CME Clearing Firm LSOC Choices
Updated February 4, 2014

This document summarizes in one convenient place, the choices relating to LSOC which CME clearing firms which are clearing customer business in swaps products may make.

These choices are made for each **settlement account**, and the choices made for one settlement account may be entirely different from those for another settlement account.

The most important choice is whether to operate in the **no-excess** or **with-excess** mode:

- In the **no-excess** mode, there is no requirement for submissions of LSOC Collateral Value Reports (CVR's). Firms may, but are not required to, report their Firm-Contributed Value (FCV), either by submitting a CVR or via email.

- In the **with-excess** mode, firms must submit a CVR at least once per day for each client account with a positive initial margin requirement.

The firm also may make four choices relating to **combined cash flow (CCF):**

- **Whether to use CCF for variation losses ("pays"):** if the firm makes this election, then the system will attempt to cover net variation losses in a currency with cash on hand in that currency, subject to the further constraints of LSOC.

- **If using CCF to cover variation losses, whether to use Firm-Contributed Value to cover those losses:** If you are using CCF to cover variation losses, you can further choose whether to use excess Firm-Contributed Value to cover those losses in addition to excess value of the clients with losses, or **only** to use the affected clients' value.

- **Whether to use CCF for USD variation gains ("collects"):** if the firm makes this election, then if there is a net USD-denominated variation gain, then the cash will not be paid out, but rather kept and the value credited *pro rata* to clients with gains.

- **Whether to use CCF for non-USD variation gains:** exactly the same as the election for USD gains, but for gains denominated in currencies other than USD.

Firms may change these elections at any time by request to CME Clearing.