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FCM PROCEDURES

Except where the context otherwise requires, defined terms used herein have the meaning ascribed to them in the FCM Regulations or in other portions of the FCM Rulebook.

1. FCM CLEARING MEMBER STATUS

1.1 FCM Clearing Member Application Procedure

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

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

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

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

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

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

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

1.1.2 **General**

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

The 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 FCM Regulations or such greater amounts as may be required by the Clearing House.

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

in London in each currency including in US dollars and GBP;

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:

remote from the trading desk;

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

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

with such technology and connectivity as may be stipulated by the Clearing House.

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

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

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

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

1.2 **Net Capital**

Net Capital Requirements

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

Additional Net Capital Requirements

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

The Clearing House shall, on a daily basis, compare the market risk associated with each FCM Clearing Member's FCM SwapClear Contracts with their level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such FCM Clearing Member is sufficiently capitalised to support the level of risk associated with the FCM SwapClear Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalised, the Clearing House may also consider:

1. the ratio of FCM SwapClear Contracts entered into on behalf of an FCM Client compared to those entered for its own account or that of an Affiliate;
2. the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
3. the total amount of cover deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

In the event that the Clearing House considers that the FCM Clearing Member is not sufficiently capitalised to support the level of risk associated with its open FCM SwapClear Contracts, the Clearing House may perform one or more of the following:

- (a) require that the relevant FCM Clearing Member furnish the Clearing House with additional cover; or
- (b) prevent or limit the extent to which an FCM Clearing Member may register additional FCM SwapClear Contracts; or
- (c) require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

1.3 Calculation Of Net Capital

Net capital is calculated in line with CFTC Regulation 1.17.

1.4 Reporting

FCM Clearing Members must provide the information detailed below.

1.4.1 Provision of Information

- (i) All FCM Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up in accordance with CFTC Regulation 1.16 requirements or otherwise in accordance with the

requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.

- (ii) All FCM Clearing Members must provide the Clearing House in a prompt and timely manner with:
 - (A) copies of all financial returns/reports made to their regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC's Regulations (including CFTC Regulation 1.12);
 - (B) those financial reports detailed in CFTC Regulation 1.10;
 - (C) any information concerning any financial or business development that that the FCM Clearing Member reasonably considers may materially affect the clearing member's ability to comply with the FCM membership criteria or applicable laws or regulations;
 - (D) copies of all reports that are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations;
 - (E) information and documents regarding the FCM 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 FCM Clearing Member's financial resources and settlement procedures;
 - (F) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis; and
 - (G) notice if the FCM Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event to which it is required to notify the Clearing House under the FCM Clearing Membership Agreement or the FCM Rulebook.

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

1.4.2 Reduction in Net Capital

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

- (i) shareholders' funds;
- (ii) Net Capital.

1.5 **Additional Requirements**

Notification of Changes of Ownership

FCM Clearing Members are required to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). In cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not known to the Clearing House, FCM Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House (LCH.Clearnet Limited).

Each FCM Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant FCM Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request be incorporated therein. Upon the request of the Clearing House, an FCM Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

Pursuant to and in accordance with FCM Regulation 10(o), where an FCM Client enters into an FCM SwapClear Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional collateral at a level of 10% above the amount that the Clearing House would normally require for the associated FCM SwapClear Contract.

1.6 **Other Conditions**

The Clearing House may, at any time, impose additional conditions relating to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to deposit additional security in cash or other collateral as determined by the Clearing House.

FCM SWAPCLEAR

2. SWAPCLEAR

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

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

2.1.1 FCM SwapClear Service Functions

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial and variation margin requirements;
- (iv) calculation of Price Alignment Interest;
- (v) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- (vi) allocation and designation of trades to a position-keeping account; and
- (vii) reporting of registered trades.

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

2.1.2 Clearing House System Requirements

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

2.1.3 SwapClear FCM Clearing Member Reporting

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

Report 001

Via the FCM Approved Trade Source System.

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

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

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

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

2.2 **Operating Times And Calendars**

2.2.1 **Opening Days**

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

2.2.2 **Opening Hours**

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

07:30 to 24:00 hours London time (a "Business Day")

2.2.3 **FCM SwapClear Clearing System Calendars**

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

2.3 **Registration**

2.3.1 **Submission for Registration**

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bi-laterally agreed by two Executing Parties and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

2.3.2 **Clearing House Notification**

Following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member(s), via member reports, the SwapClear API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the "FCM Notification").

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, the FCM Clearing

Member shall, pursuant to FCM Regulation 5(b), (i) be deemed to have presented the FCM SwapClear Transaction for clearing and (ii) become obligated to pay all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction upon request of the Clearing House.

It is a condition for registration of an FCM SwapClear Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member, such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2.3.4 of these FCM Procedures, it is a condition for registration of an FCM SwapClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM SwapClear Contract prior to registration.

2.3.3 SwapClear FCM Approved Trade Source Systems

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

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

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

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

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

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

2.3.4 Registration of New Trades

New trades are registered on an intra-day basis. Following acceptance by an FCM Clearing Member, the FCM SwapClear Clearing System will respond, after processing, with a message either confirming the registration or giving a reason for rejection (see section 2.3.7). The registration notification or rejection message will be sent via the originating FCM Approved Trade Source System, the SwapClear API or otherwise. The definitive report of a registered FCM SwapClear Contract will be shown on Reporting (see section 2.1.3) on the FCM Clearing Member reporting account in the FCM SwapClear clearing system.

The Clearing House will require an FCM Clearing Member in whose name an open contract is to be registered to provide it with cover for initial and variation margin prior to registration. In accordance with FCM Regulation 5(b), an FCM Clearing Member becomes obligated to pay such cover to the Clearing House upon the FCM Clearing Member's acceptance for registration of an FCM SwapClear Transaction and the FCM Clearing Member shall pay such cover prior to registration upon request of the Clearing House. Variation margin can be covered intra-day in non-cash collateral.

FCM SwapClear Transactions that are submitted for registration after 14:30 are registered the following morning subject to the normal requirements for margin (unless the FCM Clearing Member has provided excess cover).

2.3.5 Backloading of Existing Trades

The Clearing House provides the facility for FCM Clearing Members to load eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System [(currently only MarkitWire)]. Where the Clearing House approves additional FCM Approved Trade Source Systems for this purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as an SCM SwapClear Contract, the UK General Regulations will apply with respect to such registration of an SCM SwapClear Contract.

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

2.3.6 Notification

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

2.3.7 Rejected Trades

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

2.4 Position Accounts

2.4.1 FCM Accounts

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

2.4.2 Position-Keeping Accounts

FCM Clearing Member Accounts

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

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

2.5 Financial Accounts

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

2.5.1 Relationship with Position-Keeping Accounts

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

2.5.2 Other Financial Accounts

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

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

2.5.3 Default Fund (DF) Account

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

2.6 FCM SwapClear Contract Valuation

2.6.1 Net Present Value

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

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

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 12(d). The Net Present Value so determined must, subject to Intra-day Registration (see section 2.3.4), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

2.6.2 Zero Coupon Yield Curve Construction

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

2.6.3 Official Quotations

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

All times quoted, are London time.

AUD	12:00
CAD	20:00

CHF LIBOR & OIS	16:15
CZK	16:15
DKK	16:15
EURO LIBOR	16:15
GBP LIBOR	16:15
HKD	12:00
HUF	16:15
JPY	12:00
NOK	16:15
NKD	12:00
PLN	16:15
SEK	16:15
SGD	12:00
USD	
LIBOR & OIS	20:00
ZAR	16:15
EURO OIS	18:15
GBP OIS	17:15

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

2.6.4 Variation Margin

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

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

2.6.5 Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for FCM SwapClear Transactions cleared through the Clearing House, the Clearing House

will for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

2.7 **Coupon Payments**

2.7.1 **Calendars and Coupons**

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

2.7.2 **Calculation of Fixed Amount**

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

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

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

2.7.3 **Calculation of Floating Amount**

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

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

2.7.4 **OIS Coupon Calculation**

Compounding Rate Calculations

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

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

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

Where:

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

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

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

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

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

CHF-TOIS-OIS-COMPOUND

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

Where:

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

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

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

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

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

GBP-WMBA-SONIA-COMPOUND

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

Where:

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

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

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

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

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

EUR-EONIA-OIS-COMPOUND

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

Where:

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

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

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

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

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

2.7.5 Calculation of Compounded Amount

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

2.7.6 Business Day and Business Day Convention

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

2.7.7 Payment of Coupons

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

2.7.8 Calculation Periods

In respect of any Calculation Period that is not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

2.7.9 Day Count Fractions: ISDA 2000

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

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

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

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

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

In accordance with this formula the following will be applied:

- (A) if “30/360”, “360/360” or “Bond Basis” is specified the Clearing House will

if D1 is 31 amend it to 30,

if D2 is 31 amend it to 30 only if D1 is 30 or 31; or

- (B) if “30E/360” or “Eurobond Basis” is specified the Clearing House will

if D1 is 31 then amend it to 30

if D2 is 31 then amend it to 30.

- (v) For Actual/Actual (ISMA): “The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after December 31, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond”.

2.7.10 Day Count Fractions: ISDA 2006

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

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

- (i) if “Actual/Actual”, Actual/Actual (ISDA), “Act/Act”, or “Act/Act-(ISDA)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (iii) if “Actual/360” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (iv) “30/360”, “360/360” or “Bond Basis” is specified the number of days in the Calculation Period or Compounding Period in respect of which

payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (vii) If “Actual/Actual” (ICMA) or “Act/Act” (ICMA) is specified, a fraction equal to “number of days accrued/number of days in year”, as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the “ICMA Rule Book”), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US Dollar denominated straight and convertible bonds issued after December 21, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

2.7.11 Reset Rates

Reset Rates will be published by the Clearing House via the Rate Reset reports.

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

- (i) “GBP-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.

- (ii) “USD--LIBOR-BBA” the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (iii) “Euro-LIBOR-BBA” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (iv) “Euro-EURIBOR-Telerate (ISDA2000) / “Euro-EURIBOR-Reuters” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (v) “JPY-LIBOR-BBA” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (vi) “CHF-LIBOR-BBA” means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (vii) “AUD-BBR-BBSW” means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.
- (viii) “AUD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (ix) “CAD-BA-CDOR” means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.
- (x) “CAD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (xi) “CZK-PRIBOR-PRBO” means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.

- (xii) "DKK-CIBOR-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.
- (xiii) "DKK-CIBOR2-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.
- (xiv) "HKD-HIBOR-HIBOR=" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption "FIXING@11:00" as of 11:00 hours, Hong Kong time, on that Reset Date.
- (xv) "HKD-HIBOR-HKAB" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.
- (xvi) "HKD-HIBOR-ISDC" (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.
- (xvii) "HUF-BUBOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.
- (xviii) "NOK-NIBOR-NIBR" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.
- (xix) "NZD-BBR-Telerate" (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.
- (xx) "NZD-BBR-FRA" means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of "FRA" as of 11:00 hours, Wellington time, on that Reset Date.

- (xxi) "SEK-STIBOR-SIDE" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption "FIXINGS" as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.
- (xxii) "SGD-SOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.
- (xxiii) "PLN-WIBOR-WIBO" means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption "FIXINGS" as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.
- (xxiv) "ZAR-JIBAR-SAFEX" means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption "YIELD" as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified "ZAR-JIBAR-Reference Banks" as the applicable Floating Rate Option.
- (xxv) "CHF-TOIS-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).
- (xxvi) "GBP-WMBA-SONIA-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).
- (xxvii) "USD-Federal Funds-H.15-OIS-Compound" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).
- (xxviii) "EUR-EONIA-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

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

2.7.12 **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.

2.7.13 **Negative Interest Rate Method**

FCM Clearing Member should note the provisions of section 3.3 of Part A of the Schedule to the FCM Regulations regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

2.8 **Initial Margin**

The Clearing House will require FCM Clearing Members to post initial margin. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for FCM SwapClear Contracts.

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

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

2.8.1 **Liquidity Multiplier**

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

2.8.2 **Intra-day Margin Calls**

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

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see section 3.2.2). Members must ensure, in these

circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2.8.3 Calculation of Initial Margin

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

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

2.9 Intra-Day Margin Call: Collateral Management

2.9.1 General – Intra-day Margining

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

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

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

2.10 Declearing and Compression

Pursuant to FCM Regulation 5(n), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

- (i) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM 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 FCM Clearing Member by 19:00 New York City time on each applicable day) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts.
- (ii) An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 New York City time 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 an FCM SwapClear Contract, an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

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

Following the compression process described above and as further set out in FCM Regulation 5(n), the applicable FCM 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 FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2.11 **Affiliate Clearing**

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

2.12 **Transfer of FCM Clients**

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation 9(b) or 9(c).

2.12.1 **Partial Transfers**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM Swapclear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2B), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Procedure 2.12.4.

In the event that any of the conditions set forth in FCM Regulation 9(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts.

2.12.2 Full Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2C), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM SwapClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM SwapClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Procedure 2.12.4.

In the event that any of the conditions set forth in FCM Regulation 9(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Account Assets (when applicable).

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

2.12.3 Collateral Transfers

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

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2D) which cover is attributable to the transferring FCM Client and the associated FCM 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 cover from the FCM Clearing Member's FCM Omnibus OTC Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 9(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing

Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM SwapClear Contracts.

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

2.12.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM 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 FCM 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 FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to 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>
		Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	
Day 2: 09:00 to 10:00		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: 14:30	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: 03:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional cover 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 cover from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM	Clearing House transfers FCM	Clearing House transfers FCM

<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>
	SwapClear Contracts.	SwapClear Contracts and associated collateral.	SwapClear Contracts.

2.13 **Proprietary Account Position Transfers**

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

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

2.13.1 **Legal Documentation**

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

2.13.2 **Position Transfer Notice Period**

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

2.14 **Amendment of Trade References**

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

2.14.1 **Trade Reference Amendment Request Form**

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any FCM Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the FCM Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the FCM Clearing Member wishes to change its trade reference. Evidence of such

signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days (“the Trade Reference Amendment Notice Period”) after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House’s records and FCM SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the FCM Clearing Member will be advised in due course of the date set by the Clearing House.

2.14.2 Multi-trade Amendments

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

2.14.3 Processing

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

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

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is

unable to do so, it will notify the FCM Clearing Member and process the amendment as soon as reasonably practicable thereafter.

After close of business of the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new FCM Clearing Member trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely “amended” or “rejected”. All records of the Clearing House and data held in the FCM SwapClear clearing system will then be updated overnight following the close of business on that day.

2.14.4 **Legal Documentation**

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

2.14.5 **Notification**

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

2.15 **Default Management**

Portfolio Splitting:

As part of the SwapClear DMP, the Clearing House may divide an Auction portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing house will, in consultation with the SwapClear DMG, seek to create:

- (i) one or more individual Sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Sub portfolios from those which are more risk neutral; and
- (ii) one or more individual Sub portfolios which are more risk neutral.

Acceptance of Bids

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

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

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

2.15.2 Affiliate Bidding

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

A SwapClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where it wishes to do so, the SwapClear Clearing Member should contact the Clearing House's Membership Department [insert details].

2.15.3 Outsourcing

Pursuant to FCM Regulation 3(c)(vi) and 3(c)(vii), an FCM Clearing Member may appoint a third party to fulfil one or both of the the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the SwapClear DMP operated by the Clearing House. Where an FCM Clearing Member chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

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

- A SwapClear Clearing Member
- An FCM Clearing Member
- An FCM Client

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

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

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

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

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

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

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

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

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

2.15.4 SwapClear DMG

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

Each FCM Clearing Member who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with Schedule [] covering confidentiality, non-disclosure and other terms.

2.16 Payment of Stamp Tax

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

2.17 Section 168, Finance Act 1994

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

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

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

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

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

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any FCM Clearing Member knowingly permit any such contract to be

submitted by a SwapClear Participant. Should this occur the SwapClear FCM Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any Executing [Dealer][Party] submitting such a contract for registration from the Register of Executing [Dealers][Parties]. The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear FCM Clearing Member as it deems fit in accordance with the Regulations. The SwapClear FCM Clearing Member shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

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

APPENDIX 2A


SWAPCLEAR PROCESSING SCHEDULE

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

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2.3.5)
16:00	Deadline for PPS calls in London
24:00	SwapClear Closes

APPENDIX 2B

FCM CLIENT – PARTIAL TRANSFER FORM

	<p style="text-align: right;">FCM CLIENT - PARTIAL TRANSFER FORM</p> <p style="text-align: right;">V.1.0: November 2011</p> <p style="text-align: center;"><i>Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein</i></p> <p>To: LCH.Clearnet Limited</p> <p>From: Receiving FCM Clearing Member</p> <p>Date:</p>																		
<p>We, [insert name of Receiving FCM Clearing Member] (the “Receiving FCM Clearing Member”) have received a request from [insert name of transferring FCM Client] (the “FCM Client”) to transfer part of its portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 9(c) and the FCM Procedures.</p>																			
<p>Please insert the LCH trade IDs of the transferring FCM SwapClear Contracts, using the Schedule below:</p> <p><i>**Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM SwapClear Contracts.</i></p> <p><i>**Please append a list of additional FCM SwapClear Contracts to this form, if required</i></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #cccccc;"> <th style="width: 50%; text-align: center;">LCH Trade ID</th> <th style="width: 50%; text-align: center;">ATS Trade ID</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table>		LCH Trade ID	ATS Trade ID																
LCH Trade ID	ATS Trade ID																		
<p>Signatories for and on behalf of the Receiving FCM Clearing Member:</p> <p>We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving FCM Clearing Member</p> <p>1. _____</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">(Authorised Signatory)</td> <td style="width: 33%; text-align: center;">Name</td> <td style="width: 33%; text-align: center;">Position</td> <td style="width: 15%; text-align: center;">Date</td> </tr> </table> <p>2. _____</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">(Authorised Signatory)</td> <td style="width: 33%; text-align: center;">Name</td> <td style="width: 33%; text-align: center;">Position</td> <td style="width: 15%; text-align: center;">Date</td> </tr> </table>		(Authorised Signatory)	Name	Position	Date	(Authorised Signatory)	Name	Position	Date										
(Authorised Signatory)	Name	Position	Date																
(Authorised Signatory)	Name	Position	Date																

Signatories for and on behalf of the transferring FCM Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed above;
- ii. that LCH.Clearnet 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 FCM Rulebook, LCH.Clearnet 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 (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet 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 FCM Rulebook applicable to the transfer are unsatisfied;
- v. that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates; and
- vi. that we are authorised to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authorised signatory	Authorised signatory
Date	Date

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

Email: swapclearclientservices@lchclearnet.com


Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

SwapClear Client Services
 Aldgate House
 33 Aldgate High Street
 London EC3N 1EA

SwapClear Client Services
 Suite 4G
 14 Wall Street
 New York NY 10005

APPENDIX 2C

FCM CLIENT – FULL TRANSFER FORM

	<p style="text-align: center;">FCM CLIENT - FULL TRANSFER FORM</p> <p style="text-align: right;">V.1.0: November 2011</p> <p style="text-align: center;"><i>Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein</i></p> <p>To: LCH.Clearnet Limited</p> <p>From: Receiving FCM Clearing Member</p> <p>Date:</p>
<p>We,[insert name of Receiving FCM Clearing Member] (the “Receiving FCM Clearing Member”) have received a request from [insert name of transferring FCM Client] (the “FCM Client”) to transfer its entire portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 9(b) and the FCM Procedures.</p>	
<p>Please insert EITHER:</p> <p>i. Name of Carrying FCM Clearing Member:</p> <p>.....</p> <p style="text-align: center;">OR</p> <p>ii. the LCH trade IDs of the transferring FCM SwapClear Contracts (using the Schedule on the next page).</p> <p>In order to enable LCH.Clearnet to identify the relevant FCM SwapClear Contracts that are to be transferred.</p> <p>Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets in accordance with FCM Regulations 9(d).</p> <p><input type="checkbox"/> The FCM Client wishes to transfer Account Assets</p> <p><input type="checkbox"/> The FCM Client does NOT wish to transfer Account Assets</p>	
<p>Signatories for and on behalf of the Receiving FCM Clearing Member:</p> <p>We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving FCM Clearing Member</p> <p>1. _____</p> <p style="margin-left: 20px;">(Authorised Signatory) Name Position date</p> <p>2. _____</p> <p style="margin-left: 20px;">(Authorised Signatory) Name Position date</p>	

Signatories for and on behalf of the transferring FCM 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 FCM SwapClear Contracts through our Carrying FCM Clearing Member from the date that this form is received by LCH.Clearnet until the transfer has been effected;
- iii. that LCH.Clearnet 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 FCM Rulebook, LCH.Clearnet 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 (and/or by us to the Receiving FCM Clearing Member listed above) even where Account Assets are transferred, and that LCH.Clearnet 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 FCM Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of Account Assets, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet to identify the correct Account Assets to be transferred, and (y) while LCH.Clearnet will attempt to transfer the specified Account Assets to the Receiving FCM Clearing Member, LCH.Clearnet is permitted to transfer alternative collateral as it deems appropriate in accordance with the FCM Rulebook;
- vii. that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates
- viii. that we are authorised to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

_____ Authorised signatory	_____ Authorised signatory
_____ Date	_____ Date

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

Insert email: swapclearclientservices@lchclearnet.com

Insert telephone number: +44 (0) 207 426 7651

SwapClear Client Services
 Aldgate House
 33 Aldgate High Street
 London EC3N 1EA
 UNITED KINGDOM

SwapClear Client Services
 Suite 4G
 14 Wall Street
 New York NY 10005
 USA

Schedule of transferring FCM SwapClear Contracts:

**Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM SwapClear Contracts in order that LCH.Clearnet can determine the identity of the relevant Carrying FCM Clearing Member.

LCH Trade ID	ATS Trade ID

APPENDIX 2D

FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM



FCM CLIENT TRANSFER – CARRYING
FCM CLEARING MEMBER RESPONSE FORM
V.1.0: November 2011

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

To: LCH.Clearnet Limited
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 Limited in relation to’s [insert name of transferring FCM Client] (the “FCM Client”) request to transfer [its entire/part of its*] portfolio of FCM SwapClear Contracts held by us. We are writing to inform you that:

* Delete as appropriate

- (Please tick if applicable) The transferring FCM Client has become insolvent and its FCM SwapClear Contracts should therefore not be transferred in accordance with FCM Regulation 9(b)(i) or FCM Regulation 9(c)(i), as applicable.
- (Please tick if applicable) The transferring FCM Client has outstanding obligations that are due and payable to us and/or our Affiliates and therefore its FCM SwapClear Contracts should not be transferred in accordance with FCM Regulation 9(b)(v) or FCM Regulation 9(c)(v), as applicable.
- (Please tick if applicable) The transferring FCM Client has asked that Account Assets be transferred and the relevant Account Assets are described in the schedule below.

Schedule of Account Assets:

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

CASH AMOUNT & CURRENCY

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

CASH AMOUNT & CURRENCY

ISIN	Notional Value

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

Email: swapclearclientservices@lchclearnet.com

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

Fax: +1 212 513 8290

SwapClear Client Services
 Aldgate House
 33 Aldgate High Street
 London
 EC3N 1EA
 UNITED KINGDOM

SwapClear Client Services
 Suite 4G
 14 Wall Street
 New York
 NY 10005
 USA

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

We acknowledge and confirm the above and that we are authorised to sign for and on behalf of the Carrying FCM Clearing Member:

1.

(Authorised Signatory)	Name	Position	Date

2.

(Authorised Signatory)	Name	Position	Date

APPENDIX 2E**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP****1. Definitions**

- 1.1 **"Confidential Material"** means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the SwapClear DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FCM Clearing Member).
- 1.2 **"DMG Member"** means an individual appointed by a Nominating FCM Clearing Member.
- 1.3 **"Nominating FCM Clearing Member"** means a SwapClear Member who, through their obligations under the SwapClear DMP, makes available a representative to serve on the SwapClear DMG.
- 1.4 **"Permitted Purpose"** means proper fulfilment by the FCM Clearing Member of its duties under the SwapClear DMP Annex and includes, after the completion of the Auction, the use by the FCM Clearing Member, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.
- 1.5 References denoting the masculine (including "his" and "he") shall be construed as the feminine if the DMG Member is female.
- 1.6 All other terms have the meaning ascribed to them in the Default Rules (including the SwapClear DMP Annex).

Confidentiality and Non-Disclosure: General Obligations of the FCM Clearing Member**2. Confidentiality**

- 2.1 The FCM Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Appendix in respect thereof and, subject to Clause 2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FCM Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :
 - 2.1.1 it comes into the public domain other than through a breach by the FCM Clearing Member of this Appendix; or
 - 2.1.2 the FCM Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FCM Clearing Member.

- 2.2 The FCM Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FCM Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Appendix might result in the gaining of an unfair commercial advantage by the FCM Clearing Member over other members of the Clearing House SwapClear Service.
- 2.3 Subject to paragraph 2.5, the FCM Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).
- 2.4 The FCM Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.
- 2.5 This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FCM Clearing Member.

3. **Secrecy**

- 3.1 Except in accordance with the terms of this Annex, the FCM Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:
- 3.1.1 Confidential Material;
 - 3.1.2 the fact that it has received any Confidential Material;
 - 3.1.3 the existence of any discussions or negotiations between the parties in this matter;
 - 3.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FCM Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 2.1.1 and 2.1.2.
- 3.2 The Clearing House undertakes to ensure that the FCM Clearing Member is fully apprised of information on the SwapClear DMP that it makes public and which is accordingly of relevance to the FCM Clearing Member's obligations.

4. **Property**

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

5. **Return of Confidential Material**

5.1 Upon request by the Clearing House, and in any event upon fulfilment of the Permitted Purpose, the FCM Clearing Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FCM Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

6. **No Representations or Warranties; No Conflict of Interest**

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

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

7. **Liability**

7.1 Subject to FCM Regulation 26 of the Agreement, the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FCM Clearing Member or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or wilful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the DMG, and for the accuracy of the information (confidential material as defined in the Annex to this Agreement) that it distributes to the FCM Clearing Member in connection with the SwapClear DMP.

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

8. **Remedies**

8.1 Without affecting any other rights or remedies that the Clearing House may have, the FCM Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Appendix and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any

combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Appendix.

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

9. Conflict of interest

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

10. Confidentiality

10.1 Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a DMG Member (including, for the avoidance of doubt, the FCM Clearing Member who recommended his appointment to the DMG ("the Nominating FCM Clearing Member") or his employer (if different) or any other employee, adviser, officer or fellow worker of that FCM Clearing Member or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorised delegate, providing always that the DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 2.1.1 and 2.1.2.

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

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

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

11. Warranty and Representation

11.1 The FCM Clearing Member represents and warrants that it will procure that:

11.1.1 the Nominating FCM Clearing Member and the DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

11.1.2 nothing in this Appendix will cause the DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FCM Clearing Member or to his employer, if different, or any other contract counterparty of the DMG Member.

12. **Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Annex to the Agreement, confining use to the SwapClear DMP, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organisation.

13. **Third Party Rights**

13.1 A person who is not a party to this Annex shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

FINANCIAL TRANSACTIONS

3. FINANCIAL TRANSACTIONS

3.1 Accounts

3.1.1 Overview

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

Cover account;

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

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

3.1.2 Cover Account Postings

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

PPS payments and receipts;

Interest and accommodation charges;

Currency purchases and sales;

Clearing House fees, charges and rebates;

SwapClear coupon payments;

SwapClear coupon adjustments;

Net Present Value (NPV);

Price alignment interest;

Consideration.

3.1.3 Tender Account Postings

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

PPS payments and receipts;

Coupon Payments relating to member collateral.

3.1.4 Financial Transaction Reporting

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

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

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

3.2 **Protected Payments System (PPS)**

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

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

Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, inter alia, by the Clearing Membership Agreement, clearing extension documentation and these General Regulations, Default Rules and Procedures. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

3.2.1 **PPS**

Introduction

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

In addition, FCM Clearing Members must open PPS accounts in London in USD and in all other currencies in which it incurs settlements (please refer to the following link for details of current PPS banks:

www.lchclearnet.com/risk_management/ltd/pps/

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

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

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

Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of cover held by the Clearing House (see section 3.3) any shortfall is called through London PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its London PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 hours or earlier on the day on which the PPS Call is made.

Intraday PPS Calls

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

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

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

www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp

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

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

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

Auto repay

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

Value Date

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

Foreign Bank Holidays

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

Confirmation that PPS payments will be made must be received within the deadlines set out in section 3.2.1.4. However the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency centre and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

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

On the 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value 21 August.

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

www.lchclearnet.com/member_notices/

UK Bank Holidays

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

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS Calls will be made as normal that day. Value will be given the same day providing that the relevant currency centre is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

Use of London and US PPS

These Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS Calls. Generally London PPS will be used for Morning PPS Calls (including contributions to the Default Fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct

a Morning PPS Call or intra-day margin calls before 16:00 hours London time to an FCM Clearing Member's US PPS account in exceptional circumstances (an "Exceptional PPS Call"). The Clearing House will use all reasonable commercial endeavours to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

Contingency Payment Arrangements

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

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

3.3 **Acceptable Forms Of Cover**

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

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

To view our acceptable collateral list, go to: http://www.lchclearnet.com/risk_management/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 FCM Clearing Members only in relation to current or anticipated obligations.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two (2) Business Days notice of their intention to request withdrawal of cash used as cover for margin and its replacement by the lodgement of collateral. In

the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House may decline to release such cash cover until the end of the required notice period.

3.3.2 Securities

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

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

3.3.3 Securities Value Notification

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

3.4 Distribution Of Cover

3.4.1 Overview

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

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

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

3.4.2 Liability Order

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

Liabilities will be covered in the order:

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

3.4.3 Cover Application

Note: The following provision applies solely for the purpose of calculating fees during the overnight offsetting of Clearing Members collateral against

liabilities. . In case of default by an FCM Clearing Member, please see section 3.4.7 below.

Cash will be applied before to each liability.

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

3.4.4 Order of Priority on Default

Post-default the Clearing House is entitled to realise and/or apply cover in whatever order it deems appropriate.

3.5 Interest And Accommodation Charge Structure

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

The following rates are applied:

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

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

Default Fund Rate;

Rates are available from the Member Reporting Website.

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

3.5.1 Price Alignment Interest (PAI) Rate

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

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

The amount of NPV in such currency from the previous day's COB multiplied by:

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

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

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in Regulation 21(b), specifies that it will not change the

PAI rate without the consent of all SwapClear Clearing Members holding open contracts in such currencies.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page "FEDFUNDS1" or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page "EONIA" or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page "SONIA" or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page "TONAR" or on any successor page(s) thereto.
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.

Currency	PAI Rate
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank – as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.
HUF	The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.
SGD	The rate used shall be the "SONAR" rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page "ABSIRFIX01" or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page "NOINTR=ECl" or any successor page(s) thereto

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

3.5.2 Interest/Accommodation Structure

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay relevant rate	pay relevant rate of cover currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay relevant rate	Pay relevant rate	No charge or payment

Note:

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

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash

2. "Forward Cash" means cash which has been credited to an account for later value, e.g. an amount called via PPS for next-day value.

3.5.3 Payment of Interest and Charges

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

VAT is charged, dependent on contract, on accommodation charges and collateral utilisation fees at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling cover account shows separate postings for sterling VAT amounts arising from foreign currency charges.

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

The invoice provides detail in respect of:

- Interest due; and
- Accommodation charges.

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

3.6 Fees

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

An invoice or credit note is produced detailing the fees to be posted to the house cover account.

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

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

3.7 **Participation Monies**

3.7.1 **DF Contributions**

DF contributions will be called via PPS normally on the fourth working day (“Reset Day”) of the quarter (i.e. early February, May, August and November). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on the Member Reporting Website. Excess DF amounts due to FCM Clearing Members following the adjustment to DF accounts and the crediting of interest will be repaid to FCM Clearing Members’ PPS accounts on the Reset Days.

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

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

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

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

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

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

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a House account (see FCM Regulation 29(b)).

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

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

4.1.3 General Information

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

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

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

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

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

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

4.1.4 Communications

The Clearing House is entitled to act upon documentation instructions or communications appearing to have been issued by, or have come from, an FCM Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (i) to be inaccurate, whether in whole or in part; or
- (ii) not to have been given by the FCM Clearing Member or an FCM Client or with the authority of the FCM Clearing Member or FCM Client.

4.1.5 Lodgement of Collateral as Replacement for Cash Cover for Margin

FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days notice of their intention to lodge collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect

that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgement. In the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

4.1.6 Force Majeure

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

4.1.7 Regulatory and Supervisory Information

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

4.1.8 Interest Payments

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

4.2 Securities

4.2.1 General Information

Securities must be lodged in the Clearing House’s relevant Custodian accounts (see appendix 4D).

4.2.2 Lodgement Procedure

Day One

- (i) FCM Clearing Members must submit, a completed collateral Lodgement Form in respect of each collateral lodgement (see appendix 4A or 4B). FCM Clearing Members may also need to supply a tax form (see section 4.2.4). a Proprietary Collateral Lodgement Form should be used in respect of Collateral lodged for an FCM Clearing Member's Proprietary or Affiliate business (see Appendix 4B). An FCM Client Collateral Lodgement Form should be

used in respect of collateral lodged for an FCM Clearing Member's FCM Client Business.

- (ii) The Clearing House will enter a receipt instruction into the relevant Custodial system.
- (iii) The FCM Clearing Member or his agent bank should enter "free of payment" delivery instructions.

FCM Clearing Members should contact the Clearing House's Treasury Operations department in order to find out when they are open for collateral to be posted (0044 (0)207 426 7593 or TreasuryOps@lchclearnet.com).

The details of the accounts are:

Client Account:

Bank of New York			Citibank			Euroclear Bank	
BKOFNYC/CUST 021000018			CITIBANKNYC/CUST 021000089				
US Owners	Non US Owners	Global	US Owners	Non-US Owners	Global	Euro Denominated Only	Italian
735138	735139	874067	206203	207887	TBC	15211	25910

Proprietary Account:

Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
BKOFNYC/CUST 021000018		CITIBANKNYC/CUST 021000089				
US Owners	Non US Owners	US Owners	Non-US Owners	Global	Italian	UK Securities
735136	735137	090401	090372	91205	91737	5165

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

Unless the Clearing House contacts the FCM Clearing Member to notify that a lodgement has been rejected, value will normally be given overnight on the following Business Day. However, if settlement has taken place before 20:00 hours, value may be given overnight the same day.

4.2.3 Release Procedure

Day One

- (a) The FCM Clearing Member submits a completed Release Form (see appendix 4C) to Treasury Operations.
- (b) Where the security is not utilised as margin cover, the Clearing House will input appropriate delivery instructions into the relevant custodial system.
- (c) The Clearing House reduces the level of cover held for the FCM Clearing Member's relevant cover account by the amount of the value of the security which is being withdrawn.
- (d) The FCM Clearing Member passes acceptance instructions to its own agent bank and the securities will then be transferred to the FCM Clearing Member's agent bank.

- (e) The securities are transferred to the FCM Clearing Member's bank.

Day Two

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

After 09:00 hours (London)

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

- (a) the Clearing House inputs appropriate delivery instructions into the relevant custodial system;
- (b) the FCM Clearing Member passes acceptance instructions to its own agent bank;
- (c) securities will then be transferred to the FCM Clearing Member's agent bank;
or
- (d) the securities are transferred to the FCM Clearing Member's bank.

4.2.4 Withholding Taxes

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

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

The relevant forms will normally be one of:

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

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

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

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

Unless the Clearing House has already received the appropriate tax form, lodgements into A/c numbers 735136, 735138, 206203 and 090401 must be accompanied by form W-9.

Unless the Clearing House has already received the appropriate tax form, lodgements into A/c numbers 735137, 735139, 207887 and 090372 must be accompanied by form W-8.

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

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

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

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

Italian Securities

The accounts are operated by the Clearing House in accordance with the Custodians Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities".

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

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

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

Official forms are available on request from Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within our accounts.

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

- Coupon Debt securities (BTPs, CCTs and CTOs)

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

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

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

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

APPENDIX 4A

FCM Client Account Lodgement Form



FCM - CLIENT LODGEMENT FORM

Version 1: December 2011

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

LCH.Clearnet Limited Ref No: _____

From: Clearing Member (full name): _____

Client Account _____ Mnemonic: _____

Beneficial Owner Name (full name): _____

We hereby transfer the securities described below to the Clearing House under the terms of regulation 10(m) of the FCM Regulations.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator. We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

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

Delivery from: Depository/Agent _____

US Securities, Broker Code _____

Account Holder: _____

Account Number: _____

Beneficial Owner Italian Tax ID: _____

Delivery to: _____

BONY (US Owners)	BONY (Non-US Owners)	BONY (Global)	Citibank (US Owners)	Citibank (Non-US Owners)	Citibank (Global)	Euroclear (EUR Securities)	Euroclear (Italian)
735138	735139	874067	206203	207887	TBC	15211	25910

Signatories for and on behalf of The Clearing Member:

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

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

Date: _____

APPENDIX 4B

FCM House Account Lodgement Form



PROPRIETARY - COLLATERAL LODGEMENT FORM

Version 1: December 2011

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

LCH.Clearnet Limited Ref No:

From: Clearing Member (full name): _____

In respect of Proprietary Business Mnemonic: _____

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

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

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

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

Delivery from: Depository/Agent _____

US Securities, Broker Code _____

Account Holder: _____

Account Number: _____

Beneficial Owner Italian Tax ID: _____

Delivery to: _____

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

Signatories for and on behalf of The Clearing Member:


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

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

Date: _____

APPENDIX 4C

Collateral Release Form

		COLLATERAL RELEASE FORM Version 1: June 2011		
To: LCH.Clearnet Limited ("the Clearing House")				
From: Clearing Member (full name):				
House/Client Account*		Mnemonic:		* Please delete as appropriate
We hereby request you to release the securities described below.				
Security Code Number (e.g . ISIN)	Delivery Date	Trade Date	Amount/Nominal Value(Issue - Coupon - Maturity)	Description of Security
The Clearing House Ref No: (from lodgement form)				
Delivery to: Depository/Agent				
US Securities, Broker Code				
Account Holder				
Account Number				
Signatories for and on behalf of the Clearing Member:				
1	 (Signature) (Print Name) (Position)
2	 (Signature) (Print Name) (Position)
Date				
To: THE ABOVE-NAMED CLEARING MEMBER				
The release of the above-mentioned securities is agreed.				
For and on behalf of LCH.Clearnet Limited:				
Date:		Time:		
(Authorised Signatory):				

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Recognised as a Clearing House under the Financial Services and Markets Act 2000.

LCH.CLEARNET LIMITED COPY

Appendix 4D

	Margin Collateral-FCM Client							Margin Collateral-FCM House							
	Bank of New York			Citibank			Euroclear Bank		Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
	735138	735139	874067	206203	207887	TBC	15211	25910	735136	735137	090401	090372	91205	91737	5165
Australia			X			X							X		
Austria			X			X	X						X		
Belgium			X			X	X						X		
Canada			X			X							X		
Denmark			X			X							X		
EUR Agencies			X			X	X						X		
Finland			X			X	X						X		
France			X			X	X						X		
Germany			X			X	X						X		
Italy			X			X		X						X	
Japan			X			X							X		
Luxembourg			X			X	X						X		
Netherlands			X			X	X						X		
Norway			X			X							X		
Spain			X			X	X						X		
Sweden			X			X							X		
United Kingdom			X			X									X
United States	X	X		X	X				X	X	X	X			
US Agencies	X	X		X	X				X	X	X	X			

T

BUSINESS CONTINUITY

5. BUSINESS RECOVERY

5.1 Recovery Situations

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

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

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

5.2 Recovery Situations Affecting Members' Offices

5.2.1 **During Office Hours**

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

5.2.2 **Outside Office Hours**

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

Name:

Company Name:

Contact Telephone Number:

Brief Details of the Nature of the Problem:

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

5.3 Aldgate House Evacuation

5.3.1 **Communicating with FCM Clearing Members**

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

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

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

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

5.3.2 Evacuation of Aldgate House

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

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

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

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

5.3.3 Invoking of Business Continuity Plans

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

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

5.3.4 Limited Invocation

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

The following message will be posted:

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

5.3.5 Full Invocation

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

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

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

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

5.3.6 Cover Calling

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

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

5.3.7 Registration of Contracts

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

5.3.8 New Address for Document Delivery

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

5.3.9 Permanent Change of Address

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

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

5.3.10 Return to Normal

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

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

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

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

5.4 Clearing House Data Centre

5.4.1 Failure of LCH’s Data Centre

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

APPEAL PROCEDURES

6. APPEAL PROCEDURES

6.1 Introduction

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

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

6.2 Decisions In Respect Of Which An Appeal May Be Lodged

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

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

An undertaking which is not an FCM Clearing Member may appeal to an Appeal Committee against the decision made by the Clearing House declining to grant FCM Clearing Member status to that person.

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

6.3 Initiating An Appeal

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

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

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

An appeal may only be commenced under these FCM Procedures within 28 days of the date upon which the decision to which it relates was notified to the appellant. The Chief Executive of the Clearing House has a discretion to waive this time limit if the appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.

The Company Secretary shall acknowledge receipt of the APPEAL FORM no later than 7 days after receipt.

The Company Secretary may request further information or clarification relating to the subject matter or grounds of the appeal.

6.4 **The First Tier Appeal**

No later than 28 days from receipt of any APPEAL FORM the Company Secretary shall:

- (i) refer the appeal to an Appeal Committee comprising:
 - (A) the Chief Executive of LCH.Clearnet Limited or the Deputy Chief Executive; and
 - (B) two directors of the Clearing House with relevant market experience, nominated by the Chairman of the Clearing House; and
- (ii) notify the appellant in writing of the identity of the persons constituting the Appeal Committee; and
- (iii) provide to the appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.

Following notification to the appellant in accordance with 6.4.1 above, the appellant shall then have a period of 14 days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee. All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have a copy each.

The Appeal Committee shall decide upon its own procedure for considering and determining the appeal which will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate.

The Appeal Committee may request further or other documentation and information from the appellant.

No later than 21 days from the date upon which the appellant is notified of the composition of the Appeal Committee, or 21 days from the receipt by the Appeal Committee of any further or other documentation or pursuant to 6.4.4 above, whichever is the later, the Appeal Committee shall consider and determine the appeal before it.

An Appeal Committee constituted pursuant to this paragraph 6.4 shall promptly, and in any event, no later than 7 days after coming to its determination, give notice of its determination to an appellant in writing together with its reasons.

6.5 **The Second Tier Appeal**

If an appellant, having received notice of a determination of an appeal pursuant to paragraph 6.4.6 above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.

A second tier appeal may be commenced under this paragraph 6.5 by the submission of a NOTICE OF FURTHER APPEAL in the form set out in Appendix 6B hereto to the Company Secretary at its registered office, setting out the reasons for the appeal. Such NOTICE OF FURTHER APPEAL must be received by the Company Secretary no later than 14 days from the date upon which the notice of determination of the Appeal Committee was given to the appellant.

An appeal under this paragraph 6.5 shall be heard by an Appeal Tribunal within 3 months of the Notice of Appeal being received by the Company Secretary, or such longer time as the Chairman of the Appeal Tribunal shall determine in order to provide a full and fair determination of the appeal.

An Appeal Tribunal constituted under this paragraph 6.5 shall consist of 2 persons ("Tribunal Members"), with relevant knowledge and experience in the industry of matters in issue in the appeal, and a legally qualified Chairman. The appellant and the Clearing House may each select a Tribunal Member from a list of no less than 4 persons appropriately qualified persons nominated by The Centre for Dispute Resolution (CEDR), London, and the Chairman shall be nominated by CEDR. In the event that either the Clearing House or an appellant fails to nominate such a Tribunal Member before a date 2 weeks prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the appellant's first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that appellant's second tier appeal.

The Chairman of an Appeal Tribunal shall fix a date for the hearing of the appeal and shall give no less than 28 days notice in writing to the appellant and the Company Secretary of the time and place in London where such appeal shall be heard.

The appellant shall provide the Appeal Tribunal, with a copy to the Company Secretary, no less than 14 days before the date fixed for the hearing of the appeal, with written submissions setting out such representations as it wishes to put forward in support of its appeal, together with copies of all documentation and other material upon which it wishes to rely.

The Clearing House will submit written submissions, documentation and information with regard to the matters and issues relevant to the decision which is the subject of the appeal and provide a copy thereof to the appellant.

An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or written opinion with regard to any matter which forms the subject matter of an appeal.

An Appeal Tribunal shall determine its own procedure for the hearing of an appeal and shall not be bound by the rules of evidence. It may adjourn a hearing to another date or dates if it so wishes. If prior to or at such hearing an appellant notifies the Appeal Tribunal that it wishes to make oral submissions an opportunity shall be given to the appellant to do so. A representative of the appellant (and the appellant himself, if the appellant is an individual) and a representative of the Clearing House may attend the hearing and the Appeal Tribunal may in its discretion invite further or other persons to attend the hearing.

At the hearing an appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel PROVIDED that if in any particular case an Appeal Tribunal is satisfied that there is good and sufficient

reasons for doing so, it may refuse to permit a particular individual to represent an appellant at the hearing.

Neither the Clearing House nor an appellant shall have the right to call any witness or cross examine any person who shall have provided any information to an Appeal Tribunal, PROVIDED that an Appeal Tribunal may permit any such cross examination on such terms as it may determine, if it decides that it is appropriate in the particular circumstances of that appeal so to do.

An Appeal Tribunal may have regard to such further or other documents and information and matters as it considers fair and reasonable in the circumstances.

Where in this paragraph 6.5 any time is giving for the doing of anything, the Chairman of the Tribunal shall have a discretion to extend such time if he determines that it is fair and reasonable in the circumstances so to do.

In considering an appeal, an Appeal Tribunal shall act fairly and impartially and shall take into consideration, inter alia, the following:

- (i) the FCM Regulations, other specific Regulations, Default Rules and Procedures of the Clearing House; and
- (ii) the Notice of Further Appeal; and
- (iii) all documentation and information placed before it by an appellant or by the Clearing House; and
- (iv) the role and concomitant obligations of the Clearing House ("LCH.Clearnet Limited") as a recognised clearing house under the Financial Services and Markets Act 2000.

An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.

An appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the appellant.

An Appeal Tribunal shall determine an appeal by majority vote although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:

- (a) dismiss the appeal; or
- (v) uphold the appeal.

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

In the event that an Appeal Tribunal determines to uphold the appeal then the Clearing House shall within 28 days of the receipt of the written decision, re-view and re-consider the decision upon which the appeal was based in the light of the

conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.

6.6 **Requests For Review**

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

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

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

6.7 **Market Disorders etc and Default**

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

APPENDIX 6A**APPEAL FORM**

The Clearing House Appeal Procedures

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

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

.....
Signed for and on behalf of the appellant

.....
(print name)

Notes:

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

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

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

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

APPENDIX 6B

NOTICE OF FURTHER APPEAL

The Clearing House Appeal Procedures

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

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

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

.....
Signed for and on behalf of the appellant

.....
(print name)

Notes:

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

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

COMPLAINTS

7. COMPLAINTS

7.1 Introduction

These FCM Procedures describe how a person (“the Complainant”) who:

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

7.2 How To Make A Complaint

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

- (i) must be made in writing, dated and addressed to the Company Secretary LCH.Clearent Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;
 - (ii) should set out, as far as possible, details of the conduct, behaviour or other actions complained of, date/s and place/s it occurred, names of person involved, outcome sought, and any other relevant details;
 - (iii) must be made no later than 3 months after the conduct, behaviour or other actions complained of, or, if the conduct, behaviour or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;
 - (iv) must contain the full name and address of the complainant and, wherever possible details of a contact telephone number and email address.
- (b) In submitting a complaint in accordance with these FCM Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.
- (c) Upon receipt of a written complaint pursuant to these FCM Procedures, the Company Secretary shall acknowledge in writing to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in accordance with the procedure set out in this section, the Clearing House shall conduct an internal investigation and review of such complaint in accordance with the procedures set out in section 7.3 below.

7.3 **Internal Investigation And Review By The Clearing House**

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

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

- (i) the Deputy Chief Executive of LCH.Clearnet Limited;
- (ii) the Managing Director, Operations;
- (iii) the Managing Director, Finance;
- (iv) the Managing Director, Business Development;
- (v) any person holding the position of Director at the Clearing House.

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

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

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

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

7.4 **Referral To An Independent Investigator**

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

A request for referral to an Independent Investigator shall be made in writing to the Company Secretary and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with section 7.2.

Within 14 days of receipt of a written request, in accordance with section 7.4.2 above, the Company Secretary shall refer the complaint to an Independent Investigator.

An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:

- (i) independent of LCH.Clearnet Limited (for these purposes “independent” shall mean that such person is not and has not been an officer, director or employee of LCH.Clearnet Limited); and
- (ii) with appropriate knowledge of how clearing is carried out by the Clearing House and of the Regulations (including the Procedures), and other relevant documentation, regulation and applicable law;
- (iii) with appropriate experience of the market activities in respect of which the complaint is focused.

The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.

In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week day period referred to in 7.4.3 above, then the Company Secretary shall notify the complainant in writing of the reasons for the delay.

7.5 **Procedure For Dealing With The Complaint**

Upon appointment, an Independent Investigator nominated in accordance with these FCM Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.

The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and, and may do, inter alia, any one or more of the following:

- (i) interview the Complainant;
- (ii) interview a representative of the Clearing House;
- (iii) seek further or other information from the Clearing House and/or the Complainant;

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

7.6 **Outcomes**

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

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

In his written report the Independent Investigator may:

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

DISCIPLINARY PROCEEDINGS

8. DISCIPLINARY PROCEEDINGS

8.1 SCOPE OF THIS PROCEDURE

All FCM Clearing Members are subject to Disciplinary Proceedings pursuant to Section 8 of these FCM Procedures (the “**Disciplinary Procedures**”).

Any alleged breach by an FCM Clearing Member of an obligation set out in the FCM Rulebook (the “**Alleged Breach**”) may be dealt with in accordance with the provisions of these Disciplinary Procedures.

These Disciplinary Procedures are without prejudice to:

- (i) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the FCM Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Rules;
- (ii) the Clearing House’s right to take no action where it considers that taking action would be disproportionate or otherwise, in its discretion;
- (iii) any provision of Applicable Law concerning enforcement by the Regulatory Body.

8.2 INVESTIGATION PROCEDURE

Subject to the provisions of Paragraph 8.3, the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this Paragraph 8.2.

- (i) Opening of the Investigation Procedure

When the Clearing House commences proceedings to investigate an Alleged Breach:

- (A) the Clearing House shall send a written notice to the FCM Clearing Member, setting out details of the Alleged Breach, including a summary of the facts relied on in sufficient detail for a reasonable person in the FCM Clearing Member’s position to properly understand and respond to the allegations made against it;
- (B) the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet group organisation that shall lead the investigation procedure on behalf of the Clearing House and shall inform the FCM Clearing Member who this representative will be in the written notice which is sent in accordance with sub-paragraph (i) above;
- (C) Following receipt of the written notice sent in accordance with sub-paragraph (i) above, the FCM Clearing Member shall be permitted to (x) raise objections in writing to the

Alleged Breach of which it has been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds of conflicts of interest, within 48 hours. Where an objection is raised, either the Chief Executive Officer of the Clearing House or the Chief Compliance Officer shall discuss the perceived conflict of interest with the FCM Clearing Member within 24 hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of subparagraph (ii) above;

- (D) the FCM Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of Applicable Law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition). The FCM Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, provided that the Clearing House shall not be required to reveal any information which it deems to be confidential;
- (E) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the FCM Clearing Member's offices at any time during normal business hours, having provided reasonable notice (being proportionate to the seriousness of the Alleged Breach) to the FCM Clearing Member as part of the investigation procedure. The FCM Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The FCM Clearing Member shall make available all information, records, and documents kept by the FCM Clearing Member, that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and
- (F) the FCM Clearing Member shall exercise best endeavours to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or those of the FCM Clearing Member) in order to answer questions or provide explanations that may be relevant for the examination of the Alleged Breach.

(ii) Report

Following the conclusion of the investigation procedure, the Clearing House shall: (i) notify the FCM Clearing Member; and (ii) produce a written report

(the “Report”) in relation to the Alleged Breach and provide it to the FCM Clearing Member, within no more than 14 days as from the notification by the Clearing House of the conclusion of the investigation procedure.

The Report shall contain the findings of the investigation, reference the provision of the FCM Rulebook allegedly breached by the relevant FCM Clearing Member and indicate the Clearing House’s intended course of action in relation to the Alleged Breach, being either:

- (A) to proceed with Disciplinary Proceedings, in accordance with these Disciplinary Procedures, if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed;
- (B) to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the FCM Rulebook if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed but the sanctions set out in Paragraph 8.4 of these Disciplinary Procedures are, in the Clearing House’s reasonable opinion, inadequate; or
- (C) to take no further action.

(iii) Disciplinary Committee Formation

Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with Paragraph 8.2(b)(i) above, it will convene a “**Disciplinary Committee**” consisting of:

- (A) The Chairman of the Risk Committee of the Clearing House, or his representative;
- (B) The Chief Compliance Officer, or his representative;
- (C) The Chief Risk Officer, or his representative, and
- (D) Two members of the Executive Committee of LCH.Clearnet Group Limited.

Details of the precise composition of the Disciplinary Committee shall be provided to the FCM Clearing Member as part of the Report, as appropriate.

(iv) FCM Clearing Member Response

The FCM Clearing Member shall respond to the Disciplinary Committee, within 14 days of receiving a Report which indicates that the Clearing House intends to proceed with Disciplinary Proceedings, providing a statement of defence responding to the allegations.

If no response has been received by the Disciplinary Committee within 14 days or such extended period as has been agreed between the FCM Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure

(as set out in Paragraph 8.2(v) below) and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in Paragraphs 8.2(g) and 8.2(h) below.

(v) Exploratory Meetings

Once the FCM Clearing Member has responded to the Report, either the FCM Clearing Member or the Disciplinary Committee can, within 7 days, request a meeting with the other party to ask further questions and discuss the Alleged Breach (the "Meeting").

Unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, the Meeting will be held at the Clearing House's offices in London, provided that, if appropriate, the Meeting may take place at the Clearing House's offices in New York, within 14 days from the request for a Meeting.

The Disciplinary Committee and the relevant FCM Clearing Member are each entitled to bring to the Meeting any person relevant to the Disciplinary Proceedings which includes but is not limited to the following:

- (A) relevant experts;
- (B) legal advisors; and
- (C) accounting advisors.

the Clearing House and/or the FCM Clearing Member shall only be entitled to object to the attendance by any of the above if there is a substantiated conflict of interest.

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting, on the basis of the Report, the FCM Clearing Member's response to the Report, and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the FCM Clearing Member, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of Applicable Law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the FCM Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the FCM Clearing Member shall bring more than six representatives, unless otherwise agreed.

(vi) Determination

Having considered the Report, the FCM Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with Paragraph 8.2(e) above and conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this Paragraph 8.2(f), by a majority of the attendees, provided that no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of Applicable Law or court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

- (A) a relevant Regulatory Body;
- (B) a Governmental Authority; or
- (C) the courts of England and Wales, the State of New York or the United States, in connection with a Dispute.

(vii) Recommendation

Within 7 days of the later of:

- (A) the FCM Clearing Member's response to the Report; and
- (B) the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with Paragraph 8.2(f) above, to the Clearing House (the "**Recommendation**").

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the FCM Clearing Member pursuant to Paragraph 8.4 of these Disciplinary Procedures.

This Paragraph 8.2(g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rules if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in Paragraph 8.4 of these

Disciplinary Procedures are, in the Disciplinary Committee's reasonable opinion, inadequate.

(viii) Decision Notice

Following receipt of a Recommendation, pursuant to Paragraph 8.2(g) above, the Clearing House must decide whether or not to sanction the FCM Clearing Member in accordance with Paragraph 8.4 of these Disciplinary Procedures or otherwise in accordance with the provisions of the Rules.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

A decision by the Clearing House in accordance with this Paragraph 8.2(h) will be made by the Chief Executive Officer of the Clearing House or another suitably senior executive of the Clearing House.

Within 14 days of receiving a Recommendation, the Clearing House must notify the FCM Clearing Member of its decision by registered mail to the address notified to the Clearing House in its admission application (the "**Decision Notice**").

A Decision Notice shall include details of the grounds on which the Clearing House has come to its decision and the sanction(s), if any, to be imposed against the FCM Clearing Member by the Clearing House pursuant to Paragraph 8.4 below or otherwise in accordance with the provisions of the Rules.

(ix) Action

Notwithstanding any decision by the Clearing House to convene a Disciplinary Committee and proceed with Disciplinary Proceedings in accordance with Paragraphs 8.2(c) to 8.2(i) above, the Clearing House may at any time choose to:

- (A) discontinue the Disciplinary Proceedings;
- (B) determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant FCM Clearing Member pursuant to Paragraph 8.4 below or otherwise in accordance with the provisions of the Rules;
- (C) take alternative action in accordance with the provisions of the Rules (including, without limitation, suspension or termination of the FCM Clearing Member's membership of the Clearing House pursuant to the FCM Rulebook and/or the issuance of a Default Notice in respect of such FCM Clearing Member in respect of the FCM Clearing Member pursuant to the Default Rules), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or
- (D) amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add,

delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this Paragraph 8.2 will apply (and, unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, any timing specified in this Paragraph 8.2 will restart) in respect of the amended Report.

8.3 **IMMEDIATE MEASURE**

Where the Alleged Breach comprises a breach of:

- (i) any of an FCM Clearing Member's obligations set out in the FCM Rulebook when such breach constitutes a threat to the integrity or safety of the Clearing House or increases the risk exposure of the Clearing House or other FCM Clearing Members;
- (ii) an FCM Clearing Member's obligation to satisfy the relevant membership criteria pursuant to Section 1 of the FCM Procedures;
- (iii) an FCM Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section 1 of the FCM Procedures;
- (iv) an FCM Clearing Member's obligations to submit its clearing activity to audits and inspections pursuant to Section 1 of the FCM Procedures;
- (v) an FCM Clearing Member's obligations to satisfy its record keeping requirements pursuant to Section 1 of the FCM Procedures;
- (vi) an FCM Clearing Member's obligation to furnish the Clearing House with Margin by the required time in accordance with FCM Regulation 10 and Section 3 of the FCM Procedures,

the Chief Executive Officer of the Clearing House or the Chief Compliance Officer shall be entitled at their sole discretion to, (a) issue a letter to the relevant FCM Clearing Member, reminding such member of their obligations under the FCM Rulebook or (b) impose a fine on the FCM Clearing Member in accordance with Paragraph 8.4, without being required to follow the procedure set out in Paragraph 8.2 above. In such circumstances the Clearing House must notify the FCM Clearing Member of its decision and the sanction that is to be imposed by way of a Decision Notice.

8.4 **SANCTIONS**

The Clearing House shall be entitled, in its absolute discretion, to impose the following sanctions against an FCM Clearing Member, pursuant to these Disciplinary Procedures, provided that any such sanction is proportionate and commensurate with the seriousness of the Alleged Breach:

- (i) to impose a fine or require the FCM Clearing Member to make any other form of payment in an amount which it considers appropriate;

- (ii) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the Website;
- (iii) suspension for a fixed period, as determined by LCH.Clearnet Limited in its sole discretion from anyone or all of the clearing services offered by the Clearing House;
- (iv) issuance of a private warning or reprimand;
- (v) termination of the FCM Clearing Membership Agreement; and/or
- (vi) any combination of the above.

8.5 **DISPUTING A DECISION**

Where an FCM Clearing Member wishes to dispute the Clearing House's decision to impose sanctions listed in Paragraph 8.3 or 8.4, an FCM Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer may, at their discretion, direct) of receiving the Decision Notice in accordance with Paragraph 8.2(h) or 8.3, file an Appeal in accordance with Section 6 of the FCM Procedures. In the event that the FCM Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the FCM Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

8.6 **REPORTING AND PUBLICATION**

The Clearing House shall:

- (i) report on its monitoring procedures in respect of the FCM Rulebook, compliance and breaches of the FCM Rulebook to its Regulatory Body pursuant to Applicable Law and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;
- (ii) immediately notify the Regulatory Body of a decision to suspend or terminate an FCM Clearing Member's membership rights or declare an FCM Clearing Member to be subject to an Event of Default (in each case in accordance with the FCM Rulebook); and
- (iii) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, provided however that only the details of those FCM Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed.

8.7 **INFRINGEMENT OF APPLICABLE LAW**

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of Applicable Law, it shall report the matter to the relevant Regulatory Body as soon as possible.