

This Notice to End-users of SwapClear Client Clearing Services is provided for information purposes only and is neither a full description of the SwapClear Client Clearing Service nor a recommendation to clients to make use of the SwapClear Client Clearing Service. Accordingly, clients may not rely upon the contents of this Notice to End-users of SwapClear Client Clearing Services and should make their own decisions as to the SwapClear Client Clearing Service based on independent advice from advisers as such client deems necessary.

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The SwapClear Client Clearing System

The SwapClear Client Clearing system comprises services provided by LCH.Clearnet Ltd ("**LCH**") to certain of its members (SwapClear Client Clearing members, each, a "**clearing member**") and services provided by those members to their clients (each, a "**client**"). Clients contract with clearing members, and clearing members contract with LCH - LCH does not enter into any direct contractual relationship with clients, but covenants with clearing members and clients that it will act in accordance with its rules.

The SwapClear Client Clearing system is designed so as to enable client positions and collateral in respect of client trades to be transferred to, or replaced by new trades with, a substitute clearing member if the client's clearing member defaults, or, where the client does not have a substitute clearing member that is able to accept the client's trades, to enable positions to be closed out and the resulting net collateral balance to be paid to the client.

The basis of the SwapClear Client Clearing system is that where a client enters into a trade with a clearing member, that clearing member will enter into a matching trade with LCH, and notify LCH of the identity of the client. LCH will then record that trade and its associated collateral in one of a number of different types of accounts designated with the name of the relevant client ("**LCH SwapClear Client Clearing accounts**"). All LCH SwapClear Client Clearing accounts are segregated from house accounts. Individual segregated client accounts are segregated from other client accounts, but omnibus segregated accounts may also be used, in which the claims of a number of the clients of a clearing member are effectively pooled. You should agree with the clearing member with whom you deal what types of LCH SwapClear Client Clearing account should be used in respect of your business. The use of different types of account may involve different costs or levels of collateral requirement – your decision should reflect your risk appetite as regards the segregation of your collateral and positions.

Note that the clearing member is not contracting with LCH as your agent – the clearing member contracts with LCH as principal, and you contract with the clearing member as principal, on a matched principal basis. Also, LCH will not hold any assets transferred to it on trust for you or any person other than the clearing member. Consequently you will have no direct claim on LCH prior to your clearing member's default in respect of any asset held in

any LCH SwapClear Client Clearing account, even if that account is designated as being maintained in respect of your trades or collateral.

Regulatory Protection of Assets

LCH is a recognised clearing house under the UK regulatory system. This means that LCH is not an authorised firm, but is supervised by the FSA in the operation of the clearing system. Because LCH is not an authorised firm, collateral balances held with it are not subject to the FSA's client money rules.

Under the LCH rules, you will not receive client money protection or client asset protection in relation to your monies held in accounts opened by a clearing member with LCH in respect of the SwapClear Client Clearing system. Further, you will not receive that protection in relation to your monies held by the clearing member in connection with the SwapClear Client Clearing services. Please contact the clearing member for further details.

Your right to transfer of positions or repayment of collateral

Depending on the jurisdiction in which your clearing member is incorporated, that clearing member may assign to you your relevant LCH SwapClear Client Clearing account balances by a deed of assignment. In some jurisdictions this deed may be required to be registered as a security arrangement or to satisfy other local formality requirements. You should be aware that your rights under the deed of assignment may depend inter alia upon certain registration(s) and/or filing(s) and you should take advice as to whether it is you or your clearing member that is required to make such registration(s) and/or filing(s). The aim of the deed is to ensure that, if the clearing member defaults, you should be able to have the relevant LCH SwapClear Client Clearing account balances transferred to a substitute clearing member, or recover the value of the account balances directly from LCH. However if LCH perceives that there is a risk that your claim to these balances might subsequently be successfully challenged you may at this stage be required to enter into appropriate legal commitments or further agreements with LCH.

In order for your positions to be transferred on the default of your clearing member, you need to have appointed a substitute clearing member who is prepared to act as a clearing member for you. If you do not appoint such a clearing member, or the clearing member who you have appointed declines to act for you, LCH will close out and terminate your positions on the default of your original clearing member.

You will not be entitled to instruct LCH to deal with LCH SwapClear Client Clearing accounts maintained in your clearing member's name on your behalf at any time prior to the default of the clearing member. However LCH will accept instructions from you following a default of the relevant clearing member provided that such instructions are in accordance with the documentation you entered into with your clearing member in order to make use of the SwapClear Client Clearing system. Equally, you will not be entitled to any information

from LCH as to any balance held by it for any person at any time prior to the default of the relevant clearing member, but LCH will provide such information to you in respect of any LCH SwapClear Client Clearing account designated as yours following a default of the clearing member operating such an account.