

SECTION 3

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3. **FINANCIAL TRANSACTIONS**

3.1. **ACCOUNTS**

3.1.1. **Overview**

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

Cover account;

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

These accounts are used to record cash movements between the Clearing House and the Clearing Member. Refer to section 2C.5 for a full description of financial accounts.

3.1.2. **Cover Account Postings**

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

PPS payments and receipts;

settlement differences (for LME, GBP, EUR, and USD only);

option premiums;

LME prompt day delivery amounts (GBP, EUR, and USD only);

interest and accommodation charges;

currency purchases and sales;

Clearing House fees, charges and rebates;

exchange fees, levies and rebates;

SwapClear coupon payments;

SwapClear coupon adjustments;

Net Present Value (NPV);

price alignment interest;

consideration.

3.1.3. **Tender Account Postings**

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

PPS payments and receipts;

LIFFE Commodity Products and LME (JPY only) delivery amounts;

settlement differences for LME (JPY only);

Coupon Payments relating to member collateral.**3.1.4. Financial Transaction Reporting**

Details of postings to these accounts are available by selecting option 3 in TRS - screen codes "CAP" and "TAP". Clearing Members with direct access to the Clearing House banking system should use the Clearing Member account enquiry screen code "MACSL". Clearing Members with direct access to the LCH.Clearnet Limited Member Intranet Site for RepoClear (see section 2B.1.3) should use the "Yesterday's Cover Account Postings" report. Clearing Members with direct access to the LCH.Clearnet Limited's Member Intranet Site for SwapClear (see section 2C.1.3) should use the "Yesterday's Cover Account Postings" report.

Clearing Members with EquityClear Contracts should use the 'Yesterday's Cover Account postings' report accessed via the LCH.Clearnet Limited Member Intranet site. Alternatively Clearing Members also trading on LIFFE can access reports through TRS.

Every month a statement of account is issued to Clearing Members. This is also available on the LME print/browse facility.

3.2. PROTECTED PAYMENTS SYSTEM (PPS)

The Clearing House operates a direct debit system, known as the Protected Payments System (PPS), for the transfer of funds to and from Clearing Members. It is operated in both London ("London PPS") and in the United States (where it is known as "US PPS").

3.2.1. London PPS**3.2.1.1. Introduction**

A Clearing Member is required to maintain a PPS bank account(s) in London in GBP and in each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London (see Appendix 3A for a list of the relevant participating banks in London).

Different banks may be used for different currencies.

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

The account nominated by the Clearing Member to be the GBP non-segregated PPS account will, inter alia, be used to process DF contributions and share subscriptions (see section 3.7).

3.2.1.2. PPS Mandate

Each Clearing Member is required to complete a standard form London PPS Mandate(s) (see Appendix 3B) for each bank branch at which they wish to operate an account before clearing can commence.

3.2.1.3. **Currency Conversion**

Clearing Members may elect to have initial and contingent margin liabilities converted into different currencies and debited through the appropriate London PPS account by prior arrangement with LCH.Clearnet Limited Treasury Operations.

3.2.1.4. **Morning PPS Calls**

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

3.2.1.5. **Other PPS Functions**

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

remit surplus cash balances to the Clearing Member's PPS bank(s) upon instruction to LCH.Clearnet Limited Treasury Operations between 07:00 and 9:30 hours or by prior arrangement with LCH.Clearnet Limited Treasury Operations;

call intra-day cover payments, where the Clearing House must receive confirmation of payment from the PPS bank(s) within one hour of receipt by the relevant bank of the PPS Call. Such PPS calls will usually be made up until 16:00 hours.

3.2.1.6. **Value Date**

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in sections 3.2.1.5 and 3.2.1.6, subject to section 3.2.1.8, all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

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

3.2.1.7. **Foreign Bank Holidays**

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

Confirmation that PPS payments will be made must still be received within the deadlines set out in section 3.2.1.5 and 3.2.1.6. However the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency centre and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

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

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

3.2.1.8. **UK Bank Holidays**

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

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

3.2.1.9. **Secured Debit Cash Balances**

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

For current debit cash limits, refer to LCH.Clearent Limited circulars or contact LCH.Clearent Limited Treasury Operations.

LCH.Clearent Limited reserves the right to alter the levels set and/or to demand immediate payment of the total sum due or any part thereof.

3.2.2. **US PPS**

Each Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS Banks – a list of the participating branches appears at Appendix 3C.

This requirement is supplemental to and additional to the requirement that each Clearing Member must hold relevant PPS accounts in London.

3.2.2.1. **US PPS Mandates**

A Clearing Member is required to complete a standard form US PPS mandate (see Appendix 3D). The original of the US PPS mandate must be signed by a person with the appropriate authority within the Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House.

3.2.2.2. **Intra-Day Margin Call**

The intra-day margin call by the Clearing House is for intra-day cover payments.

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

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

Funds will be called through US PPS until 13:30 hours NY Time (18:30 hours London Time) from all Clearing Members, and until 16:00 hours NY Time (21:00 hours London Time) from Clearing Members active in RepoClear €GC or in markets which are open into the London evening and on US trading hours.

3.2.2.3. **Confirmations**

The Clearing House must receive confirmation of payment from the Clearing Member's nominated US PPS bank within one hour of receipt of the US PPS Call by the relevant US bank branch.

3.2.2.4. **Use of London PPS and US PPS**

These Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS Calls. Generally London PPS will be used for Morning PPS Calls (including contributions to the Default Fund), remitting surplus cash balances to a Clearing Member, and for making intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS Call or intra-day margin calls before 16:00 hours London time to a Clearing Member's US PPS account in exceptional circumstances ("Exceptional PPS Call"). The Clearing House will use all reasonable commercial endeavours to notify the Clearing Member in advance of issuing any such Exceptional PPS Call.

3.2.3. **Clearing House Hong Kong USD HSBC account via USD RTGS**

3.2.3.1. **Introduction**

In order to facilitate clearing services for the Asian/Pacific Markets, the ability to call funds to cover margin requirements during the Asian day is required.

This section provides details of how the Clearing House will call for margin by utilising the Hong Kong (HK) USD Real Time Gross Settlement (RTGS) system.

As part of the Clearing House membership requirements for Asia/Pacific clearing services, the Clearing House will insist that members make payments from a USD RTGS participant bank in order for margin payments to be received within 1 hour of notification.

3.2.3.2. **Operating days and Bank Holidays**

HK USD RTGS system supports USD clearing during HK public holidays when the US is open.

Members may be called for additional margin on any day that the markets and the Clearing House are open.

Therefore the Clearing House can instruct a USD payment on a public holiday in HK and receive good value (except on a US currency holiday when margin will be collected once UK PPS opens in UK business hours or if the Clearing House consider that internal measures of credit tolerance may be breached additional margin can be requested ahead of US bank holidays).

Details of the account are provided in Appendix 3E.

Please note: Any USD RTGS member that the Clearing Member has an arrangement with must open on a HK holiday to facilitate any margin calls for Asian/Pacific Markets by the Clearing House.

Value Date

The Clearing House will only instruct clearing members to fund the HK USD HSBC account in order to meet intraday margin calls in Asian/Pacific markets.

Therefore any payments to the Clearing House HK USD HSBC account must be for the value day in which the margin call was instructed.

Please note:

Clearing Members must meet these margin calls for all USD working days even if it is a HK holiday, if the markets are open.

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, inter alia, by the Clearing Membership Agreement, clearing extension documentation and these General Regulations, Default Rules and Procedures.

Payment is only completed when the funds have been credited for the full value to the Clearing House HK HSBC USD bank account, and at the point in time when the Clearing House is able to verify that the funds are within the account.

3.2.3.3. **Intraday Margin Calls via HK USD RTGS**

Clearing Members' liabilities are calculated during the Asian/Pacific business day

Should the amount not be covered by acceptable forms of cover held by the Clearing House (see section 3.3) the difference is called via a communication to the Clearing members to fund the Clearing House HK HSBC USD account via the HK USD RTGS.

It is the responsibility of each Clearing Member to ensure that its USD RTGS bank(s) meets all payment instructions received from the Clearing House within 1 hour of when the call was instructed.

In the event of any issues please contact the Clearing House Risk Operations via email to Riskoperations@lchclearnet.com or on 0207 426 7520

3.3. **ACCEPTABLE FORMS OF COVER**

The Clearing House accepts certain types of securities, cash and performance bonds in the Clearing House's prescribed form against liabilities. Certain contingent credits may also be allowed as cover (see section 3.4.6).

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

To view our acceptable collateral list, go to: http://www.lchclearnet.com/riskmanagement/ltd/collateral_management.asp.

3.3.1. **Cash**

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

Cash used as cover need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 hours the previous business day.

Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two (2) business days notice of their intention to request withdrawal of cash used as cover for margin and its replacement by the lodgement of collateral. In the event that a Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

3.3.2. **Performance Bonds**

Certain banks are approved by the Clearing House to issue performance bonds on behalf of Clearing Members. Performance Bonds forms are available from LCH.Clearnet Limited Treasury Operations for use by the London branches of approved banks. Approved banks which are also Clearing Members may not issue performance bonds on their own behalf. Nor may approved banks issue performance bonds on behalf of Clearing Members of which they are the parent, immediate or ultimate, or which belong to the same corporate group, or in which they have a shareholding greater than 20%.

It is essential that Clearing Members agree their proposed arrangements with LCH.Clearnet Limited Treasury Operations in advance of making arrangements to lodge a performance bonds.

3.3.3. **Securities**

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

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

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

3.3.4. **Restrictions on Acceptance**

Spanish Treasury bills (Letras del Tesoro) may not be held in the Euroclear System on behalf of beneficial owners that are:

1. Spanish residents or non-residents operating in Spain through a permanent establishment; or
2. nationals of, residents for tax purposes of, or earning income through, a tax haven country or territory as specified in Spanish legislation;

the Clearing House will not normally accept securities owned by partnerships or held by trustees (e.g. pension funds). Clearing Members should not present lodgements of such securities except where the Clearing Member is itself a partnership and the owner of the securities;

the Clearing House will not accept strippable securities or stripped securities;

the Clearing House can only accept 0.01% of any one issue of European stocks.

3.3.5. **Securities Value Notification**

Clearing Members may obtain details on the value of securities credited to their account on a daily basis. This can be done by selecting option 3 of TRS, screen code "CLM". Clearing Members with direct access to the banking system should use screen code "COLME". Clearing Members with direct access to the LCH.Clearnet Limited Member Intranet site should use the "Collateral by Member" report.

Prices for the re-valuation of securities within cover calling for the next business day will be available on TRS as follows or on request to LCH.Clearnet Limited Treasury.

Security Type	TRS Screen Code	Approximate time available (London Time)
European Government Debt Securities (excluding Gilts)	\$BUN	16:30 hours
UK Gilts	\$GIL	16:30 hours
US Treasury Notes and Non-European Government Debt Securities/Notes	\$BON	16:30 hours

3.3.6. **Use of Credits as Cover**

The following contingent margins are not paid in cash but may, with the restrictions described below, be used as cover:

LIFFE Commodity Products delivery credit margin may be used to offset LIFFE Commodity Products delivery debit margin within the same currency.

LIFFE financial delivery credit margin may be used to offset LIFFE financial delivery debit margin within the same currency.

LIFFE equity delivery credit margin and credit Net Liquidating Value (NLV) may be used to offset LIFFE equity initial margin, LIFFE equity delivery debit margin and LIFFE equity debit NLV across currencies.

LME credit variation margin may be used to offset LME debit variation margin and initial margin.

EquityClear credit contingent margin may be used to offset EquityClear initial and debit contingent margin across currencies.

EDX credit contingent variation margin (for forwards) and credit Net Liquidating Value may be used to offset debit initial margin, debit contingent variation margin and debit NLV.

ENDEX credit variation margin may be used to offset ENDEX debit variation margin and initial margin.

3.4. **DISTRIBUTION OF COVER**

3.4.1. **Overview**

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

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

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

3.4.2. **Liability Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.7 below.

Liabilities will be covered in the order:

1. Secured debit cash balances (see section 3.2.1.10);
2. Variation and initial margin including offset of contingent credits (see section 3.4.6).

3.4.3. **Cover Application**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.7 below.

The order in which cover will be applied (in turn) to each liability is as follows:

1. Same currency collateral (performance bonds and securities), in the Collateral Order;
2. Different currency collateral (performance bonds and securities), in the Collateral Order and in the Currency Order;
3. Cash in the same currency as the liability;
4. Cash in a different currency from the liability, in the Currency Order.

Clearing Members may make the following choices:

whether to have cash applied before or after collateral;

whether to apply collateral to liabilities in a different currency;

whether to apply cash to liabilities in a different currency.

3.4.4. **Currency Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.7 below.

This defines the order in which different currency liabilities will be covered, as well as the order in which cash/collateral in different currencies will be used as cover. The order is:

1. GBP;

2. USD;
3. CHF;
4. EUR;
5. JPY.

3.4.5. **Collateral Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.7 below.

A Clearing Member may override this sequence with its own, on request to LCH.Clearnet Limited Treasury Operations.

Performance Bonds;

UK Treasury bills;

European Government Debt Securities (excluding Gilts);

Sterling denominated government-backed bank-issued certificates of deposit;

US Dollar denominated government-backed bank-issued certificates of deposit*;

Euro denominated government-backed bank-issued certificates of deposit;

UK Gilts;

US Treasury bills*;

US Treasury Government Debt Securities /notes*

Other European Treasury bills (French, Italian & Spanish);

Canadian Federal Treasury bills;

Canadian Government Debt Securities /notes.

* Securities held in the US are applied to liabilities other than those arising from LIFFE's equity options.

3.4.6. **Record of Cover Provided**

Details of cover are available via screen code OCD for Clearing Members clearing LIFFE contracts and via the Clearing House banking system for Clearing Members clearing LME contracts (screen code OCDSL). Clearing Members with direct access to the Clearing House Member Intranet Site should use the 'Overnight Cover Distribution' report.

For EquityClear contracts, Clearing Members should use the 'Overnight Cover Distribution' report accessed via the LCH.Clearnet Limited Member Intranet site. Alternatively Clearing Members also trading on LIFFE can access reports through TRS.

3.4.7. **Order of Priority on Default**

The order of priority (in which cash and collateral are applied to cover Clearing Members' liabilities), set out elsewhere in this section, does not necessarily reflect the order of priority of realisation or application of cover which the Clearing House may follow in the case of default by a Clearing Member. Post-default the Clearing House is entitled to realise and/or apply cover in whatever order it deems appropriate.

3.5. **INTEREST AND ACCOMMODATION CHARGE STRUCTURE**

This Section applies to accounts other than DF accounts.

3.5.1. **London Deposit Rate (LDR)**

The LDR is the rate at which the Clearing House will normally pay interest on credit cash balances (excluding DF Contributions).

3.5.1.1. **Calculation**

LDR is calculated daily for each currency by 10:00 hours. It is derived from bid rates for overnight funds quoted by selected money brokers and/or major banks. For next day value currencies, LDR is calculated the day prior using the tom/next rate.

Rates are available on TRS/CPS (report \$BRT), Member Reporting site (REP00017) and on the Clearing House banking system (screen code CBRDS) or by telephone from LCH.Clearnet Limited Treasury Operations.

3.5.1.2. **Alteration**

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

3.5.2. **Price Alignment Interest (PAI) Rate**

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

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

The amount of NPV in such currency on that day; multiplied by

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

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

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in Regulation 34(b), specifies that it will not change the PAI rate without the consent of all SwapClear members holding open contracts in such currencies.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page "FEDFUNDS1" or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page "EONIA" or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page "SONIA" or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page "TONAR" or on any successor page(s) thereto.
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.

For currencies AUD, CAD, DKK, HKD, NOK, NZD, PLN, SEK and ZAR, PAI is calculated using an appropriate overnight deposit rate for the currency.

3.5.3. Interest/Accommodation Structure

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Debit Cash (GBP, USD, EUR)	Not allowed	Charge LDR of debit currency plus 1.10%	Charge LDR of debit currency plus 1.10%	Not applicable	Charge LDR of debit currency plus 1.00%; pay LDR of cover currency	Charge LDR of debit currency plus 1.00%
Debit Cash (CHF, JPY, DKK, NOK, SEK)	Not allowed	Charge LDR of debit currency plus 2.10%	Charge LDR of debit currency plus 2.10%	Not applicable	Charge LDR of debit currency plus 2.00%; pay LDR of cover currency	Charge LDR of debit currency plus 2.00%
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay LDR	pay LDR of cover currency	No charge or payment

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay LDR	Pay LDR	No charge or payment

Note:

1. "Foreign Cash" means cash in a currency other than that of the liability.
2. "Forward Cash" means cash which has been credited to an account for later value, e.g. an amount called via PPS for next-day value.

3.5.4. **Payment of Interest and Charges**

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

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

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

The invoice provides detail in respect of:

interest due;

accommodation charges;

collateral/performance bonds utilisation fees.

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

With the exceptions of RepoClear, SwapClear, LIFFE Non-Commodity Contracts and EquityClear contracts, accommodation charges are subject to VAT at the standard rate.

3.6. **FEES**

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

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

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

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

3.6.1. **VAT Status**

By default a member will be charged VAT for transactions on applicable markets. If the member's registered address is outside of the UK they will be required to provide a written declaration that their place of operations is also outside the UK for VAT purposes.

If a member extends to a VAT applicable market the member will be requested to provide written confirmation that the operations address is the same as that stated on their application form. If the address is different, and is outside the UK the member will also be asked to confirm that in writing so they will not be charged VAT on transactions on that market. If the address is in the UK VAT will be charged.

3.7. **PARTICIPATION MONIES**

3.7.1. **Share Subscriptions**

Clearing Member share subscriptions will be called via PPS on a date advised by the Clearing House. They will be called from Clearing Members' house PPS account and subscriptions will be debited from the house cover account.

3.7.2. **DF Contributions**

DF contributions will be called via PPS normally on the fourth working day ("Reset Day") of the quarter (i.e. early February, May, August and November). Contribution requirements will be notified to Clearing Members at least two working days prior to each Reset Day on TRS report MDFF or Banking screen MDFCT, or Member Intranet Report 000032.

Excess DF amounts due to Clearing Members following the adjustment to DF accounts and the crediting of interest will be repaid to Clearing Members' PPS accounts on the Reset Days.

APPENDIX 3A

BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM

Bank of America

Barclays Bank Plc

JP Morgan Chase Bank

Citibank NA

Deutsche Bank AG

Commerzbank AG

HSBC Bank Plc

Lloyds TSB Bank Plc

National Westminster Bank Plc

The Royal Bank of Scotland plc

[The Royal Bank of Scotland NV](#)

Skandinaviska Enskilda Banken AB

For more information on PPS Banks please contact LCH.Clearnet Limited Treasury Operations.

APPENDIX 3B**BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM**

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

LCH.CLEARNET LIMITED

I/We authorise you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

HOUSE ACCOUNT		
TICK ✓	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

CLIENT ACCOUNT		
TICK ✓	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

For and on behalf of:

Name of Clearing Member: _____

Signature of Director: _____

Print Name: _____ Date _____

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3rd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA. Email: lchoperations-treasury@lchclearnet.com Telephone: 020 7426 7505 Fax: 020 7426 7037.

APPENDIX 3C

BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM

(In New York unless stated otherwise)

Bank of America NA

J P Morgan Chase (New York or London)

Citibank NA

Commerzbank AG

HSBC Bank USA

The Bank of New York

Societe Generale

Harris Trust and Savings Bank (Chicago)

For more information on US PPS Banks please contact LCH.Clearnet Limited Treasury Operations on +44 (0)20 7426 7505.

APPENDIX 3D

MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

LCH.CLEARNET LIMITED

I/We authorise you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

HOUSE ACCOUNT	
CURRENCY	ACCOUNT NUMBER
USD	

CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER
USD	

The above information is correct and LCH.Clearnet Limited will rely on this information in making debit and credit transactions for the identified accounts and will have no liability to the extent of such reliance.

For and on behalf of:

Name of Clearing Member: _____

Signature of Director: _____

Print Name: _____ Date _____

Notes:

A separate Mandate must be completed and delivered to LCH.Clearnet Limited for each different PPS bank.

Twenty days notice must be given to LCH.Clearnet Limited in writing in respect of any change of bank account name or bank account number and a fresh Mandate provided.

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3rd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: lchoperations-treasury@lchclearnet.com; Telephone: 020 7426 7505; Fax: 020 7426 7037.

APPENDIX 3E

HSBC Hong Kong USD RTGS Account

Bank Name/ Address:

The Hong Kong and Shanghai Banking Corporation Limited (Hong Kong)

1 Queen's Road Central,

Hong Kong

Payments:

In name of LCH Clearnet Limited

Account numbers:

USD Current account: 808-692818-201