

- ii) New paragraph (e a) describes the details of the depository accounts which an FCM may open with a permitted depository, in accordance with the CEA and the CFTC Regulations, for the purpose of holding FCM Foreign Futures Clients funds. The paragraph sets out the limits and obligations of the FCMs in respect to these accounts. In addition, the paragraph contains details on the depository accounts which LCH may open for all Foreign Futures Products on behalf of the FCM Clients. Equivalent rules for swaps and futures contracts are already in place under Regulation 7.
- iii) New paragraph (h a) describes the limits and obligations of the FCM and LCH in respect to the treatment of FCM Foreign Future Client funds, which must be in compliance with Part 30 of the CFTC Regulations and the applicable LCH rules.
- iv) Paragraph (k a) has also been added to note the restriction on the FCM to use FCM Foreign Future Client funds in a depository account only to meet payment obligations arising from that FCM's clients in connection with Foreign Futures Products or other Foreign Futures/Options Contracts. An equivalent restriction is also in place in respect to funds provided by a specific client and held in a depository account.
- v) Paragraph (n) on Investments of FCM Client Funds has been amended to note that LCH will invest collateral held on behalf of the FCMs' client in accordance with the applicable regulations, which, in respect to Foreign Futures Products, include relevant provisions in the Regulation (EU) No 648/2012 of European Parliament and the Council ("EMIR") and related Commission Delegated Regulation.
- vi) New paragraph (t a) outlines the details on the daily computations and records that the FCM must carry out in respect to that FCM Foreign Futures Client Depository Accounts, in accordance with the applicable regulations of the CFTC and the Securities and Exchange Commission, and the LCH rules.

Regulation 14 on Margin and Collateral, includes a new paragraph v (iii) establishing the gross and net margin requirements for Foreign Future Products and a new paragraph (aa) (iii) on the treatment of excess margin held by the FCM at LCH in respect to that FCM's Omnibus Foreign Futures Client Account. Equivalent requirements for swaps and Futures Products are already in place. Paragraph (cc) has also been added to note that, as a result of participation in the Portfolio Margining service, LCH may effect a transfer of Futures Products or Foreign Futures Products from an FCM's Omnibus Futures Client Account or FCM's Omnibus Foreign Futures Client Account with LCH to such FCM's Omnibus SwapClear Client Account with LCH.

Regulation 42, on Validity of FCM Regulations and Action, includes an additional paragraph which protects the enforceability of actions taken by LCH pursuant to the rules of an exchange to which it offers services.

Chapter XIV is titled Listed Interest Rates Regulations and includes the following changes:

- i) Regulation 52 deals with the registration of the FCM Listed Rates contracts, supported by two new regulations (53 and 54) which outline the details of LCH's process for registering contracts via novation and open offer, respectively. The new sections describe the requirements and conditions to be met by the Clearing Members. Further, Regulation 55 has been added to describe the process for an FCM of the Listed Rates service to allocate novation transactions to another Clearing Member of the Listed Rates service; and Regulation 61 sets out the rights of LCH to reject Listed Rate contracts, mainly in cases where the relevant registration and eligibility criteria are not met by Clearing Members;
- ii) Regulation 57 regards the netting of fungible Listed Rates contracts, as part of the clearing process, entered into by both Clearing Members and their Clients;
- iii) Regulation 58 notes the limitation of liability of LCH in respect to FCMs of the Listed Rates service;

- iv) Regulation 59 notes the rights of LCH in the event of delivery failures, where the seller does not deliver the securities or the buyer fails to make a payment; further Regulation 60 clarifies that LCH may suspend, at its discretion, the Listed Rates service for such period of time as it may determine.

FCM Procedures

A number of sections have been updated to change references from SwapClear to Rates Service, which denotes the combined SwapClear and Listed Rates clearing services, now both available to FCMs and their clients. References specific to the Listed Rates service have also been added to reflect the extension of this service to FCMs and their clients. The substantial changes in this respect have been made to section 2.1.15 on Default Management

A new section 2.1.19 has been added to describe the Portfolio Margining service available to FCMs and their clients on an optional basis.

Section 2.3 has been added to describe the Listed Rates service, to be read in conjunction with the other parts of the Rulebook applicable to FCMs and their clients. The section provides information on: how the service operates; the LCH reporting requirements; the registration of trades, with details on the open offer and novation processes as well as rejection of trades; the accounts LCH may open in respect to the clearing activity of FCMs; the margin and collateral requirements for FCMs; the processes involved with the allocation, give-up, take-up and position transfers of the Listed Rates contracts; the process whereby each contract is exercised through the Clearing System up to the expiry day; and the delivery procedures and timetable for eligible contracts.

Other changes

Throughout the above sections of the Rulebook, some paragraphs have been renumbered and references have been updated accordingly.

LCH has also taken the opportunity to remove references to the Nodal exchange in the FCM Regulations and FCM Procedures, as LCH no longer offer services to this trading venue.

The text of the changes to General Regulations are attached hereto as **Appendix I**, the Default Rules are attached as **Appendix II**, FCM Regulation as **Appendix III** and the FCM Procedures as **Appendix IV**.

Part III: Core Principle Compliance

LCH has reviewed the Portfolio Margining Service against the requirements of Core Principles D and G and finds that the service will continue to comply with all the requirements and standards therein.

LCH has concluded that compliance with the Core Principles will not be adversely affected by this change.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <http://www.lch.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

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

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at julian.oliver@lch.com.

Yours sincerely



Julian Oliver

Chief Compliance Officer

LCH Limited

**Appendix IV
FCM Procedures**