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2E. LCH ENCLEAR OTC SERVICES**2E.1 GENERAL MATTERS****2E.1.1 Introduction**

These Procedures form part of the Rulebook (the General Regulations, Default Rules, Settlement Finality Regulations and Procedures of the Clearing House) and must be read in conjunction with the other parts of the Rulebook. Clearing Members must inform themselves fully of their obligations under the Rulebook and other relevant documentation, such as the Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the Rulebook (including these Procedures) is subject to change from time to time.

LCH EnClear OTC Services are provided to Clearing Members authorised by the Clearing House to participate in it (“LCH EnClear OTC Clearing Members” or “GCMs”) in respect of “Eligible OTC Trades” executed by GCMs. Such transactions must comply with the Clearing House’s requirements (see the LCH EnClear OTC Regulations).

These Procedures apply to all LCH EnClear OTC Contracts on ECS or Synapse (as set out hereafter) and consist of:

- A general section (2E.1) applicable across the three divisions of the LCH EnClear OTC Services;
- Sections specific to the Freight Division (2E.2), the Energy Division (2E.3) and the Precious Metals Division (2E.4);
- A section describing option exercise and expiry (2E.5); and
- Sections specific to Emissions Deliveries (2E.6) and Precious Metals Deliveries (2E.7).

In the event of any conflict between any provision of these Procedures and any requirement, rule or provision of any other documentation, these Procedures shall prevail.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

2E.1.2 Definitions

The following terms shall have the meanings below for the purposes of these Procedures:

GCM	An LCH EnClear OTC Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in LCH EnClear OTC Services
ECS	The Extensible Clearing System, made available by the Clearing House for position management in the Freight and Energy Divisions of the LCH EnClear OTC Service

Synapse	The Clearing System, made available by the Clearing House for the purpose of registering trades in the LCH OTC Precious Metals Division
ClearWay	A user interface made available by the Clearing House for the purpose of entering and confirming Eligible OTC Trades for the EnClear market and for submission of Eligible OTC trades into ECS for clearing
Approved Broker	A broker that has entered into an LCH EnClear OTC Services Approved Broker Agreement
OTP	OTC EnClear Trading Platform

2E.1.3 **Agreements**

2E.1.3.1 **Clearing Approval**

Only Clearing Members may clear LCH EnClear OTC Contracts.

Details of how to obtain Clearing Member status at the Clearing House or how to become approved by the Clearing House as a GCM of the Freight, Energy and/or Precious Metals Divisions can be obtained from the Clearing House Membership department on +44 (0)20 7426 7627/7521/7968.

Clearing Members seeking approval from the Clearing House to clear Eligible OTC Trades in any one of the Freight, Energy or Precious Metals Divisions must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the Membership department.

Where a Clearing Member already has approval to clear LCH EnClear OTC Contracts in one Division of the LCH EnClear OTC Services and wishes to submit trades for registration in another Division, that Clearing Member must seek further approval from the Clearing House in respect of that other Division.

2E.1.4 **Customers**

Parties ("Customers") who are not GCMs may not directly clear trades through the LCH EnClear OTC Service. However, any such Customer may enter into an agreement with a GCM who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an Eligible OTC Trade – that is, it meets all the relevant criteria published by the Clearing House from time to time – may be submitted for registration to the Clearing House by the GCM in accordance with the Regulations and these Procedures. For the Freight and Energy Divisions, a clearing arrangement is entered into if particulars relating to that trade are "accepted" by two relevant GCMs who each agree to become counterparty to the appropriate LCH EnClear OTC Contract with the Clearing House, in accordance with the Regulations and these Procedures.

However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any LCH EnClear OTC Contract.

2E.1.5 Approved Brokers

Only brokers who are expressly authorised by the Clearing House ("Approved Broker") may access ClearWay and submit Eligible OTC Trades for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:

- Freight (FFAs, Options and Containers)
- Iron Ore (Swaps and Options)
- Steel
- Coal (Swaps and Options)
- Fertilizer
- Emissions (physical Swaps and Options)

The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight and Energy Agreements to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.

Details of how to obtain Approved Broker status at the Clearing House of the Freight and/or Energy Division can be obtained from the Clearing House Membership department on +44 (0)20 7426 7627//7521/7968.

Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.

PLEASE NOTE: If the two relevant GCMs accept an Eligible OTC Trade which has been brokered, within the timeframe laid down by these Procedures, it will be registered by the Clearing House in the names of those GCMs, whether or not those GCMs have appointed or authorised that broker to submit such a trade.

In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that GCM, that GCM shall be bound by an LCH EnClear OTC Contract arising therefrom, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. A GCM shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.

The Clearing House shall not be liable for any errors or omissions on the part of an Approved Broker who inputs a trade via ClearWay and which is registered by the Clearing House.

Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the LCH EnClear OTC Services.

The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorised by the Clearing House to submit trades under the relevant product types. The authorisation of such brokers as Approved Brokers is purely to assist GCMs to submit trades to the Clearing House for registration in the names of those GCMs. No check is made regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorisation or at all.

2E.1.6

OTPs

OTPs may submit Eligible OTC Trades for registration via the ClearWay ticket entry system.

LCH.Clearnet has signed agreements with the following OTPs:

- **Baltic Exchange Derivatives Trading Limited (BEDT).** BEDT submit trades for clearing via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the GCMs (STP facility) and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the GCMs, will remain in ClearWay as pending transactions for GCMs to accept manually.
- **Cleartrade (CT).** CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the GCMs in the CT Credit Filter, meaning GCMs will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot Limit Credit Filter and be automatically accepted by the GCMs and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the GCMs, will remain in ClearWay as pending transactions for GCMs to accept manually.

PLEASE NOTE: If a GCM accepts an Eligible OTC Trade which has been matched on BEDT, within the timeframe laid down by these Procedures, it will be registered by the Clearing House in the name of that GCM, whether or it is a participant of BEDT.

In the event that a trade is submitted to the Clearing House for registration by an OTP and such trade is “accepted” for registration by that GCM, that GCM shall be bound by an LCH EnClear OTC Contract arising there-from, notwithstanding that any trade particulars submitted by that OTP in respect of such trade are erroneous or incorrect.

The Clearing House shall not be liable for any errors or omissions on the part of an OTP who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.

2E.1.7 **Contract Terms**

The LCH EnClear OTC Contract Terms for contracts cleared in the Energy Division are set out in Section 3.3 of Part A of the Schedule to the LCH EnClear OTC Regulations.

The LCH EnClear OTC Contract Terms for contracts cleared in the Freight Division are set out in Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations.

The LCH EnClear OTC Contract Terms for contracts cleared in the Precious Metals Division are set out in Section 3.5 of Part A of the Schedule to the LCH EnClear OTC Regulations.

The Eligibility Criteria for each LCH EnClear OTC Contract are set out in Part B of the Schedule to the LCH EnClear OTC Regulations.

2E.1.8 **Registration**

2E.1.8.1 **General**

Eligible OTC Trades in the Freight and Energy Divisions must be submitted to the Clearing House either via ClearWay or by an OTP for processing in the ECS System.

Eligible OTC Trades in the Precious Metals Division must be submitted to the Clearing House via LMESmart for processing in Synapse.

The Clearing House may require a GCM in whose name an LCH EnClear OTC Contract is to be registered to provide it with cover for initial and variation margin as a condition of registration.

2E.1.8.2 **EnClear Market User Systems**

2E.1.8.2.1 **ClearWay**

ClearWay is an application used by GCMs, Approved Brokers and OTPs to enter eligible OTC trades, which once confirmed by both GCM's, will be registered for clearing in ECS.

ClearWay contains a Lot Limit Credit Filter which enables GCMs to set limits for their position accounts. If a ticket is entered which falls within a GCM's set parameters, it's side of the trade will be automatically confirmed.

Transactions which breach the parameters set, or where no credit limit has been set by the GCMs, will remain in ClearWay as pending transactions, for GCMs to accept manually.

In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or GCM and such trade is accepted for registration by the GCM, the GCM shall be bound by the terms set in LCH EnClear OTC Contract.

2E.1.8.2.2 **ECS**

ECS is the clearing system which registers trades within the LCH EnClear OTC Services: Freight and Energy Divisions. The following functionality is available to GCMs:

- position keeping
- position adjustments
- position transfers (LCH.Clearnet will perform the transfers on the request of GCMs)
- manual exercise/abandonment of Coal Options

2E.1.8.2.3 **Synapse**

The Synapse system will be used to process Eligible OTC Precious Metals Trades submitted for clearing via LMESmart.

Clearing Members should refer to the “Synapse Member User Guide” for operating instructions, full details of enquiries and report facilities and the Synapse Licence Agreement and Terms of Use.

Details of registered LCH EnClear OTC Precious Metal Contracts will be disseminated to GCMs via Synapse GUI and the Clearing House Member Reporting site (private member-only site).

2E.1.8.3 **Clearing House System Requirements**

GCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system, ClearWay and/or Synapse in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

2E.1.9 **Submission and Acceptance of Eligible OTC Trades for Registration in the Freight and Energy Divisions**

For registration of Eligible OTC Trades, GCMs must comply with all the requirements of the Clearing House as set out in the Rulebook and other relevant documentation issued by the Clearing House in this regard.

An Eligible OTC Trade submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered by the Clearing House immediately upon receipt by ECS, after the acceptance by both GCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.

2E.1.10 **Submission and Acceptance of Eligible OTC Trades for Registration in the Precious Metals Division**

Matched trading data is presented for registration to the Clearing House in the name of the Clearing Member submitting them to the LMESmart Matching System (evidenced by the use of the system security password). Trades that exceed pre-set trade limits are held within Synapse, pending confirmation of acceptance for registration by the Clearing House.

Eligible OTC Precious Metal transactions which are not held in the pending queue will be registered upon acceptance in Synapse. Trades held in the pending queue will be registered upon release from the pending queue.

Eligible OTC trades can be submitted on any London business day.

2E.1.10.1 **Risk Pending Trades**

The traded price and lot size of all trades presented to the Clearing House for registration are validated against a price range and lots limit file.

For each value date the price range above and below the previous day's closing price is calculated each day by reference to a pre-determined price limit for each Precious Metal (refer to 2E4.5).

The price limit is normally set to be identical to the prevailing scanning range for each contract; however, during periods of high price volatility this may temporarily be increased to avoid the suspension of trades which are within the day's trading range. Lot and price limits may be changed, by member circular, from time-to-time.

Trades input, where either the price range or the lot size limit is exceeded, will be matched in the usual manner, but will be written to a separate 'matched trade file' for subsequent acceptance or rejection by the Clearing House.

The Clearing House may alter the price and lots limits to cater for volatile price conditions. This will allow trades transacted at 'current' market prices to be input, matched and presented to the Clearing House for registration without requiring acceptance.

2E.1.10.2 **Conditions for Acceptance of Risk Trades**

Registration of trades held in the Risk Pending Queue is conditional on the provision of margin cover. The Clearing House will first consider any surplus cover held, surplus credit variation margin, and any net credit variation margin in respect of new business, before requesting additional cover from a Clearing Member. Margin in this case is net debit variation margin in respect of the pending trades, calculated automatically by the system with reference to the previous day's closing price.

If the Clearing House decides that additional cover is necessary it will advise the Clearing Member as soon as possible. The Member so advised should contact the counterparty to the pending trade in order to notify them that there may be some delay prior to acceptance of the trade. At the same time, the currency and method of funds transfer, or type of collateral to be provided, will be agreed between the Clearing House and the Clearing Member. Only when the Clearing House has received collateral or confirmation from the transferring PPS bank that the funds have been transferred will it accept the pending trades.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Clearing Member to ensure that any trades likely to require acceptance are input and matched as early as possible in the day; and that either sufficient surplus cover is maintained with the Clearing House (to meet debit variation margin arising from pending trades) or arrangements are in place to meet additional calls for cover. Matched trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted the next business day, when the same process will apply.

2E.1.11 **Novation**

Once a trade has been registered in ECS, novation replaces each Eligible OTC Trade submitted through the LCH EnClear OTC Services with two separate LCH EnClear OTC Contracts: one between the selling GCM and the Clearing House and the other between the buying GCM and the Clearing House.

2E.1.12 **Rejection**

If the Clearing House does not register a trade presented for registration it will notify the relevant GCMs concerned within a reasonable time, indicating the reasons for rejection.

2E.1.13 **Notification**

For the Freight and Energy Divisions, all LCH EnClear OTC Contracts arising from registered Eligible OTC Trades are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

For the Precious Metals Division, all LCH EnClear OTC Contracts arising from registered Eligible OTC Trades are listed on the Clearing Member Registration Statement available on Synapse.

2E.1.14 **Position Keeping Accounts**

2E.1.14.1 **Types of Accounts for the Freight and Energy Divisions**

Positions with regard to LCH.Clearent Freight and Energy Contracts are recorded within the ECS system in position-keeping accounts. For the avoidance of doubt, these position-keeping accounts in ECS are not "Member accounts" as described in Regulation 5 of the General Regulations.

GCMs may open and utilise position accounts at their discretion. For example, a GCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.

There is no restriction on the number of individual position accounts a GCM may open. The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the GCM.

2E.1.14.2 **Types of Accounts for the Precious Metals Divisions**

Positions with regard to LCH Precious Metals OTC Contracts are recorded within the GCM's House account within Synapse.

2E.1.14.3 Basis of Position Keeping for the Freight and Energy Divisions

Position Accounts can be held net or gross, as required by the GCM. GCMs must notify the Clearing House of their requirements in this regard.

2E.1.14.4 Basis of Position Keeping for the Precious Metals Divisions

Positions within a GCM's House account are held net.

2E.1.14.5 Position Settlement (Gross Accounts) for Freight and Energy Divisions

Where a position account is held gross, the GCM may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

2E.1.14.6 Financial Accounts

Position accounts have financial accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realised margin.

Where appropriate, GCMs' financial accounts are identified by a single character code: "C" for segregated client business; "H" for house and non-segregated business.

Position accounts will map to either a GCM's "C" account or "H" account, as specified by that Member.

For the Precious Metals Division GCMs' House accounts will map to "H" financial account.

2E.1.14.7 Default Fund (DF) Account

Each Clearing Member's Default Fund Contribution is held in a separate financial account. In accordance with the Default Fund Rules this account attracts a higher rate of interest at 3 month LIBOR + 1%. The Default Fund account code is "F".

2E.1.15 Margins**2E.1.15.1 Initial Margins**

Separate initial margin calculations are performed for a GCM's house "H" and client "C" accounts; no offset between these accounts is allowed. Accounts are margined net, meaning that if long and short positions are held in the same delivery month, initial margin is charged on the net position.

2E.1.15.2 Initial Margins Parameters

Initial margin parameters are set by the Clearing House. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual GCM's house and/or client accounts.

GCMs will be notified by the Clearing House of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

2E.1.15.3 **Calculation of Initial Margins**

London SPAN

Initial margins are re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange¹.

For full details of how London SPAN calculates margins, reference should be made to the SPAN technical information package available from the Clearing House Service Desk +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House Risk Management department on +44 (0)20 7426 7620.

2E.1.15.4 **Realised Variation Margin**

The majority of LCH EnClear OTC Contracts are settled to market daily by the Clearing House in accordance with the relevant LCH EnClear OTC Contract Terms. Profits or losses are either credited to or debited from GCMs' relevant financial accounts (realised margin).

Realised margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded i.e. the Fixed Price for new trades and the previous day's Reference Price for other positions.

2E.1.15.5 **Contingent Variation Margin**

Certain types of LCH EnClear OTC Contracts (World Scale Wet Freight, are marked to market daily by the Clearing House in accordance with the relevant LCH EnClear OTC Contract Terms. Un-realised margin is the calculated contingent profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded i.e. the original traded price.

2E.1.15.6 **Option Variation Margin**

As premium is paid up front, option variation margin is the value of unexpired option, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.

2E.1.15.7 **Intra Day Margin Calls**

In accordance with the Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls)

¹ The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

where it considers it necessary. Intra-day margin calls will be made through the Protected Payments System in London or the USA (USD).

2E.1.16 **Trade Management for the Freight and Energy Divisions**

2E.1.16.1 **Trade Entry**

Eligible OTC Trades for the Freight and Energy Divisions may be submitted for clearing either directly by the GCM or by an Approved Broker via ClearWay, or through an OTP. A list of Approved Brokers is available from the Clearing House.

BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.

The following particulars of Eligible OTC Trades must be entered in ClearWay via its Ticket Entry screen:

- Product
- Series (Spot, Month, Quarter, Season or Calendar)
- Contract Type (Forward, Call or Put)
- Prompt (contract day, month, quarter, season or calendar)
- Strike (select from the dropdown list)
- Seller Ref (a sequential number)
- Buyer Ref (same as the Seller Ref)
- Seller Account (obtained from the customer or its GCM)
- Buyer Account (obtained from the customer or its GCM)
- Lots (per month (or day in the case of spot))
- Price

The following particulars of Eligible OTC Trades must be entered in ClearWay via an Upload file:

- Type (always TICKET)
- Sell Trader (always LCH1)
- Sell Account (obtained from the customer or its GCM)
- Sell Broker (their 3 letter mnemonic)
- Buy Trader (always LCH1)

- Buy Account (obtained from the customer or its GCM)
- Buy Broker (their 3 letter mnemonic)
- Contract (combination of the product, series, contract type, prompt and strike)
- Quantity (in lots)
- Price
- Buy Client Ref (a sequential number)
- Sell Client Ref (same as the Buy Client Ref)
- Anonymous Trade (always Y)

In certain circumstances the Clearing House may enter trades upon request from a GCM, Approved Broker, OTP or other party. In such circumstances, the Clearing House shall have no liability to the GCM, Approved Broker, OTP or any other party for any failure to input trades or for inputting trade details incorrectly.

2E.1.16.2 **Trades between persons who are not GCMs**

Where an Eligible OTC Trade is executed directly between two parties who are not GCMs, or between a GCM and another party, the trade may be submitted for clearing provided that each party to that trade has a GCM who is prepared to “accept” that trade for clearing. Such Eligible OTC Trades will then be submitted to the relevant GCMs via ClearWay for acceptance.

2E.1.16.3 **Acceptance of Trades**

Energy and Freight Trades must be accepted by GCMs in order to be cleared.

When details of an Eligible OTC Trade are input via ClearWay, such trade details will be sent to the GCMs identified in such particulars, who may then accept or reject their side of that trade.

GCMs can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those GCMs. Trades which do not pass the lot limit validation criteria set by a GCM will go to a pending state, and will not be cleared unless they are manually accepted on the same day by the GCM. If a GCM has a credit limit set up for an account and a trade is entered which is within that limit, that GCM will not have an opportunity to reject that trade.

Once a trade has been accepted by both GCMs in ClearWay, either manually or automatically via the credit filter, it is submitted to ECS for registration, where the trade is novated and a subsequent LCH OTC Contract arises between each GCM and LCH.Clearnet.

Cleartrade trades need to be confirmed in Cleartrade’s credit filter prior to being accepted by ECS for registration. GCMs can set credit limit parameters

for their clients in Cleartrade and should refer to Cleartrade's procedures for further details of this.

If a trade is neither accepted nor rejected by both GCMs by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that GCM or any other GCM and the trade will either remain open as a bi-lateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.

Acceptance by a GCM of any Eligible OTC Trade means that the GCM so accepting agrees to be bound by an LCH EnClear OTC Contract arising in respect of that OTC trade in accordance with the Regulations and these Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to GCMs, the trade may not be withdrawn, recalled or amended.

2E.1.16.4 **Contra Trades**

Where incorrect details of a trade have been accepted by both GCMs in accordance with the Regulations and these Procedures, the only available method to correct that trade will be by the entry of a contra trade.

A contra trade will not be required if the trade has a status of "pending" and has not been accepted by both counterparties, as the trade can be cancelled via ClearWay by the GCM or Approved Broker and input again with the correct details.

An accepted trade may need to be corrected by a contra trade for the following reasons:

- incorrect price;
- incorrect expiry month;
- incorrect product;
- incorrect lots (only where too many lots have been entered);
- incorrect buyer/seller.

GCMs will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of the GCMs to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by a GCM, it will be automatically accepted by that GCM. Where a trade does not meet the validation criteria, it will pend and need to be manually confirmed by that GCM.

Contra trades will attract the same clearing fees as a normal trade unless Commercial Services are notified of the trade details on +44 (0)20 7426 7027/6311.

2E.1.17 **Trade Management for the Precious Metals Division**

2E.1.17.1 Registration of Trades

Matched trades will be received from LMESmart in Synapse. They are then immediately registered by the Clearing House (unless the trades are pending LCH.Clearnet Business Operations or Risk approval).

2E.1.17.2 Contra Trades

Where a trade has been erroneously matched in LMESmart, the only available method to correct that trade will be by matched entries of a contra trade into LMESmart by the same Clearing Members.

A registered trade may need to be corrected by a contra trade for the following reasons:

- incorrect price;
- incorrect value date;
- incorrect lots (only where too many lots have been entered);
- incorrect buyer/seller.

2E.1.18 Position Transfers

GCMs wishing to affect a position transfer from one GCM to another GCM should submit a request to the Clearing House Membership Team by email to MembershipTeam@lchclearnet.com. Confirmation of a position transfer is required from both the transferor GCM and the transferee GCM.

GCMs are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS/Synapse.

Provided that adequate cover is available from both GCMs, the transfer will normally be authorised. Should insufficient cover be available, the transfer may not be authorised until additional cover is provided.

2E.1.19 Reports**ECS**

The ECS system will generate reports at the end of each business day detailing registered LCH EnClear OTC Contracts in the Freight and Energy Divisions, margin requirements and positions. These reports are available to GCMs and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each GCM and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

ClearWay

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by GCMs and Approved Brokers through the ClearWay GUI and downloaded as a report.

Synapse

Synapse will (as part of end-of-day processing) generate reports, which will be available via the Synapse GUI and the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each GCM to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

2E.1.20

Fees

Fees arising for the provision of LCH EnClear OTC Services will be collected from the GCMs monthly through the Members' accounts.

Details of tariffs and any changes thereto will be notified to GCMs by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for LCH EnClear OTC Contracts registered by the Clearing House is communicated to GCMs), please see Section 3.6 (Financial Transactions, Fees) of these Procedures. Members should also have regard for the individual sections of these LCH EnClear OTC Services Procedures which may contain further information regarding fees.

2E.1.21

Tax

GCMs should take their own legal and accounting advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any LCH EnClear OTC Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the GCM who is or was party to that LCH EnClear OTC Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through the Clearing House Protected Payments System.

To the extent that VAT or any equivalent tax is due or becomes due in respect of a transaction under any Eligible LCH EnClear OTC Contract, the consideration which the parties have agreed is due under the contract will be regarded as VAT exclusive and VAT will be charged in addition to this amount.

2E.2 FREIGHT DIVISION**2E.2.1 Introduction**

This Section 2E.2 only applies to the Freight Division of the LCH EnClear OTC Services.

References to “LCH EnClear OTC Clearing Members” or “GCMs” in this section, means those GCMs who are party to, or accept, Eligible OTC Trades in the Freight Division for clearing by the Clearing House. See Section 2E.1.3 for further details about obtaining approval to clear within the Freight Division.

2E.2.2 OTC Freight Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the LCH EnClear OTC Freight Division (“Eligible Products”) may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into three categories of products within Freight Division. The list may change from time to time.

2E.2.2.1 FFA (Forward Freight Agreement) Products

Dry Timecharter Basket Routes – Forwards (CTC, PTC, STC, HTC)

Dry Timecharter Basket Routes – Options (CTO, PTO, STO, HTO)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

Tanker Voyage Routes (TD3, TD5, TD7, T19, TC2, TC4, TC5, TC6)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)

Baltic Exchange Dry Index (BDI)

2E.2.2.2 CFSA (Container Freight Swap Agreement) Products

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

2E.2.2.3 WCI Container Products

WRS (Rotterdam – Shanghai)

WLS (Los Angeles – Shanghai)

2E.2.2.4 **Commodities**

Iron Ore Swaps (TSI)

Iron Ore Options (TSO)

Steel Swaps (SCN, SCS, SST, SBC, SCC)

Fertilizer Swaps (UNO, UYZ, DTA, DNO, UAN, UNE)

Coal Swaps (API 2 and API 4)²

Coal Options (API 2 and API 4)³

2E.2.3 **Operating Times**

2E.2.3.1 **Opening Days**

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Freight Division by Member Circular.

2E.2.3.2 **Opening Hours**

Eligible OTC Trades in the Freight Division may be notified during the following UK times:

Products	Trade Entry Times	Trade Confirmation Times
FFAs	07:00 – 18:00	07:00 – 18:30
Containers	07:00 – 18:00	07:00 – 18:30
Iron Ore	07:00 – 18:00	07:00 – 18:30
Steel	07:00 – 18:00	07:00 – 18:30
Fertilizer	07:00 – 18:00	07:00 – 18:30
Coal Swaps	07:00 – 18:00	07:00 – 18:30
Coal Options	07:00 – 17:00	07:00 – 17:30

² API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

³ See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.

Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an Eligible OTC Trade and will not be registrable that day. It may, however, be re-submitted on another day.

Note: GCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

2E.2.4 **Trade Acceptance: Cleartrade Credit Filter**

GCMs may elect to use Cleartrade Exchange Pte Ltd's credit filter. If a GCM does so elect, then, when a trade is submitted through the filter, submission of the trade through the filter constitutes a deemed "acceptance" of the trade on behalf of the GCM. If a GCM wishes to allow for trades to be submitted in its name, through the Cleartrade credit filter, it should contact the Membership Department of LCH.Clearnet for the requisite variation agreement, amending the Clearing Extension Agreement. GCMs shall be bound by the LCH EnClear OTC Contract which arises subsequently, upon registration of the trade in ECS.

Correspondingly, where a trade has been submitted to via the Cleartrade credit filter, a pre-matched contra trade in respect of that trade may only be submitted via the Cleartrade credit filter.

2E.2.5 **Settlement**

All LCH EnClear OTC Contracts arising from Eligible OTC Trades in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series (not permissible for World Scale wet contracts). No physical settlement is permissible.

2E.2.6 **Reference Prices for Daily Settlement and Marking to Market**

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each Business Day for daily settlement purposes and for the final settlement prices. See Part B of the Schedule to the LCH EnClear OTC Regulations for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the "Floating Price" for the purposes of the Contract Terms (see the Schedule to LCH EnClear OTC Regulations).

2E.3 ENERGY DIVISION**2E.3.1 Introduction**

This Section 2E.3 only applies to the Energy Division of the LCH EnClear OTC Services.

References to “LCH EnClear OTC Clearing Members” or “GCMs” in this section, means those GCMs, being OTC Participants, who are party to, or accept, Eligible OTC Trades in the Energy Division for clearing by the Clearing House. See Section 2E.1.3 for further details about obtaining approval to clear the Energy Division.

2E.3.2 OTC Energy Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the Energy Division of the LCH EnClear OTC Services (“Eligible Products”) may be submitted for registration. The contract terms of Eligible Products for the Energy Division are set out in Section 3.3 of Part A of the Schedule to the LCH EnClear OTC Regulations and may be amended from time to time.

Below is a list of Eligible Products in the Energy Division. This list may change from time to time.

2E.3.2.1 Emissions contracts

EUA Forward Contract (EUA)

CER Forward Contract (CER)

EUA Spot Contract (EUS)

CER Spot Contract (CES)

EUA Option Contract (EUO)

CER Option Contract (CEO)

2E.3.3 Operating Times**2E.3.3.1 Opening Days**

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Energy Division by Member Circular.

2E.3.3.2 Opening Hours

Eligible OTC Trades in the Energy Division may be notified during the following UK times:

Products	Trade Entry Times	Trade Confirmation Times
Emissions Contracts	07:00 – 18:00	07:00 – 18:30

Any OTC trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input via ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an Eligible OTC Trade and will not be registrable that day. It may, however, be re-submitted on another day.

Note: GCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

2E.3.4 **Settlement**

All LCH EnClear OTC Contracts arising from Eligible OTC Emission Trades are subject to physical delivery, unless closed out prior to commencement of the relevant delivery period.

GCMs should refer to Section 2E.6 of these Procedures (Emissions Delivery Procedures) for full details of the delivery process.

2E.3.5 **Reference Prices for Daily Settlement and Marking to Market**

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each Business Day for daily settlement purposes and for the final settlement prices. See Part B of the Schedule to the LCH EnClear Regulations for details of the reference prices for each eligible product in the Energy Division listed therein.

2E.4 PRECIOUS METALS DIVISION**2E.4.1 Introduction****2E.4.1.1 This Section 2E.4 only applies to the Precious Metals Division of the LCH EnClear OTC Services.**

References to “LCH EnClear OTC Clearing Members” or “GCMs” in this section, means those GCMs who are party to Eligible OTC Trades in the Precious Metals Division. See Section 2E.1.3 for further details about obtaining approval to clear the Precious Metals Division.

2E.4.2 OTC Precious Metals Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the LCH EnClear OTC Precious Metals Division (“Eligible Products”) may be submitted for registration. The contract terms of Eligible Products for the Precious Metals Division are set out in Section 3.5 of Part A of the Schedule to the LCH EnClear OTC Regulations as may be amended from time to time. Currently OTC Gold Bullion is the only such Eligible Product in the Precious Metals Division. It is referred to in this Section 2E.4 and Section 2E.7 as the Precious Metal Contract.

2E.4.3 Operating Times**2E.4.3.1 Opening Days**

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Precious Metals Division by Member Circular.

For gold forwards the value date is any Good business day in both London and New York from next Good Settlement Date to 120 months forward.

2E.4.3.2 Opening Hours

Eligible OTC Trades in the Precious Metals Division may be notified during the following UK times:

Products	Trade Acceptance Times
Gold	07:30 – 20:00 for forwards 07:30 – 15:00 for next valid value date

Any trade which has not been accepted within the time specified above on the day, on which particulars of that trade are input into Synapse, will be rejected by Synapse. It will cease to be an Eligible OTC Trade and will not be registered that day. GCMs may, however, elect to re-submit on another day.

Note: GCMs are asked to note that where trades are executed or originated outside Trade Acceptance times, no registration can take place until the relevant registration time on the following Business Day. Where a weekend and/or public holiday intervenes,

registration may be delayed for more than a day

2E.4.3.3 **Settlement by Delivery:**

- (a) The net Lots covered by Precious Metal Contracts remaining open on expiry of the contract shall be settled on their Value Date by payment.
- (b) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Precious Metal Contracts at the Settlement Price and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight.
- (c) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under (b) above shall be effected through PPS.
- (d) The net Lots covered by Precious Metal Contracts open on expiry of the contract shall be settled by delivery between Unallocated Precious Metal accounts as set out below at 2E.7. Once the settlement instructions have been matched with LCH.Clearnet, the settlement is irrevocable.

2E.4.4 **Reference Prices for Daily Settlement to Market of Precious Metal Contracts**

The Clearing House will use the LBMA Gold Forward Curve anchored onto the spot gold price for the purposes of producing reference prices each business day for daily settlement to market of contracts. In the event that the LBMA Gold Forward Curve is not available or is deemed to not be an accurate reflection of current market prices, the OTC Gold Forward Contract prices would be based on broker quotes for spot gold and a previous LBMA Gold Forward Curve adjusted to reflect changes in US interest rates or gold forward prices that LCH.Clearnet Risk Department deems to be an accurate reflection of current market prices.

The Clearing House will use the London Gold Fixing PM price for the final settlement price. In the event that the London Gold Fixing PM price is not available (for example Christmas eve) or deemed to not be an accurate reflection of the current market price either the London Gold Fixing AM price or broker quotes for spot gold or a price that LCH.Clearnet Risk Department deems to be an accurate reflection of the current market price will be used for the final settlement price.

The London Bullion Market Association is the owner of the LBMA Gold Forward Curve, and The London Gold Market Fixing Ltd is the owner of the London Gold Fixing price data.

2E.5 OPTION EXERCISE AND EXPIRY**2E.5.1 The OTC EnClear service provides option contracts that are exercised through the Clearing System.****2E.5.1.1 Freight and Iron Ore Options**

Freight and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

2E.5.1.2 Emissions Options

Emission options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

2E.5.1.3 Coal Options

Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.

Automatic Exercise

Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.

Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

Manual Exercise or Cancellation

On expiry day and before 17:30 hours, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or assignment, an open futures position will be created in the underlying contract at the strike price.

It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.

2E.5.1.4 **Exercise by the Clearing House**

When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.

Notice of Assignment/Allocation

The Clearing House will use reasonable endeavours to notify the relevant seller of its allocation as soon as is possible on the day the options expire.

Notification will be sent via the MBREXR report on the MemberLive reporting site. Members must have a valid account and password to access this secure site.

2E.6 EMISSIONS DELIVERY PROCEDURES**2E.6.1 General Information****2E.6.1.1 Delivery of Documentation to the Clearing House**

Clearing Members must submit the required delivery documentation by fax (+44 (0)20 7667 7359) or by hand to LCH.Clearnet Limited, Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom in both cases marked “**Urgent, for the attention of Business Operations**”.

2E.6.1.2 Authorised Signatories

Prior to making or taking any delivery, Clearing Members must submit a list of authorised signatories to the Clearing House (Appendices 2E.A). It is the Clearing Member’s responsibility to ensure that details of authorised signatories held at the Clearing House are updated as appropriate.

2E.6.1.3 “Buyers” and “Sellers”

Throughout these delivery procedures the term “Buyer” or “buyer” is used to refer to the buying Clearing Member and “Seller” or “seller” to the selling Clearing Member.

2E.6.1.4 Member Accounts

No offset is allowed for either physical delivery or financial settlement between Clearing Members’ house and client accounts.

2E.6.2 OTC Emissions Delivery for Forward Contracts**2E.6.2.1 Introduction**

This Section 2E.6.2 (plus Appendices 2E.A-E) applies to deliveries under Forward EUA and CER Emissions Contracts within the OTC Emissions Service of the LCH EnClear OTC Services (Energy Division). The following terms shall have the following meanings for the purposes of the same provisions.

Authorised Representative	A natural person authorised for the purposes of the Registry Regulation to make Transfer Requests
Buyer	A GCM who is the buyer under an LCH EnClear OTC Contract.
CER	A certified emissions reduction that conforms to the contract terms and eligibility criteria contained in the Schedule to the LCH EnClear OTC Regulations
GCM	An LCH EnClear OTC Clearing Member who has entered into a clearing extension agreement with the Clearing House for the purpose of participating in the OTC Emissions Service

EUA	An EU allowance that conforms to the contract terms and eligibility criteria contained in the Schedule to the LCH EnClear OTC Regulations
Forward Contract	An LCH EnClear OTC Contract, being a forward EUA or CER emissions contract
Holding Account	A person holding account for the purposes of the Registry Regulation.
Instruments	EUAs or CERs, as the case may be, to be delivered in accordance with the terms of an LCH EnClear OTC Contract.
Transfer Request	A request made in accordance with the Registry Regulation for the transfer of Instruments.
OTC Emissions Service	That part of the LCH EnClear OTC Services (Energy Division) which relates to OTC Emissions Products.
Registry	A registry as that term is defined in the Registry Regulation.
Registry Regulation	EU Commission Regulation (EC) No 2216/2004 for a standardised and secured system of Registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time
Seller	A GCM who is the seller under an LCH EnClear OTC Contract.
PPS	Protected Payment System to debit or credit payments from GCMs' accounts.

2E.6.2.2

2E.6.2.3 **Compliance Registry Regulation and other requirements**

Each GCM shall at all times comply with any applicable provisions of the Registry Regulation, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant Registry in performing its obligations under LCH EnClear OTC Contracts and otherwise when participating in the OTC Emissions Service. Each GCM shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

2E.6.2.4 **Delivery Specification**

2E.6.2.4.1 **Delivery**

Delivery under an LCH EnClear OTC Contract is effected by the transfer of Instruments in accordance with the terms of that LCH EnClear OTC Contract from the Holding Account of the Seller to the relevant Holding Account of the

Clearing House and from the relevant Holding Account of the Clearing House to the Holding Account of the Buyer.

2E.6.2.5 **Holding Accounts**

The Clearing House shall maintain Holding Accounts in the UK Registry for the purposes of making and taking delivery under LCH EnClear OTC Contracts, or such other Registry as it shall from time to time determine and notify to GCMs. The Clearing House shall maintain at least one Holding Account each for CERs and EUAs respectively. In respect of any LCH EnClear OTC Contract to which it is a party, each GCM shall maintain a Holding Account from which it is possible to make delivery under that LCH EnClear OTC Contract into the relevant Holding Account of the Clearing House or, as the case may be, into which it is possible to take delivery under that LCH EnClear OTC Contract from the relevant Holding Account of the Clearing House.

2E.6.2.6 **Nature of the Instruments to be delivered**

Instruments to be delivered shall meet the relevant eligibility criteria set out in the Schedule to the LCH EnClear OTC Regulations. Each GCM shall ensure that any Instruments it delivers in performing its obligations under an LCH EnClear OTC Contract within the OTC Emissions Service are free and clear of all and any encumbrances.

2E.6.2.7 **Days and Times**

Unless otherwise stated, references to “day” mean “business day”. All “timings” or “times of day” are London times.

2E.6.2.8 **Delivery timetable for Forward Contracts**

The following is the UK timetable governs the delivery of Instruments under Forward Contracts in the OTC Emissions Service. For the avoidance of doubt the timetable applies whether the Instruments to be delivered under the particular Forward Contract are EUAs or CERs.

DAY	TIME	ACTION	
Cessation of trading day (D - 1)	At 18:00	Trading ceases	Trading ceases
	By 18:30	Trade confirmation only	Trade confirmation only
	After 19:15	HIT report available	HIT report available
Delivery Day (D)		Invoice and Account Sales report available	Invoice and Account Sales report available
	By 09:00		Pays contract value to the Clearing House (via PPS) against the Instruments to be transferred to the Buyer by the Clearing House
	By 10:00	Submit appropriate <i>Seller's Delivery Confirmation Form</i>	Submit appropriate <i>Buyer's Delivery Confirmation Form</i>
	By 14:30	Sellers must ensure that the necessary Transfer Requests have been effected and that the necessary Instruments have been Transferred into the Holding Account of the Clearing House	
	After 14:30	Receives contract value (via PPS) against Instruments received by the Clearing House	On receipt from the Sellers of the Instruments into the Holding account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make Transfer Requests.
	At 14:30	Buying-in notice presented to Selling Clearing Member in	Invoice amounts returned in respect of the Late Delivery

		respect of Late Delivery of Instruments requiring them to transfer the necessary Instruments by 11:00 hours on the Delivery Day + 1. A failure to do so will be deemed a Failed Delivery and will prompt Buying-in.	of Instruments.
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2E.6.2.9 **Delivery Procedure**

Contracts will expire at 18:00 on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.

2E.6.2.9.1 **Cessation of Trading Day (D – 1)**

At 18:00 hours

Trading ceases.

By 18:30 hours

GCMs must ensure that all settlements and transfers are performed via ECS by 18:30 hours.

N.B: Upon contract expiry the delivery positions are calculated for each product with individual long and short positions in each Settlement Account being netted for delivery to or from either the house or the client account of the Clearing Member.

The delivery position will be the number of contracts that are deliverable into or out of the Holding Account of LCH.

End of day

At end of day, open contracts in the expiring contract month become open delivery contracts; GCMs are obliged to make or take delivery.

2E.6.2.9.2 **Delivery Day (D)**

By 09:00 hours

Buyers pay, via PPS, full contract value against the Instruments to be transferred to the Buyer from the Clearing House Holding Account.

By 10:00 hours

Sellers must submit the appropriate *Seller's Delivery Confirmation Form* to LCH.Clearent.

Buyers must submit the appropriate *Buyer's Delivery Confirmation Form* to LCH.Clearent.

By 14:30 hours

Sellers must ensure that the necessary Transfer Requests (as described in the appropriate *Seller's Delivery Confirmation Form*) have been made so as to allow the Instruments to be transferred from the Holding Account of the Seller to the Holding Account of the Clearing House.

After 14:30 hours

On receipt from Sellers of the Instruments into the Holding Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make the Transfer Requests (as contained in the *Buyer's Delivery Confirmation Form*) for the Instruments to be transferred from the Holding Account of the Clearing House to the Holding Account of the Buyer.

After 14:30 hours

Sellers are credited full contract value against the Instruments received by the Clearing House.

At 14:30 hours

Sellers that fail to deliver Instruments by this Time will be issued with a Buying-in Notice Warning, requesting the delivery of Instruments by 11:00 hours on the Delivery Day (D) + 1.

Instruments received from Sellers by the Clearing House after 14:30 will be deemed a Late Delivery and will not be passed to the Buyers until D + 1 by approximately 13:00. Sellers will not be paid for these instruments until approximately 13:00 on D + 1. Invoice amounts will be returned to Buyers in respect of the Late Delivery of the Instruments.

2E.6.2.9.3 **Delivery Day +1**

By 09:00 hours

In respect of Late Deliveries, Buyers pay, via PPS, full contract value against the Instruments to be transferred to the Buyer from the Clearing House Holding Account.

At 11:00 hours

Sellers must ensure that the necessary Transfer Requests (as described in the appropriate Seller's instructions) have been made in respect of a Late Delivery so as to allow the Instruments to be transferred from the Holding Account of the Seller to the Holding Account of the Clearing House. The

Clearing House must receive the Instruments into its Holding Account from the Seller.

Buying-in will be executed in respect of a failure by the Selling Clearing Member to make a Transfer Request that results in the receipt of the necessary Instruments into the Holding Account of the Clearing House.

By Approx 13:00 hours

On receipt from Sellers of the Instruments in respect of the Late Delivery into the Holding Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make the Transfer Requests (as contained in the Buyer's Delivery Confirmation Form) for the Instruments to be transferred from the Holding Account of the Clearing House to the Holding Account of the Buyers effected by the Late Delivery.

By Approx 13:00 hours

Sellers receive full contract value against the Instruments received by the Clearing House in respect of the Late Delivery.

2E.6.2.10 **Failed Delivery**

2E.6.2.10.1 **Delivery Day +1**

After 11:00 hours D+1

Where any Transfer Request in respect of an Instrument has not been made by the Seller prior to 11:00 on the Delivery Day + 1, such that the Clearing House is in receipt of these Instruments in its Holding Account, as required by these Procedures, the Clearing House shall declare this a Failed Delivery and will invoke Buying-in.

The Clearing House will continue to charge initial margin to both Buyer and Seller until delivery of the necessary Instruments is complete under the Buying-in Process, or the position has been closed through Cash Settlement where Buying-in has been unsuccessful.

2E.6.2.11 **Failure to perform Obligation under a Contract**

2E.6.2.11.1 **Buying-in process**

11:00 Delivery Day + 1

If the Seller fails to transfer the necessary Instruments to the Holding Account of the Clearing House by 11:00 on D+1 as stated on the relevant Buying-in Notice the Clearing House will instigate the Buying-in and use its reasonable endeavours to obtain the relevant Instruments by 11:00 on Delivery Day +2 (N.B. Delivery may take longer than this). Once the Clearing House has placed an order with its Buying-in agent, the Clearing House will not accept any Instruments from the failed Seller.

Timetable of Events (in UK Times)

Functions	Timescales
Buying-in proposed by the Clearing House by issuing the Warning Notice to the Seller	14:30 hours on Delivery Day
Buying-in instigated by the Clearing House	If failing selling member fails transfer allowances by 11:00 hours on the Delivery Day + 1
Close of Buying-in period	11:00 on the Delivery Day + 2
Cash Settlement Occur	By 09:00 on the Delivery Day + 3 if Buying-in fails

2E.6.2.11.2 Cash Settlement

If the Clearing House is unable or for any reason fails to execute the Buying-in of the full amount of relevant Instruments by 11:00 on D+2, the Clearing House will “Cash Settle” the relevant Forward Contract/s on D+3 by 09:00 hours at a price calculated at COB on D+2 at the discretion of the Clearing House. Both the Buyer and Seller will be informed of the price at which the remaining position will be Cash Settled.

2E.6.2.11.3 Late Delivery/Buying-in Charges

The Clearing House will charge an administration fee of €100 plus any applicable VAT for each instance of Late Delivery by the Member.

Where a Buying-in Notice is issued, the Seller concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in issuing such Notice and/or carrying out the buying-in pursuant to that Notice. Such costs and expenses will include any dealing and other charges incurred by the Clearing House to its buying-in agent. The Clearing House will also charge an administration fee of €200 plus any applicable VAT per Buying-In Notice issued to a Seller. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and VAT through the PPS and debit the appropriate PPS account of that Seller accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

2E.6.2.11.4 Liability

- (a) Without prejudice to the provisions of the Forward Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:
- (b) If, in respect of a Forward Contract where the Clearing House is party as the Buyer, there is a Failed Delivery as a result of any failure on the

part of the Seller to comply with the applicable obligations under such Contract, then the Seller shall indemnify the Clearing House in respect of any costs directly attributable to that Failed Delivery.

- (c) If, in respect of a Forward Contract where the Clearing House is party as the Seller, there is a Failed Delivery result of any failure on the part of the Buyer to comply with the applicable obligations under a Contract, then the Buyer shall indemnify the Clearing House in respect of any costs directly attributable to that Failed Delivery.
- (d) The Clearing House shall have absolute discretion in determining the costs arising pursuant to (a) or (b). For the purposes of calculating either such costs, the relevant consequences of the Failed Delivery shall be considered in isolation from other notifications not made under a Forward Contract in respect of the Buyer's or Seller's Holding Accounts.
- (e) Without prejudice to (a) above, the Seller shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to comply with its obligations under a Forward Contract.
- (f) Without prejudice to (b) above, the Buyer shall indemnify the Clearing House against all costs and expenses incurred the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Buyer's failure to comply with its obligations under a Forward Contract.
- (g) The Buyer and the Seller acknowledge that the right to be indemnified under this clause shall be their sole remedy in respect of any failure by any other party to comply with its obligations in respect of a Forward Contract.

2E.6.2.12 **Payments**

2E.6.2.12.1 **Cessation of trading day + 1**

After 10:30 hours

Invoices will be available as a report on Member Reporting website.

2E.6.2.12.2 **Cessation of trading day + 2**

After 10:30 hours

Account sales will be available as a report on Member Reporting website.

2E.6.2.13 **Invoices**

2E.6.2.13.1 **Invoice Calculation**

The Invoice and Account Sale Report gives details of all deliveries and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Contract EUAs / x official quotation on last trading day for the
CERs relevant delivery month (Final Settlement
Price or FSP)

2E.6.2.13.2 Confirmed Deliveries

The value of EUAs and CERs is calculated as follows:

EUAs / CERs x FSP

Where

EUAs / CERs = The number of instruments delivered

2E.6.2.14 Delivery Documentation Summary

2E.6.2.14.1 Seller's Delivery Confirmation Form

Sellers submit this form to the Clearing House. It shall include the following details:-

- (a) The number of lots that are to be specified in each Transfer Request;
- (b) Details of each Holding Account and Registry from which each Transfer Request will be made;
- (c) Name and contact details of the Authorised Representative in respect of each Holding Account specific to each Transfer Request;
- (d) Confirmation that the member will maintain the relevant Holding Accounts during the delivery period at each of the Registries listed in (ii) and is not for any reason prevented from processing Transfer Requests as required for the purposes of the relevant Forward Contract;
- (e) Such other details as are required by the Clearing House from time to time.

2E.6.2.14.1.2 Buyer's Delivery Confirmation Form

Buyers submit this form to the Clearing House. It shall include the following details:-

- (a) The number of lots that are to be specified in each Transfer Request;
- (b) Details of each Holding Account and Registry to which each transfer is to be made by the Clearing House;
- (c) Name and contact details of the Authorised Representative in respect of each Holding Account specific to each Transfer Request;
- (d) Confirmation that the Member will maintain the relevant Holding Account or Accounts during the delivery period at the Registry or Registries listed in (ii) and is not for any reason prevented from processing Transfer Requests as required for the purposes of the relevant Forward Contract;

- (e) Such other details as are required by the Clearing House from time to time.

Appended to these Procedures are forms for Buyers and Sellers for CERs and EUAs.

2E.6.3 **OTC Emissions Delivery for Spot Contracts**

2E.6.3.1 **Introduction**

This Section 2E.4.3 applies to deliveries under spot contracts within the OTC Emissions Service of the LCH EnClear OTC Services (Energy Division). The following terms shall have the following meanings for the purposes of the same provisions.

Authorised Representative	A natural person authorised for the purposes of the Registry Regulation to make Transfer Requests
Buyer	A GCM who is the buyer under an LCH EnClear OTC Contract.
CER	A certified emissions reduction that conforms to the contract terms and eligibility criteria contained in the Schedule to the LCH EnClear OTC Regulations
GCM	An LCH EnClear Clearing Member who has entered into a clearing extension agreement with the Clearing House for the purpose of participating in the OTC Emissions Service
EUA	An EU allowance that conforms to the contract terms and eligibility criteria contained in the Schedule to the LCH EnClear OTC Regulations
Holding Account	A person holding account for the purposes of the Registry Regulation.
Instruments	EUAs or CERs, as the case may be, to be delivered in accordance with the terms of an LCH EnClear OTC Contract.
Transfer Request	A request made in accordance with the Registry Regulation for the transfer of Instruments.
OTC Emissions Service	That part of the LCH EnClear OTC Services (Energy Division) which relates to OTC Emissions Products.
Registry	A registry as that term is defined in the Registry Regulation.
Registry Regulation	EU Commission Regulation (EC) No 2216/2004 for a standardised and secured system of Registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time
Seller	A GCM who is the seller under an LCH EnClear OTC Contract.
PPS	Protected Payment System to debit or credit payments from GCMs' accounts.

2E.6.3.2 **Compliance with Registry Regulation and other Requirements**

Each GCM shall at all times comply with any applicable provisions of the Registry Regulation, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant Registry in performing its obligations under LCH EnClear OTC Contracts and otherwise

when participating in the OTC Emissions Service. Each GCM shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

2E.6.3.3 **Delivery Specification**

2E.6.3.3.1 **Delivery**

Delivery under an LCH EnClear OTC Contract is effected by the transfer of Instruments in accordance with the terms of that LCH EnClear OTC Contract from the Holding Account of the Seller to the relevant Holding Account of the Clearing House and from the relevant Holding Account of the Clearing House to the Holding Account of the Buyer.

2E.6.3.3.2 **Holding Accounts**

The Clearing House shall maintain Holding Accounts in the UK Registry for the purposes of making and taking delivery under LCH EnClear OTC Contracts, or such other Registry as it shall from time to time determine and notify to GCMs. The Clearing House shall maintain at least one Holding Account each for CERs and EUAs respectively. In respect of any LCH EnClear OTC Contract to which it is a party, each GCM shall maintain a Holding Account from which it is possible to make delivery under that LCH EnClear OTC Contract into the relevant Holding Account of the Clearing House or, as the case may be, into which it is possible to take delivery under that LCH EnClear OTC Contract from the relevant Holding Account of the Clearing House. Each GCM shall identify that Holding Account on the Static Data Form. The Clearing house will only accept the allowances from that specified Holding Account.

The Clearing House will reject any delivery from an account other than the GCM's Holding Account as specified on the Static Data Form. The rejection will be an equivalent amount of instruments as the attempted delivery, but will not necessarily be the identical instruments (although they will be of the same type).

2E.6.3.3.3 **Nature of the Instruments to be delivered**

Instruments to be delivered shall meet the relevant eligibility criteria set out in the Schedule to the LCH EnClear OTC Regulations. Each GCM shall ensure that any Instruments it delivers in performing its obligations under an LCH EnClear OTC Contract within the OTC Emissions Service are free and clear of all and any encumbrances.

2E.6.3.3.4 **Days and Times**

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

2E.6.3.3.5 **Delivery Timetable for Spot Emissions Contracts**

The following is the UK timetable governs the delivery of Instruments under LCH EnClear OTC Contracts in the OTC Spot Emissions Service. For the avoidance of doubt the timetable applies whether the Instruments to be delivered under the particular LCH EnClear OTC Contract are EUAs or CERs.

DAY	TIME	ACTION	
		SELLERS	BUYERS
Cessation of trading day (CTD) D-1	At 18:00	Trading ceases	Trading ceases
Cessation of trading day (CTD) D-1	By 18:30	Trade confirmation only	Trade confirmation only
Cessation of trading day (D-1)	After 19:15	HIT report available Invoice and Account Sales report available	HIT report available Invoice and Account Sales report available
Delivery Day (D)	By 09:00		Pays contract value to the Clearing House via PPS for the Instruments to be transferred to the Buyer by the Clearing House
	At 11:00	Sellers must ensure that the necessary Transfer Requests have been effected and that the necessary Instruments have been transferred into the Holding Account of the Clearing House. Any Instruments received after this time will be deemed a Late Delivery.	
	By Approx 13:00	Receives contract value (via PPS) for Instruments received by the Clearing House	On receipt from the Sellers of the Instruments into the Holding account of the Clearing House, the Clearing House will randomly select the order in which it

<p>Delivery Day (D)</p>	<p>By 14:30</p>	<p>Buying-in notice presented to the Selling Clearing Member in respect of Late Delivery of Instruments requiring them to transfer the necessary Instruments by 11:00 hours on the Delivery Day +1. A failure to do so will be deemed a Failed Delivery and will prompt Buying-in.</p>	<p>will make Transfer Requests. Buyer receives Instruments into its Holding Account Invoice amounts returned in respect of the Late Delivery of Instruments.</p>
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2E.6.3.4 Delivery Procedures

Cessation of Trading Day

At 18:00 hours on each business day

Trading ceases.

By 18:30 hours

The window will remain open until 18:30 for the members to complete the confirmation of any outstanding trades in ClearWay.

End of day

At end of day, open contracts on each expiry day will become open delivery positions; GCMs are obliged to make or take delivery.

2E.6.3.4.1 Delivery Day D

By 09:00 hours

Buyers pay full contract value against the Instruments to be transferred to the Buyer from the Clearing House Holding Account via PPS payment method.

At 11:00 hours

Sellers must have ensured that the necessary Transfer Requests (as described in the appropriate Seller's instructions) have been made so as to allow the Instruments to be transferred from the Holding account of the Seller

to the Holding account of the Clearing House. The Clearing House must receive the Instruments into its Holding Account from the Seller.

Instruments received from Sellers by the Clearing House after this time will be deemed a Late Delivery and will incur an administration charge in accordance with these Procedures.

By Approx 13:00 hours

On receipt from Sellers of the Instruments into the Holding Account of the Clearing House, the Clearing House will randomly select the order in which it will make the Transfer Requests (as contained in the Buyer's Delivery instruction) for the Instruments from the Holding account of the Clearing House to the Holding account of the Buyer.

By Approx 13:00 hours

Sellers receive full contract value against the Instruments received by the Clearing House.

At 14:30 hours

Sellers that fail to deliver Instruments by this time will be issued with a Buying-in Notice requesting the delivery of Instruments by 11:00 hours on the delivery day D+1.

Instruments received from Sellers by the Clearing House after 14:30 will be deemed a Late Delivery and will not be passed to the Buyers until D+1 by approx 13:00. Sellers will not be paid for these instruments until approx 13:00 on D+1. Invoice amounts will be returned to the buyers in respect of the Late Delivery of the Instruments.

2E.6.3.5 **Delivery Day + 1**

At 11:00 hours

Sellers must ensure that the necessary Transfer Requests (as described in the appropriate *Seller's instructions*) have been made in respect of Late Delivery so as to allow the Instruments to be transferred from the Holding account of the Seller to the Holding account of the Clearing House. The Clearing House must receive the Instruments into its Holding Account from the Seller.

Buying-in will be executed in respect of a failure by the Selling Clearing Member to make a Transfer Request that results in the receipt of the necessary Instruments into the Holding Account of the Clearing House.

By Approx 13:00 hours

On receipt from Sellers of the Instruments in respect of Late Delivery into the Holding Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make the Transfer Requests (as contained in the *Buyer's Delivery instruction*) for the Instruments to be transferred from the Holding account of the Clearing House to the Holding account of the Buyers effected by the Late Delivery.

By Approx 13:00 hours

Sellers receive full contract value against the Instruments received by the Clearing House in respect of the Late Delivery.

2E.6.3.6 **Failed Delivery**

2E.6.3.6.1 **Delivery Day + 1**

After 11:00 hours D+1

Where any Transfer Request in respect of an Instrument has not been made by the Selling Member prior to 11:00 on the Delivery Day + 1, such that the Clearing House is in receipt of these Instruments in its Holding Account, as required by these Procedures, the Clearing House shall declare this a Failed Delivery and will invoke Buying-in.

Clearing House will continue to charge initial margin to both Buying Member and Selling Member until delivery of the necessary Instruments is complete under the Buying-in Procedures, or the position has been closed through Cash Settlement where Buying-in has been unsuccessful.

Failure to Perform Obligations under a Contract

Without prejudice to the provisions of the Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:

- (a) If, in respect of a Contract where the Clearing House is party as the Buyer, there is a Transfer Request Failure as a result of any failure on the part of the Seller to comply with the applicable obligations under such Contract, then the Seller shall indemnify the Clearing House in respect of any Delivery Costs directly attributable to that Transfer Request Failure.
- (b) If, in respect of a Contract where the Clearing House is party as the Seller, there is a Transfer Request Failure as a result of any failure on the part of the Buyer to comply with the applicable obligations under a Contract, then the Buyer shall indemnify the Clearing House in respect of any Delivery Costs directly attributable to that Transfer Request Failure.
- (c) The Clearing House shall have absolute discretion in determining the Delivery Costs arising Pursuant to (a) or (b). For the purposes of calculating either such Delivery Costs, the relevant consequences of the Transfer Request Failure shall be considered in isolation from other notifications not made under a Contract in respect of the Buyer's or Seller's Holding Accounts.
- (d) Without prejudice to (a) above, the Seller shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to comply with its obligations under a Contract.

- (e) Without prejudice to (b) above, the Buyer shall indemnify the Clearing House against all costs and expenses incurred the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Buyer's failure to comply with its obligations under a Contract.

2E.6.3.6.2 **The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.**

2E.6.3.7 **Buying-In**

2E.6.3.7.1 **Buying-in notice**

After 14:30 on the Delivery Day the Clearing House will issue a notice (a "Buying-in Notice") to the Selling Member who has failed to deliver informing it that buying-in will be instigated by 11:00 on the day following the Delivery Day (D+1) if the Selling Member does not transfer the necessary Instruments to the Holding Account of the Clearing House prior to this time.

2E.6.3.8 **Buying-in Process**

11:00 Delivery Day + 1

If the Selling Clearing member fails to transfer the necessary Instruments to the Holding Account of the Clearing House by 11:00 on D+1 as stated on the relevant Buying-in Notice the Clearing House will execute Buying-in and use its reasonable endeavours to obtain the relevant Instruments by 11:00 on Delivery Day +2. Once the Clearing House has placed an order with its Buying in agent, the Clearing House will not accept any Instruments from the failed Selling Clearing member.

If the Clearing House is unable or for any reason fails to buy-in the full amount of relevant Instruments by 11:00 on D+2, the Clearing House will "Cash Settle" the relevant Spot Emissions Contract/s pursuant to Section 2E.6.3.9.

Timetable of Events (in UK Times)

Functions	Timescales
Buying In initiated by the Clearing House by issuing the notice to the Selling Clearing Member	14:30 hours on Delivery Day
Buying In executed by the Clearing House	If failing selling member fails transfer allowances by 11:00 hours on the Delivery Day + 1,
Close of Buying-in period	11:00 on the Delivery Day + 2
Cash Settlement Occurs	By 09:00 on the Delivery Day + 3 if buying in fails

2E.6.3.9 Cash Settlement

In the event that buying-in cannot be achieved as described in 2E.6.3.7 then the Clearing House will cash settle on D+3 by 09:00 hours any outstanding positions at a price calculated at COB on D+2, at the discretion of the Clearing House. Both the Buying and Selling Member will be informed of the time at which the remaining position will be Cash Settled.

2E.6.3.10 Payment**2E.6.3.10.1 Cessation of Trading D-1**

After 19:15 hours

Invoices and account sales will be available as a report on Member Reporting website.

2E.6.3.11 Settlement Day D

By 09:00 hours

The Buyers will be debited the full contract value via PPS.

By Approx 13:00 hours

The Sellers will receive full contract value against the Instruments received by the Clearing House.

2E.6.3.12 Late Delivery/Buying-In Charges

The Clearing House will charge an administration fee of €100 plus any applicable VAT for each instance of Late Delivery by the Member.

Where a Buying-in Notice is issued, the Selling Member concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in issuing such Notice and/or carrying out the buying-in pursuant to that Notice. Such costs and expenses will include any dealing and other charges incurred by the Clearing House to its buying-in agent. The Clearing House will also charge an administration fee of €200 plus any applicable VAT for per Buying-In Notice issued to a Selling Member. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and VAT through the PPS and debit the appropriate PPS account of that Selling Member accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

2E.6.3.13 Invoice

Invoice Calculation

The Invoice and Account Sale Report gives details of all deliveries and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Contract EUAs / CERs x official quotation on trading day for the relevant Instrument (Final Settlement Price or FSP)

Value Added Tax will account for on the Invoice and Account Sale Report. VAT amounts due from the Buyer and due to the Seller will be included with contract payments via the PPS.

2E.7 PRECIOUS METALS: DELIVERY PROCEDURES**2E.7.1 General Information****2E.7.1.1 Delivery**

The following terms shall have the following meanings in this section:

Unallocated Account	An account held with one of the members of the LPMCL for the purposes of holding Unallocated Precious Metal .
Settlement Agent	One of the six commercial bank members of the LPMCL.
LPMCL	London Precious Metals Clearing Limited
Transfer Request	An instruction from a GCM's Settlement Agent in AURUM to make or take delivery of Unallocated Precious Metal

Delivery is affected by transferring Precious Metal between members' Unallocated Accounts held with one of the Settlement Agents who are members of the LPMCL.

2E.7.1.2 Settlement Agent and Unallocated Account details

Clearing Members must ensure they have an Unallocated Account with a Settlement Agent member of the LPMCL. It is the Clearing Member's responsibility to ensure that the Clearing House holds accurate up to date details of their Unallocated Account via submission of updated Static Data forms.

Clearing Members must submit their transfer instructions to their Settlement Agents, to be matched with the Clearing House, no later than 16:00 on the day of settlement.

The Clearing House Unallocated Account is managed by its settlement Bank Barclays Bank PLC. For matching with the Clearing House the following are its Unallocated Account and Settlement bank details:

Barclays Bank plc (SWIFT BARCGB22PMD)

a/c LCH.Clearnet Ltd, London

a/c 20193

2E.7.2 Precious Metal Forwards Delivery**2E.7.2.1 Compliance with LPMCL and other Requirements**

Each GCM shall at all times comply with any applicable provisions of the LPMCL, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant Settlement Agent in performing its obligations under LCH EnClear OTC Contracts and otherwise when participating in the OTC Precious Metals Service. Each GCM shall

additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

2E.7.2.2 **Delivery Specification**

2E.7.2.2.1 **Nature of the Precious Metal delivery**

The eligibility criteria for the Precious Metal Contract are set out in the Schedule to the LCH EnClear OTC Regulations. Each GCM shall ensure that all Unallocated Precious Metal it delivers in performing its obligations under an Precious Metal Contract is free and clear of all and any encumbrances.

2E.7.2.2.2 **Unallocated Accounts**

The Clearing House shall maintain an Unallocated Account with its Settlement Agent for the purposes of making and taking delivery of Precious Metal forwards contracts. The account is held on the terms stipulated by the LPMCL on its website at:

<http://www.lpmcl.com/Final%20Unallocated%20Agreement%2020061005.pdf>

Each GCM approved to clear trades in the Precious Metals Division shall maintain an Unallocated Account from which it is possible to make or take delivery into or from the relevant Unallocated Account of the Clearing House. Each GCM shall identify its Unallocated Account on the Static Data Form. The Clearing House will only accept or deliver the Unallocated Precious Metal from or to that specified Unallocated Account. (i.e. The Clearing House will reject any delivery from an account other than the GCM's Unallocated Account as specified on the Static Data Form.)

2E.7.2.2.3 **Delivery**

Delivery under an Precious Metal Contract is effected by the transfer of Unallocated Precious Metal in accordance with the terms of that contract from the Unallocated Account of the Seller to the relevant Unallocated Account of the Clearing House and from the relevant Unallocated Account of the Clearing House to the Unallocated Account of the Buyer.

It should be noted that, in accordance with the terms stipulated by the LPMCL, referred to above at 2E.7.2.2.2, the Settlement Agent acting for the Clearing House has reserved the power to reverse provisional or erroneous entries credited to the account of the Clearing House. In such event, the Clearing House reserves the right to reverse or adjust any payments made in respect of such entries and to give such directions as it considers appropriate to the Clearing Members who are party to the corresponding Precious Metal Contracts in order that settlement and delivery may be achieved at the earliest opportunity.

2E.7.2.2.4 **Days and Times**

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

2E.7.2.2.5 **Delivery Timetable for Precious Metal**

The following is the timetable governing the delivery of Unallocated Gold pursuant to Precious Metal Contracts.

DAY	TIME	ACTION	
		SELLERS	BUYERS
D-1	At 15:00	Trade acceptance ceases for next valid value date	Trading ceases for next valid value date
	After 16:15	Delivery instructions sent for matching with LCH.Clearnet Settlement Agent.	Delivery instructions sent for matching with LCH.Clearnet Settlement Agent.
		Invoice & Account Sales Synapse screens will reflect delivery amounts	Invoice & Account Sales Synapse screens will reflect delivery amounts
	After 20:00	Member Synapse reports will be made available to confirm the delivery	Member Synapse reports will be made available to confirm the delivery
Value Date (D)	By 09:00		Pay contract value to the Clearing House via USD PPS The Clearing House will authorise Precious Metal transfers to buyers Unallocated Accounts on receipt of payments. Buyers must ensure that the necessary Transfer Request has been effected to receive Precious Metal into their Unallocated Account from that of the Clearing House.
	By 16:00	Sellers must ensure that the necessary Transfer Request has been effected and that the necessary Precious Metal has been delivered into the Unallocated Account of the Clearing House. Once transfers have been matched with the Clearing House and delivery has been confirmed the Clearing House will authorise payments to the Seller via their UK USD PPS account. If delivery to the Clearing House occurs after 15:30, sellers will be paid via their US USD PPS accounts.	
	After	Any unresolved transfer	

	16:00	instructions after this time will be a delivery transfer request failure.	
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2E.7.2.3 **Delivery Procedures**

Determination of Delivery Positions

At 16:00 on the day before Value Day open sold and bought lots are netted. The result will be an uncovered sold or bought position for the settlement day. This is the delivery position.

2E.7.2.3.1 **Value Date (D)**

By 09:00 hours

Buyers pay full contract value via PPS payment method.

Transfer Requests have been made to receive Precious Metal into their Unallocated Account from the Unallocated Account of the Clearing House.

LCH.Clearnet Business Operations will authorise transfers of Precious Metal contracts from the Clearing House Unallocated Account to Buyers upon receipt of payment from the Buyers.

LCH.Clearnet Business Operations will authorise all Transfers to Sellers by 09:30 in readiness to be matched by Seller.

As soon as possible by no later than 16:00 Sellers must have ensured that the necessary Transfer Requests have been made so as to allow Precious Metal to be transferred from their Unallocated Account to that of the Clearing House. The Clearing House must receive the Precious Metal into its account before payment will be made to the Seller.

Precious Metal received from Sellers by the Clearing House after this time will be deemed a Late Delivery and may incur administration charges in accordance with these Procedures.

Once delivery has been made into the account of the Clearing House, the Clearing House will authorise payments to the relevant Seller via UK PPS. If confirmation of delivery into the account of the Clearing House occurs after 15:30, the relevant Seller will be paid via its US PPS accounts.

2E.7.2.3.2 **Payment**

Buyers must pay the Clearing House by 09:00 on the value date via PPS.

Sellers will be paid by the Clearing House on receipt of Precious Metal on the value date.

2E.7.2.4 **Invoice**

Invoice Calculation

The Invoice and Account Sale Report gives details of all delivery transfers and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Lots X Fine troy ounces of gold X quotation on trading day for the relevant gold contract delivery settlement price

2E.7.3

2E.7.4 **Taxation**

Settlements of cleared Gold sales are either exempt or zero-rated for VAT purposes.

(From 1 January 2000, investment gold became exempt for VAT purposes in the United Kingdom in line with the EC Council Directive 98/80 EC – “Special scheme for investment gold”. However LBMA members are permitted to continue to zero-rate supplies of investment gold between themselves. Supplies of investment gold between LBMA members and UK VAT-registered entities will be covered by the “Special Accounting Scheme for Gold”).

For more details on tax arrangements, LCH.Clearnet recommends GCMs consult their tax advisors.

2E.7.5 **Delivery Failure**

It is the responsibility of the GCM to ensure that any Precious Metal Contract settles on the intended value date.

Sellers/buyers must ensure that the necessary Transfer Requests are made so as to allow Unallocated Precious Metal to be transferred between their account and that of the Clearing House.

The Clearing House must receive the Precious Metal into its Unallocated Account from the Seller before any payments are made to the Seller.

Without prejudice to the provisions of the Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:

(a) if there is a Delivery Failure as a result of any failure on the part of the Seller/Buyer to comply with the applicable obligations under such Contract, then that party shall indemnify the Clearing House in respect of any costs directly attributable to that Delivery Failure;

(b) the Clearing House shall have absolute discretion in determining the costs arising Pursuant to (a);

(c) without prejudice to (a) above, the Seller/Buyer shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's/Buyer's failure to comply with its obligations under a Contract;

(d) in the event of a further delivery failure subsequently taking place and a further cost being incurred by the Clearing House, the Selling/Buying Member will be liable to reimburse the Clearing House for all costs incurred.

(e) the Clearing House is entitled to collect such costs through the PPS and debit the appropriate PPS account of that Selling/Buying Member accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

In the event of a failure on the part of the Seller to deliver, the Clearing House will continue to charge initial margin to the Selling Member until settlement of the Precious Metal contract is complete or the position has been closed out by the Clearing House.

If any GCM is unable to fulfil their delivery obligation they must inform the Clearing House immediately.

2E.7.5.1 **Delivery Failure on Value Date (D)**

In the case of a failure to deliver by the time specified under section 2E.6.2.4.1, the Clearing House will declare a Delivery Failure.

The declaration will be in the form of a Closeout Notification being sent out to the GCM on value date (D).

The Clearing House may, at its absolute discretion, take such steps as it deems appropriate to facilitate a mutually acceptable resolution of the Delivery Failure at any stage.

Upon the declaration of a Delivery Failure the Clearing House will organise a back to back trade to cover the position, by instructing its Settlement Agent to execute a swap trade to cover any overnight exposure caused by the Seller's failure to deliver. The swap will comprise of two trades: a purchase by the Clearing House for the value date of the amount that the Seller failed to deliver; a sale by the Clearing House for the next value date of the same amount.

The Seller will be required to pay to the Clearing House the full contractual amount of the purchase side of the swap trade on the value day (D) of the failure. The Clearing House will pay to the Seller the full contractual amount of the sell side on the next value date (minus administration costs, charges and any penalties) by 09:30hrs. All amounts will be processed via PPS Calls/Pays to the Seller's PPS account.

The Clearing House will cancel its Delivery Transfer Request instruction to its Settlement Agent in respect of the failed delivery for that value date (D) and will instruct a Delivery Transfer Request against the GCM for the next value date (D+1). Despite the swap trade, the GCM remains responsible to deliver on the next value date (D+1) and must ensure delivery no later than 14:00 hours on that day.

2E.7.5.2 Delivery Transfer Request Failure on the day after Value Date (D+1)

The GCM will remain obliged to fulfil the original delivery on D and must match with the new Delivery Transfer Request of the Clearing House by 14:00hours on D+1.

If the delivery remains unsettled by such time, the Clearing House will purchase the contract amount of the Precious Metal on behalf of the Seller in accordance with the terms of the Closeout Notification which was sent to the Seller on value date.

The Clearing House will instruct its Settlement Agent to purchase the full contract amount of the Precious Metal on behalf of the Clearing House to close out the outstanding failed delivery, for delivery on the same day.

Once the Clearing House has placed an order with its Settlement Agent, the Clearing House will not accept any Precious Metal delivery from the failing GCM. The Clearing House will use its reasonable endeavours to execute the relevant contract by close of business on the day after the original delivery failure (D+1).

Where a the Clearing House purchases Precious Metal pursuant to a Closeout Notification, the Seller will indemnify the Clearing House against all costs and expenses incurred in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to deliver under a Contract and those attributed to the purchase following the Closeout Notification.

The Clearing House will also charge an administration fee of \$200 plus any applicable VAT for any Closeout Notification issued to a GCM. This fee will be charged to the GCM in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House will debit the appropriate PPS account of that Selling Member accordingly.

The Clearing House will continue to charge initial margin to the Seller until the position has been closed out fully.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

APPENDICES 2E.A
EMISSIONS DELIVERIES

LCH EnClear Delivery Documentation

LCH EnClear DELIVERY DOCUMENTATION

AUTHORISED SIGNATORIES

Name of Clearing Member:

Company Stamp



Member Address:

Corporate Registration
Number:

Date:

Name

Specimen Signature

Position in Company

Name	Specimen Signature	Position in Company
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

The person(s) listed above is/are authorised to sign such delivery documentation on our behalf

(Director) for and on behalf of

Company Name

LCH.Cleernet Limited must be informed immediately of any amendments/changes to the information specified in this form; failure to do so may result in delivery documents/notifications being rejected.

APPENDICES 2E.B

SELLER'S EUA FORWARD CONTRACTS DELIVERY CONFIRMATION FORM

To: LCH.Clearnet Limited
 Aldgate House
 33 Aldgate High Street
 London EC3N1EA



Fax No. +44 (0)20 7667 7359

Seller's OTC EUA Forward Contracts Delivery Confirmation Form

Member:

Delivery Month:

Date

Lots	Margin Account	Initiating Registry	Holding Account	Authorised Representative	Email	Telephone

From: _____ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Holding Accounts during the Delivery Period at each of the Initiating Registries listed on this form and will ensure that we are not prevented from having those Holding Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

for _____ (member - authorised signatory)

Must be completed on all occasions

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact _____ Tel No _____
 2nd Contact _____ Tel No _____

APPENDICES 2E.C

SELLER'S CER FORWARD CONTRACTS DELIVERY CONFIRMATION FORM

To: LCH.Clearnet Limited
 Aldgate House
 33 Aldgate High Street
 London EC3N1EA



Fax No. +44 (0)20 7667 7359

Seller's OTC CER Forward Contracts Delivery Confirmation Form

Member:

Delivery Month:

Date

Lots	Margin Account	Initiating Registry	Holding Account	Authorised Representative	Email	Telephone

From: _____ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Holding Accounts during the Delivery Period at each of the Initiating Registries listed on this form and will ensure that we are not prevented from having those Holding Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

for _____ (member - authorised signatory)

Must be completed on all occasions

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact _____ Tel No _____
 2nd Contact _____ Tel No _____

APPENDICES 2E.D

BUYER'S EUA FORWARD CONTRACTS DELIVERY CONFIRMATION FORM

To: LCH.Clearnet Limited
 Aldgate House
 33 Aldgate High Street
 London EC3N1EA



Fax No. +44 (0)20 7667 7359

Buyer's OTC EUA Forward Contracts Delivery Confirmation Form

Member:

Delivery Month:

Date

Lots	Margin Account	Initiating Registry	Holding Account	Authorised Representative	Email	Telephone

From: _____ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Holding Accounts during the Delivery Period at each of the Acquiring Registries listed on this form and will ensure that we are not prevented from having those Holding Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

for _____ (member - authorised signatory)

Must be completed on all occasions

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact _____ Tel No _____
 2nd Contact _____ Tel No _____

APPENDICES 2E.E

BUYER'S CER FORWARD CONTRACTS DELIVERY CONFIRMATION FORM

To: LCH.Clearnet Limited
 Aldgate House
 33 Aldgate High Street
 London EC3N1EA



Fax No. +44 (0)20 7667 7359

Buyer's OTC CER Forward Contracts Delivery Confirmation Form

Member:

Delivery Month:

Date

Lots	Margin Account	Initiating Registry	Holding Account	Authorised Representative	Email	Telephone

From: _____ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Holding Accounts during the Delivery Period at each of the Acquiring Registries listed on this form and will ensure that we are not prevented from having those Holding Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

for _____ (member - authorised signatory)

Must be completed on all occasions

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact _____ Tel No _____
 2nd Contact _____ Tel No _____