in accordance with Regulation 108(b).

In the event that any of the conditions set forth in Regulation 108(~~ba~~) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that they have not been satisfied, including where the Carrying FCM Clearing Member notifies the Clearing House that certain conditions have not been satisfied using the Carrying Member Response Form, such that the Porting SwapClear Contracts will not be transferred, the Clearing House shall not proceed with the transfer of the ~~related Margin. In such circumstances, the Clearing House will notify the Receiving~~

~~FCM Clearing Member that the related Margin will not be transferred and, in order to proceed with the transfer of the associated SwapClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient Margin in respect of the transferring SwapClear Contracts~~relevant Porting Account Assets.

In the event that the Clearing House transfers ~~Initial Margin~~Porting Account Assets pursuant to these Procedures and the Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring SwapClear Contracts.

2A.12.4 Timetable for 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 <u>20</u> :00	Deadline for receipt from Receiving FCM Clearing Member of Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that Margin is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05 <u>10</u> :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 SwapClear 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 SwapClear 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 SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09 <u>14</u> :00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(b)(v a)) and that the

<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>
	accordance with Regulation 108(e (v) a) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	accordance with Regulation 108(b (v) a) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Carrying FCM Clearing Member is therefore objecting to the transfer.
		Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	
Day 2: 09 <u>14</u> :00 to 10 <u>15</u> :00		LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred. Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).	
Day 2: 14 <u>19</u> :30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 03 <u>08</u> :00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional Margin is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Margin is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Margin is required to enable the 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 3: 04 09:00	Deadline for receipt by Clearing House of any additional Margin from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Margin from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Margin from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04 09:00	Clearing House transfers SwapClear Contracts.	Clearing House transfers SwapClear Contracts and associated collateral.	Clearing House transfers SwapClear Contracts.

2A.12.5 Transfers between Proprietary Accounts and Client Accounts

Pursuant to Regulation 108([ed](#)), an FCM Clearing Member may transfer a Contract from a Client account to its Proprietary Account provided that the following conditions are met:

- (a) a copy of the notice designating the Early Termination Date or, if the Early Termination Date occurs automatically, evidence of the relevant Event of Default or Termination Event is provided to the Clearing House;
- (b) a copy of a notice served by the FCM Clearing Member on the Client alerting that Client of the FCM Clearing Member's intention to transfer the relevant Contract is provided to the Clearing House;
- (c) the FCM Clearing Member maintains sufficient Margin in its Proprietary Account to meet the Required Margin attributable to the Contract to be transferred, and is also maintaining sufficient Margin in its Client account; and
- (d) an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

The Clearing House will typically (but shall not be required to) transfer the relevant Contract within 24 hours of receipt of the above, unless the Client contests making such transfer.

2A.13 Proprietary Account Position Transfers

The SwapClear clearing system provides functionality for the transfer of positions from a Clearing Member's Proprietary Account, either in respect of SwapClear Contracts held on a Clearing Member's own behalf or in respect of SwapClear

allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

Upon the liquidation of the Hedged Account and all SwapClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a *pro rata* basis based on the Risk Factor of each Non-Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant Client Segregated Sub-Account.

2A.18 **Taxes**

Each Clearing Member shall pay any [€Tax](#) or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement and the Rulebook (including any registration of Contracts) by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction.

If any Clearing Member fails to pay a [€Tax](#) required to be paid pursuant to the previous paragraph and a liability resulting from such [€Tax](#) is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such [€Tax](#), the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and cost) plus any [€Tax](#) imposed on the Clearing House with respect to the indemnity payment under this paragraph.

APPENDIX 2A.B

CLIENT – PARTIAL TRANSFER FORM



CLIENT - PARTIAL TRANSFER FORM

V.1.0: August 2012

Terms used in this form are as defined in LCH.Clearnet LLC's Rulebook unless defined herein.

To: LCH.Clearnet LLC

From: Receiving FCM Clearing Member

Date:

We, [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member"), have received a request from [insert name of transferring Client] (the "Client") to transfer part of its portfolio of SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the SwapClear Contracts as identified below pursuant to Regulation 108(e) and these Procedures.

Please insert the LCH trade IDs of the transferring SwapClear Contracts, using the Schedule below:

***Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring SwapClear Contracts.*

***Please append a list of additional SwapClear Contracts to this form, if required.*

LCH Trade ID	ATS Trade ID

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member.

1.

(Authorized Signatory)

Name

Position

Date

2.

(Authorized Signatory)

Name

Position

Date

Signatories for and on behalf of the transferring Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed above;
- ii. that LCH.Clearnet LLC will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iii. that, in accordance with the Rulebook, LCH.Clearnet LLC is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- iv. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet LLC (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet LLC is not required to effect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the Rulebook applicable to the transfer are unsatisfied;
- v. ~~that the Client is not insolvent and has no~~ that in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in the Rulebook; and
- vi. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the Client listed above in accordance with the Regulations.

For and on behalf of the Client:

Authorized signatory

Authorized signatory

Date

Date

All forms should be returned to LCH.Clearnet LLC for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone: +1 212 513 8265

SwapClear Client Services

17 State Street, 28th Floor

New York NY 10004

APPENDIX 2A.C
CLIENT – FULL TRANSFER FORM



CLIENT - FULL TRANSFER FORM

V.1.0: August 2012

Terms used in this form are as defined in LCH.Clearnet LLC's Rulebook unless defined herein

To: LCH.Clearnet LLC

From: Receiving FCM Clearing Member

Date:

We, [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from..... [insert name of transferring Client] (the "Client") to transfer its entire portfolio of SwapClear Contracts from [insert name of its Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") to us. We hereby request the transfer of all the SwapClear Contracts ~~as identified below~~ of the Client pursuant to Regulation 108~~(b)~~ and the Procedures.

Please insert ~~EITHER:~~

~~i.~~ Name of Carrying FCM Clearing Member:

~~OR~~

~~ii. the LCH trade IDs of the transferring SwapClear Contracts (using the Schedule on the next page)
 in order to enable LCH.Clearnet LLC to identify the relevant SwapClear Contracts that are to be transferred.~~

Please tick the relevant box below to confirm whether the Client wishes to transfer ~~the associated~~ Porting Accounts Assets in accordance with Regulation 108~~(d)~~.

The Client wishes to transfer Account Assets

The Client does NOT wish to transfer Account Assets

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member.

1. _____
 (Authorized Signatory) Name Position date

2. _____
 (Authorized Signatory) Name Position date

Signatories for and on behalf of the transferring Client:**To:** Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed herein;
- ii. that ~~we will be unable to submit further SwapClear Contracts through~~ our Carrying FCM Clearing Member ~~from~~ shall not be permitted to register additional SwapClear Contracts on our behalf during the date that this form is period commencing at the end of the SwapClear service operating hours on the day on which it received by LCH.Clearnet LLC until the notice that a Client Full Transfer Form has been received and ending at the time at which the relevant transfer has been (including the transfer of the relevant Porting Account Assets, if applicable) is actually effected or is rejected;
- iii. that LCH.Clearnet LLC will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iv. that, in accordance with the Rulebook, LCH.Clearnet LLC is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- v. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet LLC (and/or by us to the Receiving FCM Clearing Member listed above) even where Porting Account Assets are transferred, and that LCH.Clearnet LLC is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of Porting Account Assets, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet LLC to identify the correct Porting Account Assets to be transferred, and (y) ~~while LCH.Clearnet LLC will attempt to transfer where our Carrying Clearing Member does not so identify the specified correct Porting Account Assets to the Receiving FCM Clearing Member available for transfer,~~ LCH.Clearnet LLC is permitted to ~~transfer alternative propose the~~ collateral that will constitute the Porting Account Assets as it deems appropriate, subject to our consent to transfer such Porting Account Assets in accordance with ~~the Rulebook;~~ Regulation 108(b);
- vii. ~~that the Client is not insolvent and has no~~ that in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in the Rulebook; and
- viii. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the Client listed above in accordance with the Regulations.

For and on behalf of the Client:

Authorized signatory_____
Authorized signatory_____
Date_____
Date

All forms should be returned to LCH.Clearnet LLC for the attention of Client Services.

APPENDIX 2A.D

CLIENT TRANSFER – CARRY FCM CLEARING MEMBER RESPONSES FORM

CLIENT TRANSFER - CARRYING FCM
CLEARING MEMBER RESPONSE FORM

V.1.0: August 2012

Terms used in this form are as defined in LCH.Clearnet LLC's Rulebook unless defined herein

To: LCH.Clearnet LLC

From: Carrying FCM Clearing Member

Date:

We, [insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet LLC in relation to 's [insert name of transferring Client] (the "Client") request to transfer [its entire/part of its*] portfolio of SwapClear Contracts held by us. We are writing to inform you that:

* Delete as appropriate

(Please tick if applicable) The transferring Client has become insolvent and ~~it~~ therefore no SwapClear Contracts should ~~therefore not~~ be transferred in accordance with Regulation 108(b)(i) or Regulation 108(e)(i), as applicable a.

(Please tick if applicable) The transferring Client has ~~outstanding obligations that are due, or would have as a consequence of the occurrence of the requested transfer, unsatisfied requirements which the Rulebook states must be satisfied in order for the transfer to be effected as between itself and payable to us and/or our Affiliates at the time of, or arising as a result of, such transfer,~~ and therefore ~~it~~ no SwapClear Contracts should ~~not~~ be transferred ~~in accordance with Regulation 108(b)(v) or Regulation 108(e)(v), as applicable.~~

(Please tick if applicable) The transferring Client has asked that the Porting Account Assets be transferred and the relevant Porting Account Assets are described in the schedule below.

Schedule of Porting Account Assets:

The Porting Account Assets of the Client consist solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

The Porting Account Assets of the Client consist of the following cash and non-cash collateral:

CASH AMOUNT & CURRENCY

FINANCIAL TRANSACTIONS

3. FINANCIAL TRANSACTIONS

3.1 Accounts

3.1.1 **Overview**

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

- Margin account; and
- Tender account (not applicable to Default Fund (DF) accounts).

These accounts are used to record cash movements between the Clearing House and the Clearing Member. Refer to Section 2A.5 for a full description of financial accounts [relating to the clearing of SwapClear Contracts](#).

3.1.2 **Margin Account Postings**

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

- PPS payments and receipts;
- Interest and accommodation charges;
- Currency purchases and sales;
- Clearing House fees, charges and rebates;
- Variation Margin, Price Alignment Interest and coupons;
- SwapClear coupon payments;
- SwapClear coupon adjustments;
- Net Present Value (NPV);
- Price alignment interest; and
- Consideration.

3.1.3 **Tender Account Postings**

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

- PPS payments and receipts; and
- Settlement differences; and
- Coupon Payments relating to member collateral.

3.1.4 Financial Transaction Reporting

~~Details of postings to these accounts are available to~~ Banking reports are generated each day that provide Clearing Members with ~~direct access to~~ data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the ~~Clearing House Member Intranet Site. Clearing Members with direct access to the Clearing House Reporting Website (Member Intranet Site for SwapClear (see Section 2A.1.3) should use~~ Live site) and can be downloaded via the user interface or directly to Clearing Member back-office systems via an SFTP connection.

A “Banking Reports Reference Pack” can be requested by the ~~“Yesterday’s Cover Account Postings” report~~ LCH.Clearnet Client Training Team. This contains definitions and examples of each of the available reports.

3.2 Protected Payments System (PPS)

The Clearing House operates a direct debit system, known as the Protected Payments System (“PPS”), for the transfer of funds to and from Clearing Members.

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

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and the applicable provisions of the Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement systems for the recall of any such payment has expired.

3.2.1 Introduction

A Clearing Member must open and maintain PPS accounts in USD and such other currencies in which it incurs settlements on its Client or Proprietary Accounts (a list of the relevant participating PPS banks is available at http://www.lchclearnet.com/risk_management/llc/pps; for more information on PPS banks, please contact the Clearing House’s Treasury Operations)).

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

The PPS account will, *inter alia*, be used to process payments related to Contributions in USD.

Where applicable, all PPS accounts that hold Clients' funds and collateral must be segregated in accordance with the Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1 and Part 190 of such regulations (but excluding Part 22 until compliance therewith becomes mandatory under the CFTC Regulations, as specified in the Regulations).

3.2.2 PPS Mandate

Each Clearing Member is required to complete a standard form PPS Mandate (see Appendix 3A) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

3.2.3 Morning PPS Calls

Clearing Members' liabilities are calculated overnight. Should the ~~amount~~relevant liability not be covered by acceptable forms of Margin held by the Clearing House (see Section ~~3.3~~, ~~the difference~~any shortfall) is called through PPS with separate calls made for each currency. It is the responsibility of each Clearing Member to ensure that its PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by ~~08:30~~09:00 hours, or within one hour of a subsequent call on the day on which the PPS call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

3.2.4 Payments Due to Clearing Members

Where payments are due to a Clearing Member, Payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

3.2.5 ~~Other~~Intraday PPS ~~Functions~~Calls

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

- ~~(a) — remit surplus cash balances to the Clearing Member's PPS bank(s) upon instruction to the Clearing House's Treasury Operations between 07:00 and 9:30 hours or by prior arrangement with the Clearing House's Treasury Operations;~~

The intraday margin call intra-day Margin by the Clearing House is for intraday cover payments, where the. The Clearing House must receive confirmation of

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

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

3.2.6 Auto repay

~~(b)~~ Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts at uscollateralservices@lchclearnet.com or +1 (212) 513-5642.

~~3.2.6~~3.2.7 **Value Date**

~~Clearing Members should note that PPS is a system for facilitating payment to the Clearing House of monies due from Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating Bank through PPS to make any payment, and the receipt of that commitment by the Clearing House is not to be regarded as satisfaction of any payment due to the Clearing House. Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, inter alia, by the Clearing Membership Agreement, clearing extension documentation and the Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.~~

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Section 3.2.3 and 3.2.5, subject to Section 3.2.9, all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

~~3.2.7~~3.2.8 **Foreign Bank Holidays**

The Clearing House has made arrangements with its PPS bank~~ers~~ to operate the PPS on all US banking days, including foreign bank holidays.

Confirmation that PPS payments will be made must still be received within the deadlines set out in Sections 3.2.~~4~~3, 3.2.5 and 3.2.~~4~~6. However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next Business Day on which both the foreign currency center and the Clearing House are open for business.

Example: July 4 is a public holiday in the US but not in the UK. July 5 is a normal banking day in the US.

On July 4 the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value July 5.

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

www.lchclearnet.com/members_notices/

~~3.2.8~~3.2.9 **US Bank Holidays**

The Clearing House ~~does~~will not ~~give value~~register trades on US bank holidays but will provide settlement and payments in non-USD currencies to the extent that it is a good business day in the country of the particular non-USD currency; provided, that if it is not a good business day in any payment on a US bank holiday, if of the US, the UK or Europe, then the Clearing House is closedwill not provide settlement or payments in any currencies. PPS Calls in respect of all outstanding intra-day credit tolerances will be made on the Business Day prior to any US bank holiday. PPS Calls in respect of trades submitted for business registration on that US bank holiday. PPS Calls~~holidays~~will be made on the next following Business Day.

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

~~3.2.9~~3.2.10 **Secured Debit Cash Balances**

Clearing Members may, at the discretion of the Clearing House, secure debit cash balances up to defined limits with collateral or cash in another currency. Once the cash balance exceeds any such limit, the PPS automatically issues an instruction demanding payment of the full amount in that currency.

For current debit cash limits, refer to Clearing House circulars or contact the Clearing House's Treasury Operations.

The Clearing House reserves the right to alter the levels set and/or to demand immediate payment of the total sum due or any part thereof.

~~3.2.10~~3.2.11 **Payment Failure by PPS Bank**

In the event that payment is not completed by the relevant PPS bank, due to insolvency and not a technical failure, and the affected Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of costs, to the accounts of the affected Clearing Members in proportion to the amount of the original missed payment.

3.2.12 Contingency Payment Arrangements

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

3.3 **Acceptable Forms of Margin**

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

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

To view our acceptable collateral list, go to:

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

3.3.1 **Cash**

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from Clearing Members only in relation to current or anticipated obligations.

Clearing Members must give the Clearing House's Treasury Operations no less than two (2) Business Days notice of their intention to request withdrawal of cash used as Margin and its replacement by the lodgment of non-cash collateral. In the event that a Clearing Member seeks to withdraw such cash Margin without giving such notice, the Clearing House ~~will~~may decline to release such cash Margin until the end of the required notice period.

3.3.2 **Securities**

Please refer to the following section of the Clearing House's website for both prevailing haircuts and notes on collateral acceptable as Margin:

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

3.3.3 **Securities Value Notification**

Clearing Members may obtain details on the value of securities ~~credited to~~in their account ~~on a daily basis. Clearing Members with direct access to~~ by viewing the ~~Clearing House's relevant reports available on the~~ Member ~~Intranet site should use the "Collateral by Member" report~~Reporting Website.

3.4 **Distribution of Margin**

3.4.1 **Liability Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of Default by a Clearing Member, please see Section 3.4.43 below.

Liabilities will be covered in the following order:

- (a) Secured debit cash balances (see Section 3.2.9);
- (b) Variation Margin and Initial Margin including offset of contingent credits.

3.4.2 Margin Application

Note: The following provision applies solely for the purpose of calculating fees: during the overnight offsetting of each Clearing Member's collateral against such Clearing Member's liabilities. In case of Default by a Clearing Member, please see Section 3.4.73 below.

~~Cash will be~~ Clearing Members may choose to have cash applied ~~first to each~~ before securities collateral to their liability or fees, or vice versa.

3.4.3 Order of Priority on Default

Post-Default the Clearing House is entitled to realize and/or apply Margin in whatever order it deems appropriate.

3.5 Interest and Accommodation Charge Structure

3.5.1 Interest on Cash Balances

The Clearing House applies interest to Clearing Members' cleared cash balances.

The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay interest on credit cash balances (excluding credit cash balances on SwapClear Client financial accounts); and
- (b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay interest on credit cash balances on SwapClear Client financial accounts.

Rates are available from the Member Reporting Website.

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

3.5.2 Interest Payable in Respect of Contributions

The “Default Fund Rate” is the rate at which the Clearing House pays interest to a Clearing Member in respect of the amount equal to the Clearing House's contingent obligation to repay an amount equal to a Clearing Member's Contribution, in accordance with Regulation 306.

Rates are available from the Member Reporting Website.

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

3.5.3 ~~Contingency Payment Arrangements~~

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

3.5.4 ~~3.5.3~~ Price Alignment Interest (PAI) Rate

To minimize the impact of daily cash Variation Margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative Variation Margin received by the Clearing Member and pay interest on cumulative Variation Margin paid in by the Clearing Member respect of these instruments. This interest element is known as price alignment interest (“**PAI**”).

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

The amount of NPV in such currency from the previous Business Day’s close of business, multiplied by

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

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

In the case of the currencies marked below with an asterisk, the Clearing House specifies that it will not change the PAI rate without the consent of all Clearing Members holding Contracts in such currencies.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page “FEDFUNDS1” or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page “EONIA” or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page “SONIA” or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page “TONAR” or on any successor page(s) thereto.

Currency	PAI Rate
SGD	The rate used shall be the “SONAR” rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page “ABSIRFIX01” or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page “NOINTR=ECI” or any successor page(s) thereto

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

~~3.5.5~~3.5.4 Interest/Accommodation Structure

Application of Margin	Type of Margin				
	Credit Variation Margin	Securities	Cash	Foreign Cash	Forward Cash
Debit Cash (GBP, USD, EUR)	Not allowed	Charge LDR of debit currency plus 1.10%	Not applicable	Charge LDR of debit currency plus 1.00%; pay LDR of Margin currency	Charge LDR of debit currency plus 1.00%
Debit Cash CHF, JPY, DKK, NOK, SEK	Not allowed	Charge LDR of debit currency plus 2.10%	Not applicable	Charge LDR of debit currency plus 2.00%; pay LDR of Margin currency	Charge LDR of debit currency plus 2.00%
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Pay or charge LDR <u>relevant rate</u>	Pay or charge LDR <u>relevant rate</u> of Margin currency	No charge or payment prior to value date
Excess or Surplus	No charge or payment	No charge or payment	Pay or charge LDR <u>relevant rate</u>	Pay or charge LDR <u>relevant rate</u>	No charge or payment prior to value date

Note:

1. “Foreign Cash” means cash in a currency other than that of the liability.
2. “Forward Cash” means cash which has been credited to an account for later value, e.g. an

Application of Margin	Type of Margin				
	Credit Variation Margin	Securities	Cash	Foreign Cash	Forward Cash

amount called via PPS for next-day value.

3. The Clearing House does not charge accommodation fees for collateral lodged to margin contracts entered into with respect to client business.

~~3.5.6~~ 3.5.5 **Payment of Interest and Charges**

Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resultant monthly total is posted to each Clearing ~~Members'~~ Member's relevant Margin accounts at the beginning of the following calendar month.

The net invoice value for each currency is posted to the relevant Margin account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) interest due to be credited or debited;
- (b) accommodation charges; and
- (c) collateral/performance bonds utilization fees.

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

3.6 **Taxes**

Payments of interest (including PAI) to a House or Client financial account or in accordance with Regulation 306 shall be made free and clear and without deduction or withholding for or on account of any ~~€~~ Tax provided that the proper Internal Revenue Service forms were submitted pursuant to Section 1.4.1(c) and such deduction or withholding is not otherwise required by law. If deduction or withholding is required by law, interest payments shall be net of such deduction or withholding. The Clearing House shall remit such withheld amounts to the relevant taxing authority, and shall provide the Clearing Member an official receipt (or a certified copy), or other documentation reasonably acceptable to the Clearing Member, evidencing such payment to such authorities.

If (i) the Clearing House is required by any applicable law to make any deduction or withholding from payments of interest (including PAI) on account of any ~~€~~ Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such ~~€~~ Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from

such ~~€~~Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and cost) and any ~~€~~Tax imposed on the Clearing House with respect to the indemnity payments under this paragraph such that the amount actually received by the Clearing House will equal the full amount the Clearing House would have received in the absence of any such ~~€~~Tax imposed on the indemnity payments made under this paragraph.

3.7 **Fees**

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to Proprietary Account holding Margin.

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

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

3.8 **Default Fund; Contributions**

Contributions (as defined in the Regulations) will be called via PPS on the fourth Business Day of each month or more frequently pursuant to a determination of the required Contribution under the Default Fund Regulations (each a “**Reset Day**”), except to the extent specified elsewhere in this Rulebook (e.g., in the event of a Default). Contribution requirements will be notified to Clearing Members at least two Business Days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Amounts due to Clearing Members following the adjustment to the required Contribution (in accordance with the Default Fund Regulations) will be paid to Clearing Members’ PPS accounts on the Reset Day immediately following the adjustment to the required Contribution.

Interest payable in accordance with Regulation 306 will be paid to the relevant Clearing Member’s PPS account(s) on the first Business Day after the 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 Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding anything else herein, if the rate of interest payable in respect of Contributions under Regulation 306 is negative, interest shall be payable by Clearing Members to the Clearing House.

Table of Contents

REGULATIONS OF THE CLEARING HOUSE	1
DEFINITIONS AND INTERPRETATION	2
CHAPTER 1 – REGULATIONS OF GENERAL APPLICABILITY	14
Regulation 101 Obligations of the Clearing House and Clearing Members Generally	14
Regulation 102 Clearing Member Status and the Application of Clearing House Regulations	15
Regulation 103 Client Business and Segregated Client Accounts	17
Regulation 104 Proprietary Account Clearing	23
Regulation 105 General Provisions Regarding Clearing Member Accounts at the Clearing House	24
Regulation 106 Margin; Other Obligations	25
Regulation 107 Net Present Value	33
Regulation 108 Transfers of Client and Proprietary Positions	34
Regulation 109 Market Disorder or Trade Emergency; Force Majeure; Offsetting of Contracts	40
Regulation 110 Currency Conversion	42
Regulation 111 Fees and Other Charges	43
Regulation 112 Records and Recordkeeping	44
Regulation 113 Alteration of Rulebook; Interpretation; Validity; Change in Law or CFTC Regulations	47
Regulation 114 Confidentiality	49
Regulation 115 Governing Law and Jurisdiction	50
Regulation 116 Exclusion of Liability	51
Regulation 117 Default or Bankruptcy of the Clearing House	53
Regulation 118 Acknowledgements and Agreements of Clients and Affiliates	58
CHAPTER 2 – DEFAULT REGULATIONS	60
Regulation 201 Applicability	60
Regulation 202 Steps to Take in the Event of a Default	61
Regulation 203 Event of Default	64
Regulation 204 Default Management Process	66
Regulation 205 Discharge of Defaulter’s Rights and Liabilities; Multiple Accounts; Treatment of Variation Margin	81
Regulation 206 Clearing House Certification	86

Definitions and Interpretation

I. Definitions:

In the LCH.Clearnet LLC Rulebook (referred to herein as the “**Rulebook**”) the following words and expressions shall have the following meanings, except as the context may otherwise require:

“**Account Assets**” means the Client Funds that an FCM Clearing Member has deposited with or transferred to the Clearing House as Margin, and which the Clearing House holds (in that FCM Clearing Member’s Omnibus Client Swaps Account with LCH and in the applicable Client Segregated Sub-Accounts), for and in respect of the clearing of Contracts for its Clients. For the avoidance of doubt, any Applied Buffer or Buffer applied by the Clearing House in respect of a Client’s Client Segregated Sub-Account does not constitute “Account Assets” of such Client, provided, that Applied Buffer may be transformed into Account Assets as provided in Regulation 106(g)(iv)(C).

~~“**Account Manager Executing Party**” means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated SwapClear Transactions.~~

“**Affiliate**” means, with respect to a Clearing Member, any entity that controls, is controlled by or is under common control with such Clearing Member, and the account of which, when carried by the Clearing Member, would be considered a proprietary account pursuant to CFTC Regulation 1.3(y) (or any such successor or replacement regulation).

“**AIP**” has the meaning assigned to it in Regulation 204(b)(iv)(A).

~~“**Allocating Transaction**” has the meaning assigned to it in Regulation 401(m)(iii).~~

“**Amendment**” has meaning assigned to it in Regulation 321(a).

“**Applied Buffer**” has the meaning assigned to it in Regulation 106(g)(iv)(A).

“**Approved Trade Source System**” means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market or other similar venue, approved by the Clearing House for executing Transactions and/or presenting such Transactions to the Clearing House. For the avoidance of doubt, the “SwapClear API” is not an Approved Trade Source System.

“**Auction**” means the process of bidding by Clearing Members for an Auction Portfolio prescribed by the Clearing House following consultation with the DMG from time to time in accordance with Regulation 204(b)(iii).

“**Auction Currency**” means in relation to an Auction, the currency of an Auction Portfolio which is the subject of that Auction.

“**Auction Losses**” has the meaning assigned to it in Regulation 204(b)(v)(B).

“**Auction Portfolio**” means (i) a Portfolio; or (ii) a group of Contracts resulting from the splitting of a Portfolio pursuant to Regulation 204(b) including any connected hedging trades concluded by the Clearing House through Risk Neutralization.

“Default Regulations” means the portion of these Regulations set out in Chapter 2.

“Default Loss” has the meaning assigned to it in Regulation 305(b).

“Default Management Process” means the processes of the Clearing House outlined in the Default Regulations, as the same may be supplemented and/or amended from time to time in accordance with the Rulebook.

“Default Management Process Completion Date” means the date when the Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the DMG and notified to all Clearing Members.

“Default Notice” has the meaning assigned to it in Regulation 202.

“Default Period” has the meaning assigned to it in Regulation 303(a).

“Defaulter” or **“Defaulting Clearing Member”** means a Clearing Member in respect of whom either (i) the Clearing House has issued a Default Notice under Regulation 202 or (ii) an Automatic Early Termination Event has occurred.

“Determination Date” has the meaning assigned to it in Regulation 303(a).

“Derivatives Clearing Organization” means an organization designated and registered as such by way of 7 U.S.C.A. § 1a(15).

“DF Collateral Agent” has the meaning assigned to it in Regulation 322(b)(i).

“DF Security and Intercreditor Agreement” has the meaning assigned to it in Regulation 322(b)(i).

“DMG” means the advisory Default Management Group [which relates to both the SwapClear US Service and the SwapClear service of LCH.Clearnet Ltd.](#), established [jointly by the Clearing House and LCH.Clearnet Ltd.](#) pursuant to the terms of Regulation 204(i) ~~and~~ [and the applicable provisions of the rules and regulations of LCH.Clearnet Ltd.](#)

“Economic Terms” means that part of the SwapClear Contract Terms designated as Economic Terms by the Clearing House from time to time.

“End of Day” has the meaning assigned to it in Regulation 117(a)(i).

“Excess Loss” means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Recourse Certificate less (x) the proportion of the Deductible applicable to Contract Business under Regulation 302(3) and (y) any sums then immediately payable in respect of Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favor of the Clearing House in relation to Default Losses.

“Excess Margin” means, (i) in respect of a Client’s Client Segregated Sub-Account, Account Assets (excluding Buffer or Applied Buffer) held by the Clearing House in respect of Contracts corresponding to such account, which is in excess of the Required Margin in respect of such corresponding Contracts as determined by the Clearing House in accordance with the Rulebook, and (ii) in respect of a Clearing Member’s Proprietary Account, Margin

“Margin Cover” has the meaning assigned to it in Regulation 302(1).

“Minimum Contribution” means, subject to Regulation 303, \$15,000,000.

“Minimum Contribution Member” means a Clearing Member in respect of which the Preliminary Contribution calculated under Regulation 303 is equal to or less than the Minimum Contribution for the time being.

“Net Recovery” means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Recourse Certificate in respect of losses arising upon the Defaulter’s Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the Defaulter.

“New Member” means (i) any Clearing Member whose Clearing Member status, at the time of assessment of the amount of any required Contribution, commenced or will commence after the most recent Determination Date prior to such assessment time and (ii) any Clearing Member who, at the time of assessment of the amount of any required Contribution, had not yet cleared any Contracts before the most recent Determination Date prior to such assessment time but who commenced or will commence clearing Contracts after such Determination Date.

“Non-Defaulters’ Contributions” means the Contributions made by Non-Defaulting Clearing Members.

“Non-Defaulting Clearing Member” means any Clearing Member that is not a Defaulter.

“Non-Porting Client” has the meaning assigned to it in [Section 2A.17.6 of the Procedures](#).

“NPV” means, at any given time, the mark-to-market value of a Contract, which shall be equal to its net present value, as determined by the Clearing House in its sole discretion in accordance with the Rulebook.

“Omnibus Client Swaps Account with LCH” means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of a Clearing Member for the benefit of its Clients, in which all Contracts cleared by such Clearing Member on behalf of such Clients, and all associated Account Assets, will be reflected on the books of the Clearing House. The Clearing House will establish Client Segregated Sub-Accounts within each Omnibus Client Swaps Account with LCH.

“Original Contributions” has the meaning assigned to it in Regulation 204(b)(v)(C).

“Permitted Depository” means “Permitted Depository” as such term is defined in CFTC Regulations 22.1 and 22.4.

“Porting Account Assets” has meaning assigned to it in [Regulation 108\(a\)](#).

“Porting Contracts” has meaning assigned to it in Regulation 108(ea).

“Relevant Original Contributions” has the meaning assigned to it in Regulation 204(b)(v)(C).

“Relevant Unfunded Contributions” has the meaning assigned to it in Regulation 204(b)(v)(F).

“Remaining Original Short Bidder” has the meaning assigned to it in Regulation 204(b)(v)(C)(2).

“Remaining Unfunded Short Bidder” has the meaning assigned to it in Regulation 204(b)(v)(F)(2).

“Required Margin” means the amount of Margin required by the Clearing House from a Clearing Member from time to time in respect of its Contracts, in accordance with the Rulebook.

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

“Risk Neutralization” means the process of reducing the market risk associated with a Defaulting Clearing Member’s obligations to the Clearing House under Contracts by hedging the exposure prior to the auction process as described in Regulation 204(b)(ii).

“Rulebook” or **“LCH.Clearnet LLC Rulebook”** means the Regulations, the Procedures and such other rules of the Clearing House, which are applicable to Clearing Services, as published and amended from time to time by the Clearing House.

“Short Bidder” has the meaning assigned to it in Regulation 204(b)(v)(C)(2).

“Standard Terms” means those parts of the Contract Terms designated as Standard Terms by the Clearing House from time to time.

~~**“Suspension Sub-Account”** has the meaning assigned to it in Regulation 401(m)(ii).~~

“SwapClear Clearing Services” means the services provided by a Clearing Member in connection with SwapClear Contracts cleared on behalf of its Clients or its Affiliates, as the case may be.

“SwapClear Contract” means a contract that is registered for clearing and is entered into by the Clearing House with a Clearing Member on the SwapClear Contract Terms, and which is governed by these Regulations.

“SwapClear Contract Terms” means the terms applicable to each SwapClear Contract as set out from time to time in the Regulations.

“SwapClear Dealer” means a person admitted by the Clearing House to the Register of SwapClear Dealers and who has not been removed from such register, at the Clearing House’s discretion and in accordance with the Rulebook and other policies and procedures of the Clearing House.

“SwapClear Dealer Clearing Agreement” means a written agreement, in the form and on the terms prescribed by the Clearing House, by and among a SwapClear Dealer, a Clearing Member approved to clear SwapClear Transactions and the Clearing House, which sets out the terms on which the Clearing Member agrees to clear SwapClear Transactions for the SwapClear Dealer.

“SwapClear Transaction” means any transaction the details of which are presented to the Clearing House for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts, regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing or (c) it is contingent on clearing.

“SwapClear US Service” means the Clearing House’s clearing service for clearing SwapClear Transactions and SwapClear Contracts.

“Tax” means any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

“Transaction” means a SwapClear Transaction.

“Unallocated Excess” has the meaning assigned to it in Regulation 106(g)(v)(A).

“Unallocated Excess Sub-Account” has the meaning assigned to it in Regulation 106(g)(iii).

~~**“Unallocated SwapClear Contract”** has the meaning assigned to it in Regulation 401(m)(ii).~~

~~**“Unallocated SwapClear Transaction”** has the meaning assigned to it in Regulation 401(m)(i).~~

“Unfunded Contribution” has the meaning assigned to it in Regulation 315.

“Unfunded Contribution Notice” has the meaning assigned to it in Regulation 315.

“Variation Margin” means the amount of Margin payable by a Clearing Member in respect of, and in the amount of, the Clearing House’s variation margin requirements (as published from time to time by the Clearing House) in respect of a Contract and with reference to the NPV of such Contract.

“Voluntary Payment” has the meaning assigned to it in Regulation 319.

“Voluntary Payment Notice” has the meaning assigned to it in Regulation 319.

“Withdrawal Date” means the date upon which the Clearing House determines to withdraw the SwapClear US Service, in accordance with the Rulebook.

“Worst Case Loss” means, in respect of an Auction Portfolio or all of the Contracts of a Non-Defaulting Clearing Member denominated in a particular currency, the largest loss which could be incurred by the Clearing House in respect of the relevant group of Contracts, as determined by the Clearing House using the appropriate formula (which in the case of

Regulation 103 Client Business and Segregated Client Accounts

- (a) Subject to the provisions of the Rulebook, Clearing Services may be provided by an FCM Clearing Member to its Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the Client; provided, however, that each FCM Clearing Member shall, before providing Clearing Services to any Client, ensure that it has entered into an agreement with that Client, or an Addendum to an existing Agreement with such Client, which, in either case, binds the Client to the applicable provisions of the Rulebook by direct reference to the Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of a Contract at the applicable Registration Time on behalf of a Client, both the FCM Clearing Member and the applicable Client ~~will be deemed to~~shall be bound by the obligations under the Rulebook in respect of the relevant Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or Client, which such terms shall, without limitation, incorporate all applicable terms of the Rulebook and the applicable Contract Terms.
- (b) FCM Swaps Client Segregated Depository Accounts.
- (i) Each FCM Clearing Member shall establish and maintain an FCM Swaps Client Segregated Depository Account on behalf of its Clients, in accordance with applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of the CFTC Regulations, and as further set forth in the Rulebook. The FCM Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and CFTC Regulations and the FCM Clearing Member may commingle assets of all of its Clients (provided that such assets are deposited or held in connection with Contracts) in such FCM Swaps Client Segregated Depository Account in a single omnibus account established and maintained in accordance with CFTC Regulations. The FCM Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be designated as part of the Cleared Swaps Account Class for purposes of the CFTC Regulations.
- (ii) Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions of the same Client other than in connection with Contracts or in connection with other Cleared Swaps cleared through a Derivatives Clearing Organization other than the Clearing House.
- (c) Omnibus Client Swaps Account with LCH.
- (i) Each FCM Clearing Member shall establish and maintain an Omnibus Client Swaps Account with LCH on behalf of its Clients. Clearing Services may be provided by an FCM Clearing Member to its Clients, and Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its Clients only through an Omnibus Client Swaps Account with LCH.
- (ii) Omnibus Client Swaps Accounts with LCH shall be held and administered in accordance with the CEA and all applicable CFTC Regulations (including but

not limited to Part 1, Part 22 and Part 190 of the CFTC Regulations) and including as set forth in the Rulebook. In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Account Assets received from each FCM Clearing Member on behalf of an identified Client as belonging to each such individual Client, and such amount shall be attributed to the Client Segregated Sub-Account of the relevant Client and shall not be used to margin, guarantee, or secure the Contracts or obligations of the applicable FCM Clearing Member, other Clients or any other person, except as permitted under the Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations.

(d) Clearing House Segregated Client Account; Client Sub-Accounts; Buffer Sub-Accounts.

- (i) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account on behalf of Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of the CFTC Regulations. The LCH Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and CFTC Regulations and the Clearing House may physically commingle assets of all of the Clients (provided that such assets are deposited or held in connection with Contracts) in such FCM Swaps Client Segregated Depository Account in a single omnibus account established and maintained in accordance with CFTC Regulations. All Margin deposited by FCM Clearing Members in connection with Contracts cleared on behalf of Clients shall be held in such LCH Swaps Client Segregated Depository Account. Each LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the Clearing Members and any other assets that the Clearing House is holding in respect of any persons other than Clients, and shall contain no assets other than the Margin deposited by FCM Clearing Members in connection with the clearing of Contracts on behalf of their Clients. The LCH Swaps Client Segregated Depository Account maintained by the Clearing House shall be designated as part of the Cleared Swaps Account Class for purposes of the CFTC Regulations.
- (ii) The Clearing House shall establish and maintain on its books and records a Client Segregated Sub-Account in the name and on behalf of each Client of an FCM Clearing Member, as a sub-account of the Omnibus Client Swaps Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the Contracts and associated value of Account Assets held on behalf of the relevant Client, provided that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify such information or to investigate independently the Contracts and Account Assets held on behalf of the relevant Client.
- (iii) The Clearing House shall, in accordance with the provisions of Regulation 106(g), establish and maintain on its books and records a Buffer

- (ii) All Client Funds received by the Clearing House from an FCM Clearing Member to purchase, margin, guarantee, secure or settle Contracts of the FCM Clearing Member's Clients and all money accruing to such Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such Clients, treated as a Cleared Swaps Account Class in accordance with Section 4d(f) of the CEA, and the Clearing House shall not hold, use or dispose of such Client Funds except as belonging to such Clients. Without limitation, all such funds shall be reflected in the appropriate Client Segregated Sub-Account established for the appropriate Client. Such Client Funds, when deposited with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the Rulebook, the CEA and the CFTC Regulations. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulation 22.5, 1.20 and/or 1/26 (as applicable) from such Permitted Depository that it was informed that the funds deposited in any LCH Swaps Client Segregated Depository Accounts and any PPS Account(s) maintained by the Clearing House are those of Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, CFTC Regulations and the Rulebook.
- (iii) Each FCM Clearing Member shall treat and deal with Client Funds as belonging to the Client depositing such Client Funds. All Client Funds shall be separately accounted for, and shall not be commingled with the money, securities or property of a Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom such Client Funds are held; provided, that all Client Funds in respect of Contracts may be physically commingled in the same LCH Swaps Client Segregated Depository Account subject to and in accordance with the CEA and CFTC Regulations; provided, further, that Client Funds may be invested in accordance with Regulation 103(k) and CFTC Regulation 1.25.
- (iv) In no event may Client Funds (deposited or held in connection with Contracts) be held or commingled and deposited with (A) Client Funds in the same account or accounts required to be separately accounted for and segregated pursuant to the provisions of Section 4d(a) of the CEA and the regulations thereunder, or (B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.
- (v) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all collateral received on behalf of each Client as belonging to each such individual Client, and such amount shall be credited to such Client's applicable Client Segregated Sub-Account as provided in the Rulebook, and shall not be used to margin, guarantee, or secure the Contracts or other obligations of the applicable FCM Clearing Member, other Clients or any other person.

Regulation 104 Proprietary Account Clearing

- (a) If and to the extent permitted in the Procedures, (i) Clearing Members shall be permitted to enter into and clear Contracts for their own account ~~or~~ and (ii) FCM Clearing Members (but not other Clearing Members) shall be permitted to enter into and clear Contracts for the accounts of their Affiliates, in each case through their Proprietary Accounts. ~~A~~An FCM Clearing Member wishing to provide Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the Rulebook by direct reference to the Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. ~~A~~An FCM Clearing Member providing Clearing Services to its Affiliates shall notify the Clearing House of any Affiliates for which it provides Clearing Services.
- (b) All Contracts cleared by Clearing Members in respect of Transactions executed by their affiliated SwapClear Dealers shall be cleared through such Clearing Members' Proprietary Accounts.
- (c) In the event that more than one Proprietary Account is opened in respect of a Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Clearing Member's Proprietary Accounts, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with Client Business.

~~(a) Other than in the event that a Clearing Member is a Defaulter, Contracts in such Clearing Member's name shall not be allocated or transferred except as provided in this Regulation 108. The Procedures shall specify the categories of Contracts that can be transferred in accordance with this Regulation 108 and the applicable forms or other documentation requirements of the Clearing House required in connection with such transfers.~~

~~(b) **Transfer of Entire Client Portfolio.** Upon the instruction or at the request of a Client, via a Receiving FCM Clearing Member (as set out in the Procedures), to transfer that Client's entire portfolio (and not less than an entire portfolio) of Contracts held in the relevant Client Segregated Sub Account from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) the relevant Client Segregated Sub Account and all such Contracts entered into by the Carrying FCM Clearing Member on behalf of such Client, as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the Contracts to be transferred (such transfer to occur by novation of such Contracts rather than by closeout and rebooking of new Contracts); and (y) upon request of the Receiving FCM Clearing Member on behalf of the relevant Client, all Account Assets deposited with or transferred to the Clearing House by a Carrying FCM Clearing Member and held by the Clearing House in the relevant Client Segregated Sub Account in respect of the Contracts that are being transferred to a Receiving FCM Clearing Member designated by the Client as set out in the Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such Account Assets); provided, that:~~

(a) ~~such~~ Transfer of Client Contracts and Account Assets. A Receiving FCM Clearing Member may, upon the instruction or at the request of a Client, request (in the manner set out in the Procedures) that the Clearing House transfer to the Receiving FCM Clearing Member some or all of a Client's Contracts registered to its Client Segregated Sub-Account with a Carrying FCM Clearing Member (such Contracts subject to transfer, the "**Porting Contracts**"). Where the Porting Contracts constitute the entire portfolio of a Client's Contracts registered with the Carrying FCM Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the Account Assets attributable to such Client (such Account Assets, the "**Porting Account Assets**"). It is a condition precedent to any transfer described in this paragraph that:

- (i) ~~the~~ Client has not become insolvent (such Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
- (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a Defaulter; ~~(or would become a Defaulter upon the consummation of the transfer);~~

- (iii) the Receiving FCM Clearing Member has consented to such transfer, including with respect to the Porting Contracts and, if applicable, the Porting Account Assets;
- ~~(iv) —~~ the Clearing House ~~considers~~determines that ~~it has received sufficient Margin from the following the transfer, the~~ Receiving FCM Clearing Member ~~in order to enable the transfer; and~~
- ~~(iv) —~~ the Client has ~~shall have~~ satisfied ~~(such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the~~ Required Margin in respect of the Porting Contracts;
- ~~(v) —~~ in the event that the transfer would lead to an increase in Required Margin due from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and
- ~~(vi) —~~ the Carrying FCM Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying FCM Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
- ~~(v) —~~ For purposes of clause (vi) above, the Carrying FCM Clearing Member will be entitled to reject the transfer only if (A) the applicable Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, ~~unless the Carrying FCM Clearing Member otherwise consents.~~

~~For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by a Client (for this purpose, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the~~ Contracts being transferred or the Client’s related collateral Porting Contracts of the Client which are being transferred, or the Client’s related collateral), (B) the transfer of the Porting Contracts would result in the Client breaching exposure limits with, and/or other risk parameters set by, the Carrying FCM Clearing Member and/or its Affiliates, or (C) such rejection is otherwise in accordance with terms agreed as between the Carrying FCM Clearing Member and the relevant Client.

- ~~(b) —~~ Upon request from the Clearing House, and in Additional Provisions Relating to Transfers of Client Account Assets. In order to facilitate a transfer pursuant to ~~this Regulation 108(b),~~ paragraph (a) above that includes the transfer of Porting Account Assets, the Carrying FCM Clearing Member shall notify the Clearing House of the specific Account Assets which ~~are attributable to~~ should constitute the ~~transferring Client and, along with the~~ Porting Account Assets. The Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the specific Account Assets ~~that are attributable to~~ which should constitute the ~~relevant Client~~ Porting Account

Assets, the Clearing House shall ~~transfer such collateral as it deems appropriate~~identify and asselect (in the manner set out in the Procedures.) the Account Assets it deems appropriate.

- ~~(e) — Transfer of Portion of Client Portfolio. Upon~~Once the instruction or at the request of ~~a Client via a~~Porting Account Assets have been identified as set out in the above paragraph, the Receiving FCM Clearing Member ~~(as set out in the Procedures)~~may elect to reject the transfer a portion of that Client's portfolio of Contracts held in the relevant Client Segregated Sub-Account from a Carrying FCM Clearing Member, (of some or all of the "Porting Contracts"), the Clearing House shall transfer (such transfer to occur by novation of such Porting Contracts rather than by closeout Account Assets. Any such rejection in and rebooking of new Contracts) of itself shall not prevent the transfer of the Porting Contracts entered into by the Carrying FCM Clearing Member on behalf of such Client to a Receiving FCM Clearing Member, designated by the Client as, provided that the conditions set out in the Procedures; provided, that:
- ~~(i) — such Client has not become insolvent (such Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);~~
 - ~~(ii) — neither the Carrying FCM Clearing Member nor the clauses (i) through (vi) of Regulation 108(a) are satisfied in relation to such transfer. Following an acceptance by the Receiving FCM Clearing Member to receive a transfer of the Porting Account Assets, the Clearing House shall transfer the Porting Account Assets that have been identified to and consented by the Receiving FCM Clearing Member~~is a Defaulter;
 - ~~(iii) — the Receiving FCM Clearing Member has consented to such transfer;~~
 - ~~(iv) — the Receiving FCM Clearing Member has provided sufficient Margin to the Clearing House in respect of its current Contracts and the Porting Contracts in order to enable the transfer;~~
 - ~~(v) — the Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and~~
 - ~~(vi) — in.~~In the event that, for whatever reason, the Clearing House is unable to transfer the Porting Account Assets that have been accepted by the Receiving FCM Clearing Member, the Clearing House will not proceed with the transfer will lead to an increase in Required Margin due from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirements.

~~For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by a Client, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Contracts being transferred or the Client’s related collateral~~of the Porting Contracts.

~~(d)~~(c) Additional Provisions Relating to Transfers of Client Positions.

- (i) ~~By notifying the Clearing House of a request~~Further ~~to accept a transfer of Contracts of a Client, and the related Account Assets if applicable, pursuant to Regulation 108(b) or 108(c), the Receiving FCM Clearing Member shall be deemed to have represented to the Clearing House that all of the~~the satisfaction of the ~~conditions set forth herein and out in the Procedures to the transfer of the account of the Client have been satisfied. Upon receipt of such transfer instructions,~~Regulation 108(a) and (b), and provided that it ~~the~~the ~~Clearing House~~ does not determine, in its sole discretion, that ~~the~~a ~~transfer pursuant to Regulation 108(a) cannot be effected under the Rulebook, the Clearing House shall transfer the~~ ~~Contract(s)~~Porting Contracts ~~into the name of the Receiving FCM Clearing Member as agent for~~on behalf of ~~the relevant Client. The transfer of the Porting Contracts shall occur by novation of all of the Carrying FCM Clearing Member’s rights and obligations in respect of such Porting Contracts to the Receiving FCM Clearing Member.~~
- (ii) In the case where a transfer pursuant to Regulation 108(~~ba~~a) will include the transfer of ~~the related~~Porting Account Assets in addition to the transfer of Porting Contracts:
 - (A) Upon completion of the transfer, the Porting Account Assets deposited with or transferred to the Clearing House by the Carrying FCM Clearing Member and held by the Clearing House in respect of the Porting Contracts ~~that are being transferred~~ shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to the Clearing House and subject to the security interest granted by the Receiving FCM Clearing Member pursuant to Regulation 109(~~n~~+) ~~and pursuant to its Clearing Membership Agreement.~~ Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Porting Account Assets transferred.
 - (B) ~~The transfer~~Where all or a portion of the Porting Account Assets have been accepted by the Receiving FCM Clearing Member, the transfer of the Porting Contracts and ~~related~~the accepted Porting Account Assets shall be deemed to occur simultaneously, and the transfer of the Porting Contracts shall be conditioned on the transfer of the ~~related~~accepted Porting Account Assets, and vice versa.
 - (C) If the transfer of all ~~such~~Porting Contracts and ~~related~~(if applicable) all accepted Porting Account Assets is not completed for any reason, then any actual transfer of Porting Account Assets or Porting Contracts that has occurred, as the case may be, shall be deemed not to have

occurred, and any actual transfer of Porting Account Assets or Porting Contracts that has occurred shall be immediately unwound.

~~(e)~~(d) Transfers between Proprietary Accounts and Client Accounts. If and to the extent permitted under the Procedures, a Clearing Member may transfer Contracts between its Proprietary Account and accounts of its Clients, and vice versa, upon a client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets, and in accordance with the Procedures.

~~(f)~~(e) Transfers between Proprietary Accounts of Two Clearing Members. To the extent permitted by and in accordance with the Procedures, a Clearing Member may transfer a Contract registered in its Proprietary Account to another Clearing Member's Proprietary Account. In addition to any other requirements or conditions set forth in the Procedures or required by the Clearing House (in its sole discretion), any such transfer is subject to the following conditions:

- (i) the Clearing House shall have received the consent of both Clearing Members to the transfer;
- (ii) neither Clearing Member shall be a Defaulter; (or would become a Defaulter upon the consummation of the transfer); and
- (iii) the Clearing House shall have determined that the Clearing Member that is the transferee has sufficient Margin deposited with the Clearing House to register such transferred Contract.

(f) Clearing Member Instructions. ~~Notwithstanding~~

~~(g)~~(i) Subject to paragraph (ii) below, but otherwise notwithstanding anything to the contrary in ~~these Regulations~~the Rulebook, in making any transfer of one or morePorting Contracts ~~(and if applicable the related~~Porting Account Assets)~~)~~ pursuant to this Regulation 108, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant Clearing Member(s), which shall be solely responsible for all such instructions and information, including (A) ensuring that the transfer is properly authorized; or rejected (as the case may be) and (B) the transfer is being made from the appropriate Client Segregated Sub-Account and that the appropriate account, Contracts and Account Assets have been identified, and the Clearing House shall have no responsibility or liability therefor.

(ii) The Clearing House shall verify that the Porting Contracts identified to it by the applicable FCM Clearing Member as being the subject of such a transfer correspond to Contracts which, according to its records, are registered in the name of the Carrying FCM Clearing Member on behalf of the relevant Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant FCM Clearing Member(s) and no transfer will occur pursuant to this Regulation 108 until such time as the Porting Contracts identified to the Clearing House by the relevant FCM Clearing Member(s) can be verified by the Clearing House.

~~(h)~~(g) No Assignment of Rights under a Contract. Except as may be permitted by paragraph (ed) above, expressly permitted by other ~~part~~parts of the Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under a Contract shall not be capable of assignment by a Clearing Member. Any such purported assignment by a Clearing Member, or any purported transfer that is not in compliance with this Regulation 108, shall be void.

(h) Indemnity. The Carrying FCM Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying FCM Clearing Member other than pursuant to the grounds set out in the final paragraph of Regulation 108(a).

the Rulebook shall be payable or deliverable as of the Termination Date and in accordance with the provisions of this Regulation 117.

The Clearing House shall, to the extent possible, return or redeliver all amounts received after the LCH Default Time in respect of a Clearing Member's attempted registration of any Contract after the LCH Default Time.

(d) Set Off and Netting. Following an LCH Default in accordance with this Regulation 117:

(i) Each Clearing Member shall, as promptly as reasonably practicable on or after the Termination Date, but in any event within ~~thirty~~ninety days of the Termination Date (such thirtieth day, the "**Final Calculation Date**"), determine as of the Termination Date, (A) the value of each Contract (including its losses or gains associated with each Contract) and (B) the value of all other amounts which it owes to the Clearing House and which the Clearing House owes to it, in each case whether future, liquidated or unliquidated, actual or contingent, pursuant to the Contract Terms and in accordance with this Regulation 117(d), and promptly provide such determination to the Clearing House. In the case of an FCM Clearing Member, all obligations between the Clearing House and the FCM Clearing Member in respect of the FCM Clearing Member's Omnibus Client Swaps Account with LCH shall be set off and netted separately, in accordance with the CEA and the CFTC Regulations, from any other obligations between the Clearing House and such FCM Clearing Member.

(ii) Each Clearing Member shall calculate the value, as of the Termination Date, of:

- (A) the repayment by the Clearing Member or the Clearing House of Variation Margin;
- (B) the repayment or redelivery of all Initial Margin, without applying any haircuts to the valuation of the applicable collateral held as Initial Margin;
- (C) the Clearing House's obligation to repay such Clearing Member an amount equal to its Contribution, as adjusted in accordance with the Default Fund Regulations;
- (D) in the event that the Clearing Member is a Cash Gainer as at the last successful payment of Margin prior to the LCH Default Time, the repayment of any Cash Gainer Adjustments pursuant to Regulation 318; and
- (E) any other amounts that may be due to or from either the Clearing Member or the Clearing House to or from the other in relation to the Rulebook.

(iii) The value of the loss or gain (as the case may be) associated with each Contract as referred to in paragraph (d)(i)(A) above shall include (i) losses or

gains in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the Termination Date; and (ii) any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position, as a result of the termination, pursuant to the Rulebook, of each payment which would otherwise have been required to be made under such Contract. Amounts determined pursuant to paragraphs (d)(i) to (ii) above shall be expressed in the lawful currency of the United States (the “**Base Currency**”) or the currency of the Relevant Contract where agreed by the Clearing House and the Clearing Member, For the purposes of any calculation required to be made under this Regulation 117, the Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

- (iv) On the basis of the values determined pursuant to paragraphs (d)(i) to (iii) above, an account shall be taken by each Clearing Member (as at the Termination Date) of what is due from that Clearing Member to the Clearing House and from the Clearing House to that Clearing Member and the sums so due shall be set off against each other and only the balance of the account shall be payable by the party having the claim valued at the lower amount pursuant to the foregoing (such balance, the “**Termination Amount**”). If for any reason one or more Clearing Members fails to determine and notify the applicable Termination Amount to the Clearing House by the Final Calculation Date, the Clearing House shall post a notice on its website of such failure and shall make its own determination of any such Termination Amount(s) in respect of each such Clearing Member within thirty days of the Final Calculation Date. Following the calculation by the Clearing House of any such Termination Amounts which it is required to determine in accordance with the preceding sentence, the Clearing House shall promptly notify all Clearing Members that it has completed all such calculations and shall post such notice on its website. The date on which the Clearing House provides such notice shall be referred to as the “**Late Final Calculation Date**”.
- (v) The Termination Amount in respect of each Clearing Member shall be due and payable (by the party which owes the relevant Termination Amount) by no later than the second Business Day following the Final Calculation Date or, where a Late Final Calculation Date is applicable, no later than the second Business Day following the Late Final Calculation Date.
- (e) Rights not Exclusive. The Clearing Member’s rights under this Regulation 117 shall be in addition to, and not in limitation or exclusion of, any other rights which the Clearing Member may have (whether by agreement, operation of law or otherwise). This Regulation 117 is without prejudice to the rights that the Clearing House may have pursuant to the Rulebook against any Clearing Member prior to the occurrence of the LCH Default.
- (f) Interpretation in Relation to FDICIA. The Clearing House and each Clearing Member intend that certain provisions of the Rulebook (including this

Management Process, in consultation with the DMG, either by way of further Guidance or immediately on notice to Clearing Members on a case-by-case basis where the Clearing House deems it appropriate to do so in the circumstances of the Default; provided, that the Clearing House may not take any such action that effects a material change to the terms of this Regulation 204 without the written consent of 50% of all Clearing Members unless such change is invoked unilaterally against all Clearing Members and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Derivatives Clearing Organization. The Clearing House agrees that, in the ordinary course, it shall discuss any such Guidance with the DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (x) the Guidance is not material to the rights and obligations of the Clearing Members or (y) the Clearing House deems it inappropriate to do so in the circumstances of the Default and it is not possible to convene the DMG in timely fashion.

- (iii) The timetable for implementation of the stages of the Default Management Process following issue of a Default Notice by the Clearing House shall be either (x) as prescribed by the Clearing House from time to time in consultation with the DMG and set out in Guidance; or (y) imposed by the Clearing House without prior notice to the Clearing Members on a case-by-case basis where the Clearing House, in consultation with the DMG, deems it appropriate to do so in the circumstances of the Default.

(i) Role and Constitution of the DMG.

(i) Joint Nature of DMG. The DMG is a single body, established jointly by the Clearing House and LCH.Clearnet Ltd., in order to assist with the default manage process in respect of the Clearing House's SwapClear US Service and in respect of the SwapClear service of LCH.Clearnet Ltd. Both Clearing Members and clearing members of LCH.Clearnet Ltd. participating in its SwapClear service (including its FCM SwapClear service) shall serve on the DMG. This Regulation 204(i) shall be read to include references to processes or events that may occur in connection with LCH.Clearnet Ltd.'s SwapClear service. For example, references herein to "Default Management Process" shall also be read to include the default management process of LCH.Clearnet Ltd. relating to its SwapClear service.

~~(i)~~ (ii) The DMG shall meet at regular intervals in order to:

- (A) keep under review the Default Management Process, together with any Guidance issued in respect thereof;
- (B) keep under review the terms of reference of the DMG to ensure they remain appropriate;
- (C) consider appropriate supplements or amendments to the Default Management Process and/or Guidance in order to improve the procedures in place; and

- (D) consider any other business relevant to the Default Management Process which any member of the DMG from time to time sees fit to raise at such meetings.

~~(iii)~~(iii) The members of the DMG shall also meet within one hour, or as soon as reasonably practical, following notification by the Clearing House that a Default Notice has been served upon a Clearing Member, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist the Clearing House in the implementation of the Default Management Process as contemplated under this Agreement. Such implementation shall include, without limitation, the provision of general default management advice with regard to: (x) the ongoing obligations of the Clearing House to its Non-Defaulting Clearing Members; (y) the neutralization and closing-out of the individual obligations of the Defaulting Clearing Member; and (z) the splitting of Portfolios and the disposal of Auction Portfolios in accordance with the Default Management Process. Where it is not possible or practicable for the Clearing Member to provide its nominated representative within an appropriate time frame, it shall provide an alternate of suitable experience and expertise to participate on the DMG.

~~(iii)~~(iv) The DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by the Clearing House, which shall ensure that the composition is such as to provide effective review of the Default Management Process and suitable expertise and representation of market-making capacity in the event of a Default:

- (A) in the event of the issuance of a Default Notice, the chief executive or deputy chief executive of the Clearing House, who shall act as chairman;
- (B) representatives of at least five Clearing Members, being senior executives with appropriate skills and expertise;
- (C) at least one director (staff member of director grade) of the Clearing House's Risk Management department; and
- (D) such other individuals as the DMG considers appropriate from time to time in relation to individual meetings, including representatives of clearing members of LCH.Clearnet Ltd.

~~(iv)~~(v) For the purpose of DMG meetings convened to deal with a specific Defaulting Clearing Member, the Clearing House may, after consultation with the DMG, invite the Defaulting Clearing Member to nominate one or more representatives to join the DMG to assist it in carrying out its functions in the Default Management Process for that Defaulting Clearing Member, and also request representatives from any other Clearing Members. In the event of receiving such request, the Clearing Member shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the Clearing Member were a member of the DMG.

~~(v)~~(vi) In establishing the DMG, the Clearing House agrees that in the normal course of events (not including the Clearing House's declaration of a Default and the invocation of the processes as outlined in Regulations 204(b), 204(c) and 204(d)) it will, as far as practicable, and in accordance with the terms of reference of the DMG, rotate the membership of the DMG on a regular basis and amongst all Clearing Members. The Clearing Member agrees that, when requested to do so by the Clearing House, it will make available a representative to participate in the DMG. The Clearing House shall agree with the Clearing Member the identity of such representative and shall be able to request a substitute where it believes the Clearing Member's nominated representative does not have the requisite skills or expertise.

~~(vi)~~(vii) Each Clearing Member who makes available a representative to serve on the DMG agrees, and shall procure that, to the extent applicable, its representative agrees:

- (A) to ensure that such representative will be fully available, at any time and for such periods of time as the Clearing House may require during the course of a Default, to perform his function as a member of the DMG including attending meetings, considering and advising the Clearing House upon aspects of the Default Management Process. The Clearing Member shall ensure that a representative's other work commitments do not affect his availability for this purpose;
- (B) to take all steps to respect the confidential capacity in which such a representative receives information through the DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the Default Management Process of any such confidential information by the Clearing Member or its representative. Such procedures shall normally include, without limitation, the establishment of information "firewall" within the Clearing Member; and
- (C) to be bound by and to ensure that it and any of its executives or directors serving on the DMG complies with the requirements contained in the Procedures.

~~(vii)~~(viii) Each Clearing Member shall accept that:

- (A) representatives of Clearing Members serving on the DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the Clearing House's Clearing Services in the interests of Non-Defaulting Clearing Members; and
- (B) representatives of Clearing Members serving on the DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the Default Management Process; provided, however, that nothing in this Regulation 204(i)(vii) shall exclude the liability of such representatives and employers for any personal injury or death caused by their

negligence or for any fraud or willful default on the part of such representatives and employers.

| ~~(viii)~~(ix) The Clearing House agrees that, in exercising its rights and obligations in consulting with the DMG pursuant to this Agreement, it will use its commercially reasonable efforts to agree a common position with the DMG, provided that nothing in this Regulation 204 shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Derivatives Clearing Organization.

Regulation 306 Interest Payable in Respect of Contributions

Interest shall accrue on an amount equal to the Clearing House's contingent obligation to repay a Clearing Member's Contribution from the time such Contributions are paid until such time that they are repaid to the Clearing Member or until such time that they (or any portion thereof) are applied or offset under Regulation 308, Regulation 310 or as otherwise provided under the Rulebook, ~~at such rate and~~ in such manner as provided by the Procedures, ~~provided, that the~~ and at a rate of interest ~~for any applicable day shall not be less than~~ linked to the Fed Funds Rate published on ~~that a particular~~ day (or, in relation to any day for which a Fed Funds Rate is not available, the Fed Funds Rate most recently published before such day ~~);—~~), but determined by the Clearing House in its sole discretion in light of market conditions at each applicable time by the Clearing House, and notified by the Clearing House to the Clearing Members. In the event that the Fed Funds Rate is negative, interest shall be payable by the Clearing Members to the Clearing House.

Interest shall be payable by the Clearing House to the Clearing Members in arrears and shall be paid on the date or dates specified by the Procedures. In these Default Fund Regulations any interest which has accrued under this Regulation shall not be regarded as part of the Contribution of any Clearing Member.

Regulation 322 Security Interests in Default Fund and Related Arrangements

The provisions of this Regulation 322, including without limitation the obligation of the Clearing House to provide Clearing Members a security interest in the assets held in the Default Fund account as provided in the Rulebook, shall not be in effect until such time as the Clearing House shall notify the Clearing Members via Clearing Member circular of their effectiveness, and the Clearing House shall have no obligation to comply with or satisfy any such obligations or provisions until such time.

- (a) Security Interest. The Clearing House shall grant a security interest to each Clearing Member in the manner described in this Regulation 322, and such security interest shall be consistent with the following provisions:
 - (i) The security interest shall be a first security interest and shall attach only to the assets held in the segregated Default Fund account of the Clearing House and shall not attach to or be secured by any other accounts or assets of the Clearing House.
 - (ii) The security interest granted to each Clearing Member shall secure (A) the Clearing House's obligation to repay an amount equal to each such Clearing Member's outstanding Contribution and (B) all obligations of the Clearing House to such Clearing Member relating to its Contracts.
 - (iii) Each Clearing Member's security interest in the Default Fund account shall be on a *pro rata* basis with the other Clearing Members on the specific terms set out in the DF Security and Intercreditor Agreement.
 - (iv) No Clearing Member shall have the right to foreclose on the secured assets unless and until one of the events described in Regulation 117(a)(i), Regulation 117(a)(ii) or Regulation 117(a)(iii) shall have occurred.
- (b) DF Security and Intercreditor Agreement.
 - (i) The Clearing House's grant of the security interests described in this Regulation 322 shall be effected solely through a security and intercreditor agreement (including any successor or replacement agreement, the "**DF Security and Intercreditor Agreement**") among the Clearing House, the Clearing Members and a collateral agent appointed to represent the Clearing Members (the "**DF Collateral Agent**"). The DF Security and Intercreditor Agreement shall contain the security agreement relating to the security interests described in this Regulation 322, the "intercreditor" agreements among the Clearing Members, the appointment of the DF Collateral Agent as representative of the Clearing Members and the duties and obligations of the DF Collateral Agent, and other applicable terms and agreements relating to the foregoing.
 - (ii) Each Clearing Member, prior to it becoming a Clearing Member, shall be provided by the Clearing House with a copy of the DF Security and Intercreditor Agreement in effect as at such time. Each Clearing Member, by virtue of its execution and entering into of its Clearing Membership Agreement and by virtue of its agreement and obligation to be bound by the

terms of the Rulebook, is hereby made a party to the DF Security and Intercreditor Agreement (on the terms provided in the DF Security and Intercreditor Agreement). If required by the Clearing House or the DF Collateral Agent, each Clearing Member shall execute a written joinder to the DF Security and Intercreditor Agreement in further evidence of the foregoing.

- (iii) The Clearing House shall be permitted to replace the DF Collateral Agent; provided, that the Clearing House shall consult with the Clearing Members prior to any such replacement.
- (iv) The Clearing House shall be permitted to renew the DF Security and Intercreditor Agreement as required from time to time. The Clearing House shall be permitted to amend or terminate and replace the DF Security and Intercreditor Agreement at any time (to the extent permitted under the terms of the DF Security and Intercreditor Agreement) without the consent or agreement of any Clearing Member; provided, that any such amendments or the terms of any replacement DF Security and Intercreditor Agreement shall not have the effect of materially and adversely altering the rights of any Clearing Member.
- (v) Notwithstanding clause (iv) above, the Clearing House shall be permitted to make any changes to the terms of the DF Security and Intercreditor Agreement if the Clearing House obtains the consent of Clearing Members with respect to which at least 60% of the aggregate Contributions of all Clearing Members (as calculated at the Determination Date immediately preceding the date of effectiveness of the proposed change or amendment) are attributable; provided, that any changes to the terms of the DF Security and Intercreditor Agreement approved in this manner but that would adversely affect in a disproportionate manner the rights of one or more Clearing Members shall not be effective against any such disproportionately affected Clearing Member unless consented to by such Clearing Member.

(c) Related Matters.

- (i) The Clearing House shall select ~~a one or more~~ depository ~~bank~~ banks or similar ~~entity~~ entities with which to hold the Clearing House's assets in the Default Fund account, and the Clearing House, the DF Collateral Agent and any such depository bank shall be parties to a control agreement relating to the matters set forth in the DF Security and Intercreditor Agreement and consistent with the terms therein. The Clearing House shall be permitted to replace ~~the a~~ depository bank (or similar entity) at any time without the consent of any Clearing Member. ~~The~~ A depository bank selected by the Clearing House may be the same entity as the DF Collateral Agent. The Clearing House shall be permitted to amend or terminate and replace any such agreement with a depository bank at any time without the consent of any Clearing Member so long as the resulting new or amended agreement is consistent with the terms of the DF Security and Intercreditor Agreement.
- (ii) The Clearing House and the Clearing Members shall take any and all actions, including but not limited to the execution of any and all documents,

CHAPTER 4 – SWAPCLEAR REGULATIONS

Regulation 401 SwapClear Transactions; Registration of SwapClear Contracts; Novation and Post-Novation Compression

- (a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts (in accordance with the other provisions of the Rulebook).
- (b) ~~Once~~Where a SwapClear Transaction ~~has been~~is presented to the Clearing House, the Clearing House shall ~~(, where applicable in accordance with paragraph (c) below and Section 2A.3.2 of the Procedures),~~ request the consent of each ~~of the relevant~~applicable Clearing ~~Members~~Member with whom a SwapClear Contract shall be registered as a result thereof ~~to such registration.~~ Upon each ~~such~~relevant Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been “submitted” (as such term is defined and used in the Procedures) to the Clearing House for registration. Any ~~such~~ consent shall be provided in accordance with the Procedures.
- (c) A Clearing Member which ~~(i)~~ has been nominated to clear a SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party, other than a SwapClear Dealer; ~~or (ii) is a Consent Required Clearing Member in relation to a SwapClear Transaction,~~ will be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contracts resulting from such SwapClear Transaction. ~~In circumstances where a Clearing Member is an Executing Party in relation to a SwapClear Transaction and shall clear one of the SwapClear Contracts resulting from such SwapClear Transaction but is not a Consent Required Clearing Member, and the other Executing Party to the relevant SwapClear Transaction is a Client, the consent of that~~ Unless provided otherwise in the Procedures, in all circumstances other than those set out in the foregoing sentence, the consent of a Clearing Member to the registration of the relevant SwapClear Transaction will occur automatically and without the need for any further action by such Clearing Member.
- (d) The Clearing House shall register two SwapClear Contracts in respect of a SwapClear Transaction presented for registration as quickly as would be technologically practicable if fully automated systems were used; (the standard required in Part 39 of the CFTC Regulations); provided, that:
- (i) both sides of the relevant SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of the) the Executing Parties;
 - (ii) the relevant SwapClear Transaction meets the eligibility criteria prescribed in the Rulebook at the time the particulars of the SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;

- (iii) such SwapClear Contract is consented to by the relevant Clearing Member (to the extent such consent is required) in accordance with paragraph (c) above and Section 2A.3.2 of the Procedures;
- (iv) the applicable Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with Regulation 106 and such other applicable provisions of the Rulebook, all cover in respect of such SwapClear Contract prior to registration; and
- (v) all the conditions applicable (under the terms of the Rulebook) for the registration of the other SwapClear Contract deriving from the relevant SwapClear Transaction have been satisfied.

Notwithstanding the satisfaction of the conditions set forth above in this Regulation 401(d) in respect of a SwapClear Contract, the Clearing House may decline at its discretion to register such SwapClear Contract where it has not received sufficient cover in respect of SwapClear Contracts which are “other SwapClear Contracts” in relation to that SwapClear Contract as described in Section 2A.3.4 of the Procedures.

- (e) From the time of registration by the Clearing House of two SwapClear Contracts (the “**Registration Time**”) in respect of a SwapClear Transaction in accordance with the Procedures:
 - (i) where the Executing Parties in respect of such SwapClear Transaction are Clearing Member(s), those Clearing Members shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time and, in all other cases, the rights and obligations of the Executing Parties to the SwapClear Transaction shall be governed by the applicable terms or agreements among such relevant parties (including any applicable rules of an Approved Trade Source System); and
 - (ii) each relevant Clearing Member will be ~~deemed to be and will~~ become bound by the obligations under the Rulebook in respect of the applicable SwapClear Contract with the Clearing House automatically and without any further action on its part, on terms that, without limitation, incorporate all applicable terms of the Rulebook and Schedule 4A to these Regulations (including the SwapClear Contract Terms applicable to the relevant SwapClear Contract).
- (f) The Economic Terms shall be such that (A) a Clearing Member paying (or clearing on behalf of a person paying) Rate X and receiving (or clearing on behalf of a person receiving) Rate Y under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this paragraph (f) and (B) shall be such that a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate Y and receiving (or clearing on behalf of a person receiving) Rate X under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such

reason, make the registration of any SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any SwapClear Clearing Member in whose name any such SwapClear Transaction is to be registered.

- (i) Any SwapClear Transaction of which details have been presented for registration and which are not so registered will be governed by the applicable terms or agreements among such relevant parties (including any applicable rules of an Approved Trade Source System), and the Clearing House shall have no obligations or liability in relation thereto.
- (j) If a SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration, such revocation, avoidance or invalidity shall not affect any SwapClear Contract arising under this Regulation 401 or any other applicable provision of the Rulebook.
- (k) In the case of a SwapClear Contract registered by the Clearing House pursuant to Regulation 202(i), the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 401 shall take effect.
- (l) Compression Available to Clearing Members. Notwithstanding any other provision of these Regulations, if one or more SwapClear Contracts registered by a Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other SwapClear Contracts previously registered for the account of such Clearing Member, and all such SwapClear Contracts are either registered on the Clearing Member's own behalf or registered on behalf of the same Client then, to the extent permitted in the Procedures, the Clearing Member may request that the Clearing House compress and combine all such SwapClear Contracts by terminating the relevant existing SwapClear Contracts and compressing them into one SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original SwapClear Contracts. Where neither of the SwapClear Contracts deriving from the registration of a SwapClear Transaction ~~relates to~~ are held on behalf of a Client Business, or an Affiliate (i.e., both SwapClear Contracts are registered to the applicable Clearing Members' Proprietary Account but are not held on behalf of an Affiliate in either case), those SwapClear Contracts may not be compressed pursuant to this Regulation 401(l). For purposes of this Regulation 401(l), two or more SwapClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more SwapClear Contracts that are compressed under the terms of this Regulation 401(l) shall be aggregated if the position of the Clearing Member (on its own behalf or on behalf of the relevant Client) is in the same direction on each such SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the SwapClear Contract that replaces the compressed SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed SwapClear Contracts. Two or more SwapClear Contracts that are compressed under the terms of this Regulation 401(l) shall be netted if the position of the Clearing

Member (on its own behalf or on behalf of the relevant Client) is in the opposite direction on two or more of each such SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the SwapClear Contract (if any) that replaces the compressed SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed SwapClear Contracts; provided, that in the event that the net notional amount is equal to zero such compression shall result in no replacement SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether SwapClear Contracts that are the subject of a request for compression from the Clearing Member may be compressed and, if such SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the SwapClear Contract(s) (if any) that replaces the compressed SwapClear Contracts, and such determination shall be binding on the Clearing Member, absent manifest error. It is a condition for compression of SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement SwapClear Contract(s).

~~(m) **Unallocated SwapClear Transactions.** In accordance with all other applicable provisions of the Rulebook, an FCM Clearing Member may register a SwapClear Contract subject to post-registration allocation on behalf of an Account Manager Executing Party in accordance with the following provisions:~~

~~(i) A SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an **“Unallocated SwapClear Transaction”**) shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House.~~

~~(ii) The SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated SwapClear Transaction (an **“Unallocated SwapClear Contract”**) shall be registered in a suspense sub-account of the applicable FCM Clearing Member’s Omnibus Client Swaps Account with LCH (such sub-account, the **“Suspension Sub-Account”**).~~

~~(iii) The allocation of a portion of an Unallocated SwapClear Contract to a Client is effected by the entering into of a SwapClear Transaction between the applicable Account Manager Executing Party and the relevant Client (such transaction, an **“Allocating Transaction”**) which results in: (A) a SwapClear Contract being registered in the name of the FCM Clearing Member (on behalf of the Account Manager Executing Party) having substantially the same Economic Terms (but a lower notional value) as the Unallocated SwapClear Contract such that the Unallocated SwapClear Contract and that SwapClear Contract can be compressed in accordance with Regulation 401(l); and (B) the corresponding SwapClear Contract being registered in the name of the applicable Client.~~

~~(iv) An FCM Clearing Member must notify the Clearing House when it submits or accepts a SwapClear Transaction which is an Allocating Transaction.~~

~~(v) An FCM Clearing Member that submits and clears Unallocated SwapClear Transactions and Allocating Transactions must comply with the applicable~~

~~provisions of the CFTC Regulations (including CFTC Regulation 1.35) and all other applicable law, and shall be responsible for ensuring that Account Manager Executing Parties clearing through it shall be in compliance therewith.~~

Regulation 402 Daily Calculation of NPV of SwapClear Contracts

- (a) The Clearing House shall calculate the NPV of SwapClear Contracts in accordance with Regulation 107 and as set out in the Procedures.
- (b) The Clearing House shall, at least daily, receive payment from, or pay to, the Clearing Member the Variation Margin due, representing the change in the NPV of such Clearing Member's portfolio of SwapClear Contracts from the preceding Business Day, in accordance with [this Regulation 402 and](#) the Procedures.
- (c) Netting of Coupon Payments with respect to SwapClear Contracts. In respect of a portfolio of SwapClear Contracts and each payment date for Coupon Payments (in accordance with the Procedures), the Clearing House shall net:
 - (i) the sums which would otherwise have been payable by the Clearing Member to the Clearing House in respect of Variation Margin on such date and the Coupon Payments due on that date; and
 - (ii) the sums which would otherwise have been payable by the Clearing House to the Clearing Member in respect of Variation Margin on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this Regulation 402 shall be automatically satisfied and discharged on payment by the applicable party of the excess. ~~All netting in respect of a portfolio of SwapClear Contracts shall be calculated separately with respect to SwapClear Contracts held in a Clearing Member's Proprietary Account and with respect to SwapClear Contracts held on behalf of Clients.~~

All netting in respect of a portfolio of SwapClear Contracts shall be calculated separately in two net amounts, one with respect to all SwapClear Contracts held in a Clearing Member's Proprietary Account, and the other with respect to all SwapClear Contracts held on behalf of Clients.

Financial Center

Markitwire/FpML

Johannesburg

ZAJO

3. Standard Terms

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

3.1 Business Days

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

3.2 Negative Interest Rates

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

3.3 Withholding and Stamp Tax Provisions

(a) All payments ~~due~~ under a SwapClear Contract ~~shall~~will be made ~~by the Clearing Member free and clear and~~ without any deduction or withholding for or on account of any ~~tax. Payments in respect of which Tax unless~~ such deduction or withholding is required ~~to be made, by the Clearing Member, shall be increased~~by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Clearing House or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member (“X”) will:

i. promptly notify the recipient (“Y”) of such requirement;

ii. pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 3.3(b) and (c)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

iii. promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

(b) In the event that any payment made by a Clearing Member to the Clearing House under a SwapClear Contract is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the Clearing House), then the Clearing Member shall pay to the Clearing House an amount (such

October 2012

amount, together with any additional amount paid pursuant to Section 3.3(g), the “Additional Amount”), in addition to the payment to which the Clearing House is otherwise entitled under the SwapClear Contract, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or the Clearing House), will equal the full amount the Clearing House would have received in the absence of any such deduction or withholding.

However, a Clearing Member will not be required to pay any Additional Amount to the Clearing House under this Section 3.3(b) to the extent ~~necessary to ensure that~~, that it would not be required to be paid but for (i) the failure by the Clearing House to provide to the Clearing Member such forms and documents as required under Section 3.3(e), provided, that this clause (i) shall apply only if (A) the relevant Clearing Member has notified the Clearing House in writing of such failure and (B) the Clearing House has failed to provide such forms or documents within five Business Days after the ~~making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in~~ receipt of such notice; or (ii) the failure of a representation made by the Clearing House pursuant to the representations that it is obligated to provide under Section 3.3(j) below to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with 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, to the relevant party) or (B) a Change in Tax Law, that in each case occurs after the Clearing House and the Clearing Member provide the representations that they are obligated to provide pursuant to Section 3.3(j) (or, if applicable, the date that the Clearing House and the Clearing Member amend such representations to account for such Change in Tax Law (as defined below)) or a failure by the Clearing House to provide the representations that it is obligated to provide pursuant to Section 3.3(j).

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

~~If (i) the Clearing House or~~ In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under subclause (A) or (B) thereof, the Clearing House shall use commercially reasonable efforts to provide to the Clearing Member a new representation (to the extent that it is appropriate) for the purpose of the representations that it is obligated to provide pursuant to Section 3.3(j), promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of the Clearing House).

For the purpose of this Section 3.3(b), “Change in Tax Law” means the enactment, promulgation, execution or ratification of, or any change in or

amendment to, any law (or in the application or official interpretation of any law).

- (c) If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from ~~payments due~~ any payment made to the Clearing House under a SwapClear Contract for or on account of any ~~tax~~; ~~(ii) Tax, in respect of which the Clearing House or such~~ Clearing Member, ~~as applicable~~, would be required to pay an Additional Amount to the Clearing House under Section 3.3(b); (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such ~~tax~~ Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs, and any Taxes imposed on such amounts).
- (d) If: (i) the Clearing House is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under a SwapClear Contract for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such ~~tax~~ Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and ~~cost~~ ~~plus~~ costs, and any ~~tax~~ Taxes imposed on ~~the Clearing House with respect to the indemnity payment under this paragraph.~~ such amounts).

~~3.4 — Payment of Stamp Tax~~

- (e) The Clearing House shall provide to each Clearing Member (i) an Internal Revenue Service Form W-9, (ii) the tax forms and documents specified in Section 3.3(j) and Section 1.4.1(c) of the Procedures and (iii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under a SwapClear Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in clauses (ii) and (iii) of this paragraph would not materially prejudice the legal or commercial position of the Clearing House).
- (f) The Clearing House shall request from each Clearing Member: (i) the tax forms and documents specified in Section 3.3(j) and Section 1.4.1(c) of the Procedures and (ii) any other form or document reasonably requested in order to allow the Clearing House to make a payment under a SwapClear Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by the Clearing House to a Clearing Member under a SwapClear Contract is subject to deduction or withholding (either at

the time of such payment or in the future) for or on account of any Tax, the Clearing House is not required to pay any additional amount in respect of such deduction or withholding. The Clearing House will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with such Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).

- (g) Each Clearing Member ~~will~~shall pay any stamp~~-tax or duty~~, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it ~~in respect of any SwapClear Contract to which it is a party by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have~~ or in respect of its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction, and ~~will~~execution or performance of any agreement, contract or transaction in connection with a SwapClear Contract and shall indemnify the Clearing House against any ~~such stamp-tax or duty (including any interest, penalties or other costs related thereto)~~, registration, documentation, excise, sales or value added Tax (to the extent that the Clearing House is not able, in the Clearing House's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon the Clearing House ~~by any such jurisdiction in respect of any SwapClear Contract registered by the Clearing House and to which that Clearing Member is a party, as well as any tax~~ or in respect of the Clearing House's execution or performance of any agreement, contract or transaction in connection with the Rulebook. Any payment required to be made by a Clearing Member to the Clearing House under this Section 3.3(g) shall include an additional amount equal to any Tax levied or imposed on the Clearing House ~~with respect to~~as a result of the ~~indemnity~~receipt of any payment under this ~~paragraph~~. Section 3.3(g).
- (h) Each Clearing Member shall promptly notify the Clearing House in writing upon learning that any payment made by the Clearing House to the Clearing Member or by the Clearing Member to the Clearing House under a SwapClear Contract is subject to any Tax, other than any Tax imposed or levied based on the net income of the Clearing Member or the Clearing House, as applicable.
- (i) Clearing Members shall not have any termination or other special rights in respect of a SwapClear Contract as a result of the occurrence of adverse Tax consequences, whether relating to a Change in Tax Law or otherwise.
- (j) To the extent the Clearing House is entitled to an exemption from, or reduction of, any applicable Tax on account of which a Clearing Member would otherwise be required to pay an Additional Amount under Section 3.3(b), the Clearing House shall provide such representations and documentation as are required and requested by each Clearing Member to perfect the exemption from, or reduction of, such Tax.

3.53.4 Payments under a SwapClear Contract

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint (HUF)	HUF-BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	10970 <u>146</u> <u>20</u> days	1-10,000,000,000,000
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99
		See Article 7.1(l) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q <u>g</u>) (i) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed v floating	Single currency	1105 days		1w, 2w, 3w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed v floating	Single Currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m,	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							6m. 7m. 8m. 9m. 10m. 11m. 1y	
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m,	Min 25 Max 190

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction	MarkitWire/FpML Code	Currency
Actual/365 (Fixed)	ACT/365.FIXED	CAD, AUD, NZD, PLN, ZAR, GBP
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF

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

(b) Business Day Conventions

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

Following (see Article 4.12(i) of the ISDA 2000 Definitions and Article 4.12(i) of the ISDA 2006 Definitions for definition)

Modified Following (see Article 4.12(ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)

Preceding (see Article 4.12(iii) of the ISDA 2000 Definitions and Article 4.12(iii) of the ISDA 2006 Definitions for definition)

For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

- (i) fixed period end dates and the termination date

(ii) float period end dates and the termination date

(c) Minimum and Maximum Residual Term of the Trade (Termination date – Today)

Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.

Minimum Residual Term of trade:

Termination date - Today ≥ 1 + currency settlement lag

where currency settlement lag is:

1 day for EUR, USD, GBP and CAD denominated trades

2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

Maximum Residual Term of trade:

Termination date – Today $\leq 3,670$ days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)

Termination date – Today $\leq 10,970$ days for AUD, CAD, CHF, ~~JPY~~ & SEK (30 years)

Termination date – Today $\leq 14,620$ days for JPY (40 years)

Termination date – Today $\leq 18,275$ days for GBP, EUR & USD (50 years)

Maximum Residual Term to Maturity for Forward Rate Agreements

The maximum residual term to maturity for forward rate agreements is as follows:

Currency	Maximum Residual Term to Maturity
EUR, JPY, USD, <u>GBP</u>	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

(d) Designated Maturity

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

(e) Calculation Periods

(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)

For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-standard Calculation Periods (“stub periods”) at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as SwapClear Transactions.

For variable notional swaps the stub rate should be detailed either as a percentage (i.e. 5.5%), an interpolation (i.e. 1 month/3 months) or as a designated maturity (i.e. 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be ≥ 1 week for IRS and basis swap and ≥ 1 month for zero coupon swaps.

SwapClear also calculates floating periods subject to ‘IMM settlement dates as per ISDA definitions.

(f) Up-Front Fees – Eligibility of SwapClear Transactions

Any up-front fees due under a SwapClear Transaction will form part of the first variation margin payment made in connection with such SwapClear Transaction.

SwapClear Transactions with respect to which a Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.

SwapClear Transactions with respect to which a Client or an Affiliate is an Executing Party and which are denominated in a Two-Day Currency where the up-front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.

For the purposes of this paragraph (f):

“One-Day Currency” means GBP, USD, CAD or EUR.

“Two-Day Currency” means any other eligible currency.