

CDSClear

**LCH.Clearnet SA
CDS Clearing Rulebook
09.05.2012**



CAVEAT

The option granted to the Clearing Members pursuant to Article 3.2.3.2 of the CDS Clearing Rule Book to transfer Collateral (other than Cash Collateral) through a Belgian law security interest is currently not available as it remains subject to the approval of the French regulators. Consequently, both Cash Collateral and Eligible Collateral shall be provided on a full transfer title basis, and all provisions in the CDS Clearing Rules relating to Collateral being provided through a security interest (including, without limitation, all provisions referring to the Pledge Agreement and Redeliverable Eligible Collateral) shall not be applicable as long as such an option is not approved by the French regulators and implemented by LCH.Clearnet SA

Table of Contents

	Page
TITLE I GENERAL PROVISIONS & LEGAL FRAMEWORK.....	5
CHAPTER 1 - DEFINITIONS AND INTERPRETATION	7
Section 1.1.1 Terms defined in this CDS Clearing Rule Book	7
Section 1.1.2 Incorporation of defined terms	22
Section 1.1.3 Interpretation and references.....	22
CHAPTER 2 - GENERAL PROVISIONS	25
Section 1.2.1 General	25
Section 1.2.2 Modification.....	25
Section 1.2.3 Publication	28
Section 1.2.4 Extension or waiver.....	29
Section 1.2.5 Notices - Communications	29
Section 1.2.6 Fees	30
Section 1.2.7 Currency.....	30
Section 1.2.8 Time reference	32
Section 1.2.9 Obligations of LCH.Clearnet SA to each Clearing Member.....	32
Section 1.2.10 Liability	33
Section 1.2.11 Force Majeure Events.....	35
Section 1.2.12 Confidentiality	36
Section 1.2.13 Data protection.....	37
Section 1.2.14 Governing law	38
Section 1.2.15 Dispute resolution	38
Section 1.2.16 Default Interest.....	38
Section 1.2.17 Tax.....	39

CHAPTER 3 - LCH DEFAULT.....	43
Section 1.3.1.....	43
TITLE II MEMBERSHIP.....	48
CHAPTER 1 - GENERAL PROVISIONS	49
Section 2.1.1 Participants	49
CHAPTER 2 - LEGAL OBLIGATIONS.....	50
Section 2.2.1 Continuing obligations.....	50
Section 2.2.2 Capital requirements.....	52
Section 2.2.3 Corporate organisation	52
Section 2.2.4 Membership of industry organisations or systems relating to CDS contracts	53
Section 2.2.5 Third party contractual obligations.....	53
Section 2.2.6 Processing	55
Section 2.2.7 Test processing	55
CHAPTER 3 - INFORMATION OBLIGATIONS, MONITORING AND AUDIT	56
Section 2.3.1 Information and financial reporting	56
Section 2.3.2 Monitoring	57
Section 2.3.3 Audit and inspection.....	58
Section 2.3.4 Record keeping.....	58
CHAPTER 4 - SUSPENSION AND TERMINATION OF MEMBERSHIP.....	60
Section 2.4.1 Suspension	60
Section 2.4.2 Membership Termination.....	61
TITLE III CLEARING OPERATIONS	65
CHAPTER 1 - NOVATION AND REGISTRATION	66
Section 3.1.1 Novation principles.....	66
Section 3.1.2 Margin provision and Novation Postponement Events.....	68

Section 3.1.3	Registration of Cleared Transactions.....	71
CHAPTER 2	- ACCOUNT STRUCTURE.....	74
Section 3.2.1	Trade Account.....	74
Section 3.2.2	Margin Account.....	74
Section 3.2.3	Financial Account.....	74
CHAPTER 3	- COMPRESSION.....	75
Section 3.3.1.....		75
TITLE IV	RISK MANAGEMENT.....	77
CHAPTER 1	- GENERAL PROVISIONS.....	78
CHAPTER 2	- MARGIN.....	79
Section 4.2.1	Margin Requirement.....	79
Section 4.2.2	Margin Calls and Margin Call Reports.....	79
Section 4.2.3	Variation Margin.....	80
Section 4.2.4	Collateral.....	81
Section 4.2.5	Valuation of Open Positions.....	82
CHAPTER 3	- EVENTS OF DEFAULT.....	83
Section 4.3.1	Events of Default.....	83
Section 4.3.2	Measures in case of an Event of Default.....	84
Section 4.3.3	Recourse following an Event of Default.....	86
CHAPTER 4	- CDS DEFAULT FUND.....	88
Section 4.4.1	Purpose of the CDS Default Fund and Relevant Calculations.....	88
Section 4.4.2	Contribution to the CDS Default Fund.....	91
Section 4.4.3	Application of the CDS Default Fund, Replenishment and Multiple Defaults.....	92
APPENDIX 1	CDS DEFAULT MANAGEMENT PROCESS.....	94
Annex	Confidentiality, non-disclosure and participation in the CDS Default Management Group....	1

TITLE I

GENERAL PROVISIONS
&
LEGAL FRAMEWORK

Article 1.0.1.1

LCH.Clearnet SA is a clearing house within the meaning of Article L. 440-1 of the French Monetary and Financial Code and acts as a central counterparty for clearing Original Transactions entered into between the CDS Buyer and the CDS Seller in accordance with the CDS Clearing Documentation.

In this framework, LCH.Clearnet SA acts in accordance with applicable banking and financial regulations.

LCH.Clearnet SA is under the supervision of its Competent Authorities within the scope of their respective remit as granted by their national law.

Article 1.0.1.2

LCH.Clearnet SA has been notified to the European Commission as a securities settlement system pursuant to the Settlement Finality Directive. Thus, as described in Section 1 of the Procedures, any person with a legitimate interest can obtain information on LCH.Clearnet SA, the CDS Clearing Service and the CDS Clearing Documentation upon request.

Article 1.0.1.3

In accordance with the CDS Clearing Documentation, LCH.Clearnet SA novates and clears CDS, supervises the Cleared Transactions registered in the name of each Clearing Member, calculates the risk associated with such Cleared Transactions, calls Margin to cover this risk, ensures the proper settlement of the Cleared Transactions as central counterparty, manages the CDS Default Management Process and performs all other functions specified in the CDS Clearing Documentation.

CHAPTER 1 - DEFINITIONS AND INTERPRETATION

Section 1.1.1 Terms defined in this CDS Clearing Rule Book

For the purposes of the CDS Clearing Documentation, the following capitalised terms shall, unless otherwise specified, have the respective meanings set out below:

Account Structure: All accounts registered in the CDS Clearing System in the name of a Clearing Member for administrative, risk and Collateral management purposes.

Accrued Fixed Amount Liquidation Risk Margin: The amount calculated by LCH.Clearnet SA, in accordance with Section 2 of the Procedures.

Additional Contribution Amount: An unfunded contribution equal to the amount of a Clearing Member's Contribution which is payable by a Clearing Member to LCH.Clearnet SA pursuant to Article 4.4.3.2 following an application of the CDS Default Fund.

Additional Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Affected Clearing Member: In relation to the circumstances set out in Article 1.3.1.1(i), a Clearing Member who has been subject to a failure to pay or deliver, and, in relation to the circumstances set out in Article 1.3.1.1(ii) or (iii), any Clearing Member.

AMF: The *Autorité des Marchés Financiers* and any successor organisation.

AMP Participant: Any Clearing Member that is: (i) a direct participant in the Approved Matching Provider; and (ii) a TIW Participant authorised to submit Original Transactions to DTCC with a designation for clearing by LCH.Clearnet SA.

Applicable Law: Any applicable national, federal, supranational, state, provincial, local or other statute, law, ordinance, regulation, rule, code, guidance, order, published practice or concession, judgment or decision of a Governmental Authority or a Competent Authority.

Applicant: A legal person that wishes to be admitted as a Clearing Member.

Approved Matching Provider (AMP): An entity with whom:

- (i) LCH.Clearnet SA has entered into an agreement regarding the submission of Original Transactions by AMP Participants for registration and clearing by LCH.Clearnet SA; and
- (ii) AMP Participants have entered into a participant agreement in respect of matching and confirming the terms of CDS transactions and designating such CDS transactions for clearing by LCH.Clearnet SA.

Auction Settlement Amount: In respect of any Cleared Transaction, as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

Automatic Early Termination Event Stipulation: A stipulation by LCH.Clearnet SA that Cleared Transactions of a Clearing Member are subject to automatic termination.

Banking Consolidation Directive: Directive 2006/48/EC.

Business Day: Any day (other than Saturdays, Sundays and holidays observed by LCH.Clearnet SA) on which LCH.Clearnet SA is open for business.

Capital: Original own funds as defined in the Capital Requirements Directive.

Capital Requirements Directive: Banking Consolidation Directive and Directive 2006/49/EC.

Cash Collateral: Any cash provided in an Eligible Currency which is transferred to LCH.Clearnet SA outright in accordance with Section 3 of the Procedures, for the purpose of satisfying a Clearing Member's Margin Requirement, and/or its Contribution Requirement, as the case may be.

Cash Payment: Any payment due by a Clearing Member to LCH.Clearnet SA, or due to be received by a Clearing Member from LCH.Clearnet SA, of:

- (iii) cash amounts due upon the occurrence of Credit Events;
- (iv) Price Alignment Interest;
- (v) Fixed Amounts;
- (vi) Variation Margin;
- (vii) Initial Payment Amount;
- (viii) any fees due to LCH.Clearnet SA;
- (ix) cash amounts due in connection with an MTM Change; or
- (x) any other cash amounts (other than Cash Collateral).

Such payments shall be made in Euro, except as otherwise provided for in the Procedures.

CDS: A credit default swap transaction.

CDS Admission Agreement: The written agreement (including its annexes), as amended from time to time, entered into between LCH.Clearnet SA and an Applicant in order for such Applicant to become a Clearing Member.

CDS Buyer: A Clearing Member that is party to a Cleared Transaction as protection buyer.

CDS Clearing Document: Any document which forms part of the CDS Clearing Documentation.

CDS Clearing Documentation: The CDS Admission Agreement, the CDS Clearing Rules, the CDS Clearing Supplement Documents, the Index Cleared Transaction Confirmation and the Restructuring Cleared Transaction Confirmation (including all exhibits, attachments, annexes, schedules and appendices thereto, and any document incorporated by reference therein, if any), as each such document is amended from time to time.

CDS Clearing Rule Book: This document (including all exhibits, attachments, annexes, schedules and appendices hereto), as amended from time to time.

CDS Clearing Rules: This CDS Clearing Rule Book, the CDS Dispute Resolution Protocol, the Procedures and all related Clearing Notices, as each such document is amended from time to time.

CDS Clearing Service: The service provided by LCH.Clearnet SA in respect of clearing CDS in accordance with the CDS Clearing Documentation.

CDS Clearing Supplement: The document issued by LCH.Clearnet SA and entitled "*CDS Clearing Supplement*", as amended from time to time.

CDS Clearing Supplement Documents: The CDS Clearing Supplement, the Procedures and all related Clearing Notices, as each such document is amended from time to time

CDS Clearing System: The IT system managed by LCH.Clearnet SA and providing Clearing Members with technical access to the CDS Clearing Service.

CDS Contractual Currency: The currency required under the terms of any Cleared Transaction.

CDS Default Fund: The default fund established and maintained pursuant to TITLE IV, Chapter 4 for Cleared Transactions.

CDS Default Fund Amount: The amount of the CDS Default Fund as required pursuant to Article 4.4.1.2.

CDS Default Fund Calculation Amount: An amount equal to the CDS Default Fund Amount less the aggregate of the Contribution Requirement for all of the Clearing Members in respect of whom the initial calculation of their respective Contribution Requirement requires them to pay a Contribution equal to the minimum contribution set out in Article 4.4.1.3.

CDS Default Management Committee: The committee which is set up by LCH.Clearnet SA in accordance with the provisions of the CDS Default Management Process in order to assist LCH.Clearnet SA with the development and implementation of:

- (i) the CDS Default Management Process; and
- (ii) any auction process to liquidate a self-referencing Restructuring Cleared Transaction and enter into an equivalent Restructuring Cleared Transaction with a Clearing Member other than the Clearing Member referenced in such Restructuring Cleared Transaction.

CDS Default Management Group: The group which is set up by LCH.Clearnet SA in accordance with the provisions of the CDS Default Management Process in order to assist LCH.Clearnet SA, in circumstances where:

- (i) an Event of Default has been declared by LCH.Clearnet SA as occurring in respect of a Clearing Member, with the implementation of the CDS Default Management Process and liquidation of Cleared Transactions in accordance with this CDS Clearing Rule Book; or
- (ii) a Clearing Member makes notification to LCH.Clearnet SA pursuant to Article 9 of the CDS Clearing Supplement, with the implementation of any auction process to liquidate a self-referencing Restructuring Cleared Transaction and enter into an equivalent Restructuring Cleared Transaction with a Clearing Member other than the Clearing Member referenced in such Restructuring Cleared Transaction.

CDS Default Management Process: The process in accordance with which LCH.Clearnet SA and the CDS Default Management Group will manage a default of a Clearing Member, as set out in Appendix 1.

CDS Dispute Resolution Protocol: The protocol pursuant to which Disputes will be resolved.

CDS Post-Default Period: The period specified in Article 4.4.3.3.

CDS Seller: A Clearing Member that is party to a Cleared Transaction as protection seller.

CDS Type: This term shall have the meaning set out in the CDS Clearing Supplement.

Cleared Transaction Portfolio Report: The report issued by LCH.Clearnet SA setting out the Original Transactions that have been novated on the date of the report as delivered after the Novation Time or the Recalculated Novation Time as the case may be.

Cleared Transaction: A CDS between LCH.Clearnet SA and a Clearing Member, registered in the Trade Account of such Clearing Member and resulting from:

- (i) the novation of an Original Transaction;

- (ii) the creation of a Restructuring Cleared Transaction or a Physically Settled Cleared Transaction (where applicable) pursuant to the CDS Clearing Supplement;
- (iii) the compression of existing Cleared Transactions to a single Cleared Transaction pursuant to TITLE III, CHAPTER 3; or
- (iv) LCH.Clearnet SA and a Clearing Member entering into hedging transactions pursuant to the CDS Default Management Process.

Clearing Day: Any day that is not a holiday in either the TARGET or the London calendars.

Clearing Member: Any legal entity admitted as a clearing member in accordance with the CDS Clearing Rules and a party to the CDS Admission Agreement.

Clearing Member Termination Date: The date on which Membership Termination in respect of a Clearing Member becomes effective in accordance with Article 2.4.2.1 or Article 2.4.2.2.

Clearing Notice: Any notice issued by LCH.Clearnet SA from time to time which:

- (i) provides guidance to all or a particular category of Clearing Members on a matter of interpretation in connection with the CDS Clearing Rule Book, the CDS Clearing Supplement or the Procedures;
- (ii) notifies all Clearing Members of the existence or cessation of a Force Majeure Event occurring with respect to LCH.Clearnet SA in accordance with Article 1.2.11.2(ii) and Article 1.2.11.2(vi);
- (iii) notifies all Clearing Members of an LCH Default in accordance with Article 1.3.1.3;
- (iv) notifies all Clearing Members of the termination or suspension of a particular Clearing Member's membership of the CDS Clearing Service;
- (v) notifies all Clearing Members of the occurrence of an Event of Default in accordance with Article 4.3.1.3; or
- (vi) such other Clearing Notices as may be required or contemplated by the CDS Clearing Rule Book, the CDS Clearing Supplement or the Procedures.

Clearing Submission Day: The Clearing Day on which an Original Transaction is submitted (or deemed submitted) for clearing pursuant to Article 3.1.1.3.

CLS: The cash settlement system operated by CLS Bank International or any successor thereto.

CLS Account: An account held at CLS to enable a CLS participant to perform the cash payment obligations set out in Article 2.2.5.7 through CLS.

CLS Paying Agent: A CLS participant who permits a Clearing Member to fulfil some of its cash payment obligations under the CDS Clearing Documentation by using its CLS Account.

Collateral: Any Eligible Collateral and/or Cash Collateral.

Competent Authority: Other than for LCH.Clearnet SA, any authority which:

- (i) is recognised as such by a Person's home Member State under the terms of the Banking Consolidation Directive or MiFID; or
- (ii) has concluded a cooperation agreement with the French Competent Authorities in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction to which a Person is subject,

and for LCH.Clearnet SA, each of the AMF, the Autorité de Contrôle Prudentiel, the Banque de France, the European Securities and Markets Authority, the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, any successor body of any of the foregoing and any other body which has concluded a cooperation agreement with the AMF, the Autorité de Contrôle Prudentiel, the Banque de France in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction and designated as such by LCH.Clearnet SA from time to time.

Concentration Risk Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Contribution: With respect to each Clearing Member, an amount calculated by LCH.Clearnet SA in accordance with Article 4.4.1.3 and payable by each Clearing Member to LCH.Clearnet SA to fund the CDS Default Fund (and, for the avoidance of doubt, excluding any Additional Contribution Amount of such Clearing Member).

Contribution Balance: The aggregate value of Collateral (determined in accordance with Section 3 of the Procedures) deposited by a Clearing Member with LCH.Clearnet SA to satisfy its Contribution Requirement.

Contribution Excess: The amount, if any, by which the Contribution Balance exceeds the Contribution Requirement.

Contribution Requirement: The aggregate of a Clearing Member's Contribution and its Additional Contribution Amount, if applicable.

Contribution Shortfall: The amount, if any, by which a Clearing Member's Contribution Requirement exceeds the Contribution Balance.

Credit Derivatives Determinations Committee: This term shall have the meaning set out in the ISDA Credit Derivatives Definitions.

Credit Event: In respect of any Cleared Transaction, as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

Credit Event Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Credit Event Notice: In respect of any Cleared Transaction, as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

Credit Institution: Any credit institution as defined in the Banking Consolidation Directive.

Damage: Any damage, loss, cost or expense of whatsoever nature.

Data Protection Law: Any legislation in force from time to time which implements the Directive 95/46/EC and Directive 2002/58/EC and any other similar applicable national privacy law, which applies to the business activities of LCH.Clearnet SA.

DC Credit Event Announcement: This term shall have the meaning given to such term for the purposes of the applicable Cleared Transaction.

Defaulting Clearing Member: Any Clearing Member in respect of which an Event of Default has been declared by LCH.Clearnet SA.

Defaulting Clearing Member Termination Date: The date notified as such to a Defaulting Clearing Member by LCH.Clearnet SA in the Default Notice.

Default Notice: A notice issued by LCH.Clearnet SA to a Clearing Member following a determination that an Event of Default has occurred or is occurring in respect of such Clearing Member, including where that notice takes the form of an Automatic Early Termination Event Stipulation and that such Clearing Member will henceforth be treated as a Defaulting Clearing Member.

Disciplinary Proceedings: Proceedings established pursuant to Section 8 of the Procedures, under which LCH.Clearnet SA shall investigate and, where it considers appropriate, take action following any breaches or alleged breaches of the CDS Clearing Documentation.

Dispute: This term shall have the meaning set out in the CDS Dispute Resolution Protocol.

DTCC: The Warehouse Trust Company LLC, a subsidiary of the US Depository Trust and Clearing Corporation, and any successor thereto.

EEA: The European Economic Area.

Eligibility Requirements: The requirements described in Section 4 of the Procedures with which Original Transactions must comply in order to be eligible for clearing by LCH.Clearnet SA.

Eligible Collateral: Such securities and other types of non-Cash Collateral as are set out in Section 3 of the Procedures as being acceptable by LCH.Clearnet SA for the purposes of satisfying a Clearing Member's Margin Requirement.

Eligible Currency: Cash in such currencies as are set out in Section 3 of the Procedures as being acceptable by LCH.Clearnet SA as Cash Collateral or Cash Payments.

End of Day Contributed Price: For each type of CDS meeting the Eligibility Requirements and identical in all material aspects other than the Notional Amount, the price/spread provided by the Index Publisher to LCH.Clearnet SA for such CDS and resulting from contributions made by the Clearing Members, as set out in Article 4.2.5.1.

Euro: The Euro.

Eurosystem Central Bank: The European Central Bank and any of the national central banks of the European Union member states that have adapted the Euro as their common currency.

Event: Any of the events listed in Article 4.3.1.1 occurring in respect of a Clearing Member.

Event of Default: An Event that LCH.Clearnet SA has determined, pursuant to Article 4.3.1.1 and Article 4.3.1.2, should constitute an event of default and in respect of which a Default Notice is issued.

Extraordinary Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Extraordinary Margin Limit: In respect of any Clearing Member, an amount equal to the Clearing Member's Uncovered Risk minus the Clearing Member's Contribution, subject to a minimum of zero.

Extreme Market Developments: Any one of the following:

- (i) an occurrence or circumstance that threatens or may threaten the fair and orderly clearing, settlement or liquidation of, or in respect of, Cleared Transactions (whether generally or in respect of a particular category of Cleared Transactions) or the continuity or proper and sound functioning of the CDS Clearing Service;

- (ii) a suspension to trading on markets of CDS or other financial instruments relevant to the price or value of CDS or any other form of market disruption which makes the proper determination of the End of Day Contributed Price impossible or impractical; and/or
- (iii) any occurrence or circumstance that would negatively impact any financial market relevant to the CDS Clearing Service by introducing an unacceptable level of uncertainty, volatility or risk in respect of any or all Cleared Transactions or to the CDS Clearing Service;

and, in each case, the result of which makes it impractical for LCH.Clearnet SA to continue to operate the CDS Clearing Service in accordance with the CDS Clearing Documentation while satisfactorily managing its risks. For the avoidance of doubt, an event may constitute an Extreme Market Development even if it affects only one Clearing Member or a group of Clearing Members.

Fallback Settlement Method: This term shall have the meaning set out in the CDS Clearing Supplement.

Final Settlement Notice: The notice delivered by LCH.Clearnet SA to a Defaulting Clearing Member pursuant to Article 4.3.3.3.

Financial Account: An account opened in the books of LCH.Clearnet SA to identify Collateral provided by each Clearing Member for reporting purposes.

Financial Group: A Person shall belong to the same Financial Group as:

- (i) any entity controlled, directly or indirectly by the Person;
- (ii) any entity that controls, directly or indirectly, the Person; or
- (iii) any entity directly or indirectly under common control with the Person.

For this purpose, “control” of any entity or Person means ownership of a majority of the voting power of the entity or Person.

Fixed Amount: This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Restructuring Cleared Transaction Confirmation.

Fixed Rate Payer: This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Restructuring Cleared Transaction Confirmation.

Floating Rate Payer: This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation.

Force Majeure Event: Any extraordinary event that cannot be foreseen or avoided, which is outside the control of LCH.Clearnet SA or the relevant Clearing Member, as applicable, and which hinders or prevents the performance in whole or in part of any of their obligations under the CDS Clearing Documentation and, in relation to any obligation under the CDS Clearing Supplement that is part of the terms and conditions of a Cleared Transaction and where such obligation has not yet fallen due, such an occurrence that would hinder or prevent performance in whole or in part of any of its obligations thereunder were the occurrence or effects of the occurrence to continue until the date of performance of the relevant obligations, including but not limited to: fire, flood, storm, hurricanes, earthquakes, explosions, strokes of lightning, international conflicts, hostilities, terrorist action, civil unrest, war, embargoes, the unavailability or impairment of computer or data processing facilities, the failure of any external systems, including but not limited to the Approved Matching Provider, DTCC (after giving effect to any applicable provision, disruption fallback or

remedy specified in, or pursuant to, the CDS Clearing Supplement), CLS and TARGET2 and Illegality.

Former Clearing Member: A Person who was a Clearing Member prior to Membership Termination.

Governmental Authority: Any de facto or de jure government or any agency, instrumentality, ministry or department thereof.

Guarantor: A Person who has issued an unconditional direct first-demand guarantee in favour of LCH.Clearnet SA pursuant to Article 2.2.2.2.

Illegality: After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the CDS Clearing Supplement, due to an event or circumstance (other than any action taken by a party or its Guarantor occurring after a Cleared Transaction is entered into), it becomes unlawful under any applicable law (including without limitation the laws of any country in which payment, delivery or compliance is required by either party or its Guarantor as the case may be), on any day, or it would be unlawful if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of circumstances where a party would not have used all reasonable efforts to maintain in full force and effect all consents of any Governmental Authority that are required to be obtained by it with respect to the CDS Clearing Documentation or would not have used all reasonable efforts to obtain any that may become necessary in the future) for the Office through which such party makes and receives payments or deliveries with respect to such Cleared Transaction to perform any absolute or contingent obligation to make a payment or delivery in respect of such Cleared Transaction, to receive a payment or delivery in respect of such Cleared Transaction or to comply with any other material provision of the CDS Clearing Documentation relating to such Cleared Transaction.

Index Cleared Transaction: This term shall have the meaning set out in the CDS Clearing Supplement.

Index Cleared Transaction Confirmation: This term shall have the meaning set out in the CDS Clearing Supplement.

Index Publisher: For the iTraxx® Europe Indices, Markit Group Limited or any successor thereto or any replacement then appointed by the Index Sponsor for purposes of officially publishing the relevant index.

Index Sponsor: For the iTraxx® Europe Indices, the International Index Company Limited, or any successor thereto.

Initial Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Initial Margin Floor: An amount, representing the minimum level of Initial Margin, calculated in accordance with Section 2 of the Procedures by LCH.Clearnet SA, payable by Clearing Members and notified to Clearing Members generally from time to time.

Initial Payment Amount: This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Restructuring Cleared Transaction Confirmation.

Initial Payment Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Insolvency Proceeding: Where a Clearing Member or, as applicable, any related Guarantor or Parent:

- (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (ii) becomes insolvent or unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (iv) institutes or has instituted against it a proceeding seeking judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition: (a) results in a judgment of insolvency or bankruptcy, or the entry of an order for relief, or the making of an order for winding-up or liquidation; or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets;
- (vii) has a secured party take possession of all or substantially all its assets, or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained in each case within thirty calendar days thereafter; or
- (viii) causes or is subject to any event with respect to it which, under Applicable Law, has an analogous effect to any of the events specified in paragraphs (i) to (vii) above.

Intra-Day Margin Notice: A notice delivered by LCH.Clearnet SA notifying a Clearing Member that it must transfer Collateral other than pursuant to a Margin Call Report.

Intra-Day Margin Shortfall: A Margin Shortfall occurring as a result of LCH.Clearnet SA's performing the calculations set out in Section 3 of the Procedures at a time other than the Scheduled Margin Calculation Time.

Investment Firm: An investment firm as defined in MiFID.

ISDA: The International Swaps and Derivatives Association, Inc., and any successor thereto.

ISDA Credit Derivatives Definitions: This term shall have the meaning set out in the CDS Clearing Supplement.

iTraxx® Europe Indices: Each of the series and versions of indices set out in Section 4 of the Procedures. Information about these indices and their publication, composition, weighting and calculation is available on the website of the Index Publisher (www.markit.com).

Lack of Confirmation Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

LCH.Clearnet SA: The commercial name of "*Banque Centrale de Compensation*", a clearing house as defined by Article L. 440-1 of the French Monetary and Financial Code (Code Monétaire et Financier) complying with Title IV of Book V of the general regulations of the AMF.

LCH.Clearnet SA Contribution: An amount of Euro 20 million.

LCH Default: The occurrence of any of the events listed in Article 1.3.1.1, provided notice is provided pursuant to Article 1.3.1.2.

LCH Default Date: The date on which a notice given to LCH.Clearnet SA pursuant to Article 1.3.1.2 is deemed delivered to LCH.Clearnet SA.

LCH Default Payment Date: The day 27 Clearing Days after the Termination Date, unless otherwise set out in accordance with Article 1.3.1.10 or amended by LCH.Clearnet SA pursuant to Article 1.3.1.11.

LCH Default Time: The time at which a notice given to LCH.Clearnet SA pursuant to Article 1.3.1.2 is deemed delivered to LCH.Clearnet SA and in the event that notices are received from more than one Affected Clearing Member, the first of those notices.

LCH Insolvency Proceeding: For the purpose of TITLE I, Chapter 3, where a safeguard procedure (*procédure de sauvegarde*), judicial reorganisation procedure (*procédure de redressement judiciaire*) or winding-up procedure (*procédure de liquidation judiciaire*) is formally opened by a French court against LCH.Clearnet SA in accordance with French applicable law and the judgment opening such LCH Insolvency Proceeding has been duly notified by the registry of the relevant French court in accordance with the provisions of the French Commercial Code or duly published in accordance with the provisions of the French Commercial Code.

Loss Distribution Period: The period set out in Clause 1.1 of the CDS Default Management Process.

Loss Distribution Process: The process set out in Clause 6 of the CDS Default Management Process.

Margin: Any margin, including Initial Margin, Additional Margin, Short Charge Margin, Accrued Fixed Amount Liquidation Risk Margin, Credit Event Margin, Initial Payment Margin, Variation Margin, Extraordinary Margin, Settlement Risk Margin, Concentration Risk Margin and Lack of Confirmation Margin that LCH.Clearnet SA calculates on a daily basis to be payable by a Clearing Member in accordance with the terms of this CDS Clearing Rule Book and the Procedures.

Margin Account: An account opened by LCH.Clearnet SA in the name of a Clearing Member in the CDS Clearing System for risk management purposes, in which Cleared Transactions are netted and corresponding Open Positions are registered in order to calculate the Margin Requirements and Variation Margin Requirements of the relevant Clearing Member.

Margin Balance: The aggregate value of Collateral deposited by a Clearing Member with LCH.Clearnet SA to satisfy its Margin Requirement.

Margin Call Report: This term has the meaning in Article 3.1.1.4 and, where relevant, Article 3.1.2.4 or Article 3.1.2.11.

Margin Excess: The amount by which the Margin Balance exceeds the Margin Requirement, if any.

Margin Repayment Amount: This term has the meaning set out in Clause 7.5 of the Default Management Process.

Margin Requirement: The aggregate of the Margin components set out in Section 2 of the Procedures other than Variation Margin, calculated by LCH.Clearnet SA for each Clearing Member on the basis of the Open Positions registered in the Margin Account of the Clearing Member.

Margin Shortfall: The amount by which a Clearing Member's Margin Requirement exceeds the Margin Balance, if any.

Matched Buyer: This term shall have the meaning set out in the CDS Clearing Supplement.

Matched Pair: This term shall have the meaning set out in the CDS Clearing Supplement.

Matched Seller: This term shall have the meaning set out in the CDS Clearing Supplement.

Member State: Any of the member states of the EEA from time to time.

Membership Termination: The effective termination of a Clearing Member's membership of the CDS Clearing System and, subject to Article 2.4.2.4, the extinguishment of its liabilities and obligations to LCH.Clearnet SA in respect of Cleared Transactions.

Membership Termination Notice: A notice served by either LCH.Clearnet SA in accordance with Article 2.4.2.2(i) or a Clearing Member in accordance with Article 2.4.2.2(ii).

Membership Termination Notice Period: The period from the date on which a Membership Termination Notice is served to the Clearing Member Termination Date.

MiFID: Directive 2004/39/EC.

MTM Change: In relation to a Cleared Transaction, a material effect on the mark to market price of such Cleared Transaction.

Non Bidder: This term shall have the meaning set out in the CDS Default Management Process.

Non-Default Termination: Termination of a Clearing Member's membership other than as a result of:

- (i) an Event of Default occurring in respect of such Clearing Member; or
- (ii) an LCH Default.

Non-Default Unwind: In relation to a Clearing Member, the process by which the Clearing Member unwinds its Cleared Transactions, through a transfer of Cleared Transactions to another Clearing Member or a liquidation, compression or other form of close-out of its Cleared Transactions. A closing out of Cleared Transactions on the termination of a Clearing Member's membership of LCH.Clearnet SA is a Non-Default Unwind only where an Event of Default has not occurred in relation to that Clearing Member.

Notional Amount: This term shall have the meaning set out in the CDS Clearing Supplement.

Novation Postponement Event: This term has the meaning given in Article 3.1.2.3 or Article 3.1.2.12 as the case may be.

Novation Postponement Event Notice: A notice in writing setting out details of the occurrence of a Novation Postponement Event (which, for the avoidance of doubt, shall not identify, directly or indirectly, the relevant Postponing Clearing Member(s)).

Novation Time: Subject to Article 3.1.2.4, Article 3.1.2.7 and Article 3.1.2.10, 09:15.

Office: With respect to LCH.Clearnet SA, its Paris head office and, with respect to any Clearing Member, the branch or office through which it acts for the purposes of the CDS Clearing

Documentation, as initially set out in the CDS Admission Agreement it has entered into with LCH.Clearnet SA and as may be amended from time to time.

Open Position: The net sum of the obligations resulting from the netting of Cleared Transactions in accordance with Article 3.2.2.3.

Original Transaction: A CDS originally entered into between AMP Participants, which is novated to LCH.Clearnet SA to become two Cleared Transactions, following (i) its terms being matched and confirmed through the Approved Matching Provider and (ii) its being submitted to DTCC with a designation for clearing by LCH.Clearnet SA by both AMP Participants when confirming the terms of such CDS to the Approved Matching Provider.

Parent: An entity is a parent in relation to another entity (the subsidiary) if:

- (i) it holds a majority of the voting rights in the subsidiary; or
- (ii) it is a shareholder or partner of the subsidiary and has the right to appoint or remove a majority of its board of directors; or
- (iii) it has the right to exercise a dominant influence over the subsidiary: (a) by virtue of provisions contained in the subsidiary's articles, or (b) by virtue of a control contract; or
- (iv) it is a shareholder or partner of the subsidiary and controls alone, pursuant to an agreement with other shareholders or partners, a majority of the voting rights in the subsidiary.

Payment Failure: Any failure by a Clearing Member or its Guarantor to, by the due time, transfer, deliver, deposit with or pay to LCH.Clearnet SA:

- (i) any or all Price Alignment Interest, Initial Payment Amount, Fixed Amounts, cash amounts due upon the occurrence of a Credit Event, securities, deliverable obligations or assets owed to LCH.Clearnet SA or to another Clearing Member in respect of Cleared Transactions registered in the name of the Defaulting Clearing Member with LCH.Clearnet SA; and
- (ii) Collateral to satisfy its Margin Requirement (including but limited to Initial Margin, Additional Margin, Short Charge Margin, Accrued Fixed Amount Liquidation Risk Margin, Credit Event Margin, Initial Payment Margin, Settlement Risk Margin, Concentration Risk Margin, Extraordinary Margin, Lack of Confirmation Margin or any additional Margin imposed by LCH.Clearnet SA pursuant to Article 4.2.1.2);
- (iii) Collateral to satisfy its Contribution Requirement; and
- (iv) Cash Payment to satisfy its Variation Margin Requirement.

Person: Any individual, legal entity, corporation, partnership, association, trust, sovereign state, agency or entity as the context admits or requires.

Physical Settlement Amount: In respect of any Cleared Transaction, as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

Physically Settled Cleared Transactions: This term shall have the meaning set out in the CDS Clearing Supplement.

Pledge Agreement: The agreement entered into between LCH.Clearnet SA and a Clearing Member having exercised its option to transfer Collateral (other than Cash Collateral) to LCH.Clearnet SA through a Belgian law security interest pursuant to Article 3.2.3.2.

Postponing Clearing Member: A Clearing Member that has failed to pay its Margin Requirement as calculated and notified to it by LCH.Clearnet SA in accordance with Article 3.1.2.2.

Power of Attorney: Authority validly given by a Person, in accordance with all relevant Applicable Law, to enable another to act in the name of that Person.

Price Alignment Interest: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Procedures: One or more documents published and identified as such containing the working practices and administrative or other requirements of LCH.Clearnet SA for the purpose of implementing or supplementing the CDS Clearing Rule Book and the CDS Clearing Supplement, or the procedures for application for and regulation of membership of LCH.Clearnet SA, as amended from time to time.

Recalculated Margin Time: 11:55 or 12:55, as notified to Clearing Members in the Margin Call Report in accordance with Article 3.1.2.4, or such other time as is notified to Clearing Members in the Margin Call Report that is to be issued in the circumstances set out in Article 3.1.2.11 relating to adjustments to the Loss Distribution Cap Amount.

Recalculated Novation Time: 12:10, where a Clearing Member's recalculated Margin Requirement is met by 11:55, or 13:10 where a Clearing Member's recalculated Margin Requirement is met by 12:55, or such other time as set out in Article 3.1.2.12.

Redeliverable Eligible Collateral: Eligible Collateral transferred by a Clearing Member to LCH.Clearnet SA other than on a full title transfer basis.

Regulatory Body: The Secretary of State, The Financial Services Authority or professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the Commodity Futures Trading Commission of the United States (CFTC) or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law, including any Competent Authority.

Representative: In relation to a Clearing Member, any Person that carries out or is responsible for (or purports to carry out or be responsible for) any of the functions of the Clearing Member, including without limitation any director, partner and/or any duly authorised officer, executive, employee, or agent.

Restructuring: In respect of any Cleared Transaction, as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

Restructuring Cleared Transaction: This term has the meaning set out in the CDS Clearing Supplement.

Restructuring Cleared Transaction Confirmation: This term has the meaning set out in the CDS Clearing Supplement.

Restructuring Matched Pair: This term has the meaning set out in the CDS Clearing Supplement.

Risk Committee: A committee installed by the Board of LCH.Clearnet SA in order to provide the latter with advice and recommendations on risk management matters. It is composed of representatives of LCH.Clearnet SA, representatives of clearing members and representatives of independent third parties. The committee assesses the risks borne by LCH.Clearnet SA, defines and reviews LCH.Clearnet SA risk policies. More generally, it provides advices and

recommendations on risk management framework which are ratified either by LCH.Clearnet SA Chief Executive Officer or by the Board of LCH.Clearnet SA as set-out in its terms of reference. The composition, frequency and powers of the committee are organised by its terms of reference as modified from time to time.

Rules Notice: A notice issued by LCH.Clearnet SA detailing any new, amended or revoked provisions of the CDS Clearing Documentation.

Rules Proposal: A consultation document issued by LCH.Clearnet SA detailing any proposal for a change in the provisions of the CDS Clearing Documentation.

Scheduled Margin Calculation Time: The time at which LCH.Clearnet SA calculates each Clearing Member's Margin Requirement and its corresponding Margin Balance, in accordance with Section 2 of the Procedures.

Scheduled Membership Termination Date: The date specified in a Membership Termination Notice as being the date on which Membership Termination occurs.

Securities Settlement Agent: A third party which is admitted as a participant of a securities settlement system and/or a central securities depository designated by LCH.Clearnet SA and holds a Securities account which a Clearing Member can use to fulfil some or all of its Securities delivery obligations or Margin obligations towards LCH.Clearnet SA or another Clearing Member.

Settlement Finality Directive: Directive 98/26/EEC.

Settlement Matched Pair: This term shall have the meaning set out in the CDS Clearing Supplement.

Settlement Risk Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Short Charge Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Specific Matter: Any one of the following:

- (i) the provisions set out in Article 4.4.3.4 and Article 4.4.1.4 which ensure that, during a CDS Post-Default Period, a Clearing Member cannot be required to transfer Collateral to LCH.Clearnet SA as a Contribution Requirement other than where it is called upon to pay its Additional Contribution Amount, calculated in accordance with Article 4.4.1.4;
- (ii) the provision in Article 4.3.2.2 which requires LCH.Clearnet SA to implement the CDS Default Management Process to manage the impact of any Event of Default of a Clearing Member;
- (iii) any provision, whether relating to the CDS Default Management Process or other provisions of the CDS Clearing Documentation, which purports to introduce the creation of, or closing out and valuation of, Cleared Transactions at a price and on terms determined by LCH.Clearnet SA in its discretion, forced allocation or any other analogous procedure through which a Clearing Member is required to take on additional risk at a price or on terms other than as agreed by the Clearing Member or in accordance with the CDS Default Management Process;
- (iv) the provisions in Article 1.3.1.1(i) in respect of the period of three Clearing Days following which a failure to pay or redeliver constitutes an LCH Default;

- (v) the resources which are available to LCH.Clearnet SA following the occurrence of an Event of Default and the order in which they are available to be used, as set out in Article 4.3.3.1;
- (vi) the provisions set out in Article 4.4.1.2 and Article 4.4.1.3, the definition of Additional Contribution Amount and the provisions set out in Section 6 of the Procedures, which govern the size of the CDS Default Fund; and
- (vii) the rights of the Clearing Members pursuant to Article 1.2.2.7 in relation to Specific Matters.

Systems and Operations: All parts and components of the technical system of a Clearing Member, including hardware and software that is operated and maintained by or on behalf of a Clearing Member to clear Original Transactions together with the procedures that are in place to operate such system, including risk management provisions.

TARGET: The system known as Trans-European Automated Real-time Gross Settlement Express Transfer.

TARGET2: The system known as Trans-European Automated Real-time Gross Settlement Express Transfer 2.

TARGET2 Account: An account held by a TARGET2 participant in TARGET2 payment module with a Eurosystem Central Bank which is necessary for such TARGET2 participant to:

- (i) submit payment orders or receive payments via TARGET2; and
- (ii) settle such payments with such Eurosystem Central Bank.

TARGET2 Payment Agent: A third party which holds a cash account with a central bank and/or a Credit Institution designated by LCH.Clearnet SA, and which a Clearing Member can use to fulfil some or all of its payment or Margin obligations towards LCH.Clearnet SA in accordance with the CDS Clearing Documentation.

Termination Amount: For the purpose of TITLE I, Chapter 3, the single, net positive or negative amount, denominated in Euro and determined pursuant to and in accordance with Article 1.3.1.10.

Termination Date: For the purpose of TITLE I, Chapter 3, the date (being a Clearing Day not earlier than the Clearing Day the relevant notice is effective) upon which the Cleared Transactions in a Clearing Member's Trade Account will be terminated and liquidated in accordance with Article 1.3.1.3 to Article 1.3.1.12.

TIW: The trade information warehouse operated by DTCC.

TIW Participant: Any Person that is a direct participant in the TIW for the records of CDS (including Original Transactions and Cleared Transactions).

Total Initial Margin: The sum of:

- (i) the Initial Margin; and
- (ii) the Short Charge Margin.

Trade Account: Any account opened by LCH.Clearnet SA at the request and in the name of a Clearing Member within the Account Structure of the Clearing Member in the CDS Clearing System in order to register Cleared Transactions in the name of such Clearing Member.

Transaction Data: This term shall have the meaning set out in the CDS Clearing Supplement.

Uncovered Risk: The risk associated with all of the Open Positions that are registered in a Clearing Member's Margin Account, determined on a stressed basis in accordance with the parameters established by LCH.Clearnet SA in consultation with the Risk Committee, less the Initial Margin paid by that Clearing Member.

Variation Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Variation Margin Requirement: The amount of Variation Margin calculated by LCH.Clearnet SA for each Clearing Member on the basis of the Open Positions registered in the Margin Account of each Clearing Member.

Website: www.lchclearnet.com.

Section 1.1.2 Incorporation of defined terms

Article 1.1.2.1

The capitalised terms listed in this CDS Clearing Rule Book as having the meaning set out in the CDS Clearing Supplement, the ISDA Credit Derivatives Definitions, an Index Cleared Transaction Confirmation or Restructuring Cleared Transaction Confirmation, or the CDS Dispute Resolution Protocol shall be interpreted in accordance with the governing law of the CDS Clearing Supplement or the CDS Dispute Resolution Protocol, as the case may be.

Article 1.1.2.2

Capitalised terms which are used in the CDS Clearing Documentation and not otherwise defined in this CDS Clearing Rule Book shall have the meanings given in the document in which such terms are defined and shall be interpreted in accordance with the governing law of that document. Any Clearing Notice will be interpreted in accordance with the law of the relevant CDS Clearing Document to which it relates.

Section 1.1.3 Interpretation and references

Article 1.1.3.1

References to any law, regulation or directive in the CDS Clearing Documentation shall include any notice, order, guidance, example or subordinate legislation made from time to time under such law, regulation or directive.

Article 1.1.3.2

References to any law, regulation or directive in the CDS Clearing Documentation shall be construed as references to such law, regulation or directive as in force from time to time and, insofar as liability may arise thereunder, shall include such past law, regulation or directive which was applicable at the time of the relevant act or omission.

Article 1.1.3.3

Where reference is made in the CDS Clearing Documentation to a TITLE, Chapter, Section or Article, such reference is to a TITLE, Chapter, Section or Article of this CDS Clearing Rule Book unless otherwise indicated. Appendices to this CDS Clearing Rule Book form part of this CDS Clearing Rule Book.

Article 1.1.3.4

Chapter or Section headings in the CDS Clearing Documentation are for ease of reference only; they are not part of the content of the relevant Chapter or Section and shall not in any way affect the interpretation thereof.

Article 1.1.3.5

This CDS Clearing Rule Book and the CDS Clearing Supplement shall be implemented and supplemented by Procedures and interpreted by reference to Clearing Notices. The Procedures shall take effect and shall be binding on Clearing Members as if they formed part of this CDS Clearing Rule Book or the CDS Clearing Supplement, if applicable, subject to Article 1.1.3.8 below.

Article 1.1.3.6

Words importing the singular shall, where the context permits, include the plural and vice versa.

Article 1.1.3.7

Reference to writing contained in the CDS Clearing Documentation shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in the visual form.

Article 1.1.3.8

In the event of inconsistency between different language versions or translations of the CDS Clearing Rule Book :

- the French language version of this CDS Clearing Rule Book as approved by the AMF shall prevail over its English language version to govern the relationship with the French Competent Authorities;
- the English language version of the CDS Clearing Rule Book shall prevail in the relationship between LCH.Clearnet SA and any Clearing Member or between the Clearing members themselves.

The remainder of the CDS Clearing Documentation shall be drawn up in English. Different language versions or translations of the remainder of the CDS Clearing Documentation may be issued for information purposes. In the event of inconsistency between different language versions or translations of the remainder of the CDS Clearing Documentation, the English language version of the remainder of the CDS Clearing Documentation shall prevail over any other language versions or translations.

To the extent of any conflict between (i) any definition or provision contained in Appendix 1 of the CDS Clearing Rule Book, (ii) the remainder of the CDS Clearing Rule Book, (iii) the CDS Admission Agreement, (iv) the CDS Clearing Supplement, (v) an Index Cleared Transaction Confirmation or Restructuring Cleared Transaction Confirmation (as applicable), (vi) the Procedures or (vii) any Clearing Notices, the first referenced document shall prevail, except with respect to any conflict arising from the CDS Clearing Rule Book being governed by French law and the CDS Clearing Supplement being governed by English law in relation to determining the existence and/or amount of any payment and delivery obligations under any Cleared Transactions, in respect of which the CDS Clearing Supplement, the Index Cleared Transaction Confirmation or the Restructuring Cleared Transaction Confirmation, as applicable, shall prevail to the extent permitted by law.

CHAPTER 2 - GENERAL PROVISIONS

Section 1.2.1 General

Article 1.2.1.1

The CDS Clearing Documentation sets out the principles and general conditions governing the organisation and operation of the CDS Clearing Service.

Article 1.2.1.2

Any general or specific decisions which LCH.Clearnet SA is required or permitted to take pursuant to the provisions of the CDS Clearing Documentation shall be taken in accordance with general principles of good faith and fair dealing, in a commercially reasonable manner, in accordance with high standards of integrity, and at an appropriate level of seniority.

Article 1.2.1.3

The provisions of the CDS Clearing Documentation shall be binding on all Clearing Members in relation to the CDS Clearing Service and Clearing Members shall at all times comply with the requirements set out in the CDS Clearing Documentation in addition to any other conditions and restrictions that apply or are imposed in accordance herein.

Section 1.2.2 Modification

Article 1.2.2.1

LCH.Clearnet SA shall only be permitted to modify the CDS Clearing Documentation from time to time, in accordance with the provisions of this Section 1.2.2. For the avoidance of doubt, this Section 1.2.2 does not apply to the issuance of Clearing Notices.

Article 1.2.2.2

In respect of any proposed modification applying to Clearing Members generally including any proposed new provisions or amendments to and/or revocations of existing provisions, LCH.Clearnet SA shall first consult with the appropriate legal, risk, operational and/or other forums established by LCH.Clearnet SA. Such consultation shall take place in accordance with the processes and the terms of reference of the relevant forums. Subject to Article 1.2.2.4 and Article 1.2.2.7, if, pursuant to this consultation process, LCH.Clearnet SA wishes to proceed with a proposed modification, LCH.Clearnet SA shall issue a Rules Proposal to all Clearing Members providing at least 14 days for Clearing Members to respond.

Article 1.2.2.3

Subject to Article 1.2.2.6, following the due completion of the process set out in Article 1.2.2.2, LCH.Clearnet SA may issue a Rules Notice. The Rules Notice shall provide full details of each new, amended or revoked provision of the CDS Clearing Document. Each such Rules Notice shall come into effect two Clearing Days after its publication or upon a later Clearing Day specified in such Rules Notice.

Article 1.2.2.4

Other than in respect of any matter which is a Specific Matter, for which Article 1.2.2.7 shall apply, LCH.Clearnet SA may issue a Rules Notice without having issued a Rules Proposal or provided 14 days for Clearing Members to respond in accordance with Article 1.2.2.2 in the following circumstances:

- (i) the proposed modification is of a limited, technical nature or relates to minor, administrative provisions and, in each case, LCH.Clearnet SA reasonably considers that prior consultation of Clearing Members in accordance with Article 1.2.2.2 is not appropriate;
- (ii) the proposed modification is required, necessary or desirable (whether in accordance with the legal advice received by LCH.Clearnet SA or otherwise) to ensure that LCH.Clearnet SA:
 - a) complies with Applicable Law, accounting standards or the requirements or recommendations of any Governmental Authority or relevant Regulatory Body; or
 - b) maintains its status as a clearing house within the meaning of Article L. 440-1 of the French Monetary and Financial Code or any other legal or regulatory status it has under any other Applicable Law;
 - c) properly manages any risks to LCH.Clearnet SA arising out of what LCH.Clearnet SA reasonably considers to be Extreme Market Developments;

provided that no modifications shall be made under sub-paragraphs (a) or (b) above without issuing a Rules Proposal and providing 14 days for Clearing Members to respond unless it is impractical for LCH.Clearnet SA to do so or LCH.Clearnet SA acting reasonably and in good faith considers it not to be necessary; and provided that no modifications shall be made under sub-paragraph (c) above without LCH.Clearnet SA having first convened an emergency meeting of the Risk Committee (which shall constitute the appropriate forum for the purposes of Article 1.2.2.2) on whatever notice period LCH.Clearnet SA is able to give and LCH.Clearnet SA's having regard to any advice of the Risk Committee before making any such modifications.

Notwithstanding its rights set out in this Article 1.2.2.4(ii)(c), LCH.Clearnet SA shall deal with an Event occurring in respect of a Clearing Member in accordance with its rights set out in Section 2.4.1 and Section 4.3.1 and shall deal with an Event of Default being declared in respect of a Clearing Member in accordance with Section 4.3.2 and Section 4.3.3. The occurrence of an Event, the declaration of an Event of Default or the due implementation of the CDS Default Management Process shall not constitute Extreme Market Developments.

Article 1.2.2.5

Where LCH.Clearnet SA issues a Rules Notice in the circumstances described in Article 1.2.2.4(i) or (ii), the Rules Notice shall come into effect on the expiry of such period of notice as is set out in such Rules Notice and LCH.Clearnet SA shall not be bound by the minimum period set out in Article 1.2.2.3. Notwithstanding the foregoing, LCH.Clearnet SA agrees that, wherever feasible, a Rules Notice will be published on the Website two Clearing Days prior to it coming into effect.

Article 1.2.2.6

Subject to Article 1.2.2.4 and Article 1.2.2.11, LCH.Clearnet SA shall not, in any circumstances, be permitted to make any modification to the CDS Clearing Documentation that would alter the terms, including, but not limited to, the payment or delivery obligations, of a Cleared Transaction. Notwithstanding the foregoing, in relation to any relevant index, where the related Index Publisher publishes an updated form of confirmation for CDS referencing such index, or where ISDA publishes an updated form of the Restructuring Cleared Transaction, LCH.Clearnet SA may, in consultation with the Risk Committee, adopt such form of confirmation in respect of Index Cleared Transactions or Restructuring Cleared Transactions, as the case may be, either:

- (i) with respect to existing and future Cleared Transactions referencing such index or Restructuring Cleared Transactions, as the case may be; or
- (ii) with respect to future Cleared Transactions referencing such index or Restructuring Cleared Transactions, as the case may be, only,

and in each case may make consequential changes to the CDS Clearing Supplement and the Procedures, provided that LCH.Clearnet SA may only adopt such confirmations and make consequential changes following consultation with the Risk Committee and provided further that:

- (a) LCH.Clearnet SA may only adopt such confirmations when LCH.Clearnet SA determines, following consultation with the Risk Committee, that such confirmations are industry standard; and
- (b) LCH.Clearnet SA may only modify existing Cleared Transactions as the case may be, if LCH.Clearnet SA determines, following consultation with the Risk Committee, that such modifications will not result in an MTM Change in respect of the relevant Cleared Transaction or Restructuring Cleared Transaction, as the case may be.

Without prejudice to its right to make other changes to the CDS Clearing Documentation in accordance with this Section 1.2.2, LCH.Clearnet SA shall not, by Clearing Notice or otherwise, issue any interpretation of any provision of any Cleared Transaction that is or purports to be binding on Clearing Members generally. Following the due completion of the process set out in Article 1.2.2.2, LCH.Clearnet SA will issue a Rules Notice in accordance with Article 1.2.2.3.

Article 1.2.2.7

If LCH.Clearnet SA issues a Rules Proposal which purports to amend, introduce, override, contravene or revoke any Specific Matter, LCH.Clearnet SA shall ensure that the consultation process involving Clearing Members shall be no less than 30 calendar days from the date of the publication of this Rules Proposal and, as part of such consultation process, LCH.Clearnet SA shall act fairly and professionally in accordance with the best interests of the Clearing Members (as a whole) and sound risk management. On completion of the consultation process, LCH.Clearnet SA may issue a Rules Notice, subject that such Rules Notice shall come into effect no earlier than 180 calendar days from the date of its publication. Notwithstanding the foregoing, LCH.Clearnet SA shall be permitted to shorten the 30 calendar day and/or the 180 calendar day period if at least 50% of Clearing Members by number and 75% by contributions to the CDS Default Fund as at the date of its last calculation pursuant to Article 4.4.1.5 and Article 4.4.1.6 agree in writing to LCH.Clearnet SA.

Notwithstanding the foregoing, this Article 1.2.2.7 shall not apply in respect of any Rules Proposal and Rules Notice issued in order solely to implement a binding direction issued to LCH.Clearnet SA by a Regulatory Body.

Article 1.2.2.8

LCH.Clearnet SA may issue from time to time a Clearing Notice in accordance with the CDS Clearing Rule Book, the CDS Clearing Supplement or the Procedures. LCH.Clearnet SA may amend or revoke any previous Clearing Notice by means of a Clearing Notice. Except in cases where LCH.Clearnet SA considers a modification to guidance to be urgent (where modification may take immediate effect), a Clearing Notice shall take effect two Clearing Days after its publication.

Article 1.2.2.9

Clearing Notices may not be used to issue new, or amend or revoke any existing, principles, rights or obligations as set out in the CDS Clearing Rules or any Cleared Transaction. For the avoidance of doubt, Clearing Notices shall not be notices contemplated by or to be given under the terms of Cleared Transactions pursuant to the CDS Clearing Supplement and shall not be subject to Section 1.10 (Requirements Regarding Notices) of the ISDA Credit Derivatives Definitions.

Article 1.2.2.10

The terms of reference of the Risk Committee will be set by the board of directors of LCH.Clearnet SA, and any decision to change thereto will be subject to prior consultation with the Risk Committee. Such changes will be notified in advance to the Clearing Members and made by the board of directors of LCH.Clearnet SA.

Article 1.2.2.11

LCH.Clearnet SA may, in consultation with the Risk Committee and such other appropriate legal, operational and other forums established by LCH.Clearnet SA, modify the CDS Clearing Rule Book, the CDS Clearing Supplement and/or the Procedures in accordance with any relevant CDS industry sponsored protocol or other industry sponsored protocol (or, in each case, other multilateral agreement process) to which, as at 17:00 on the originally scheduled closing date of such protocol or other multilateral agreement process, at least 50% of Clearing Members by number and 50% by contribution to the CDS Default Fund as at the date of its last recalculation pursuant to Article 4.4.1.5 and Article 4.4.1.6, agree to adhere, with such modification to be applicable to all existing or future Cleared Transactions of the relevant CDS Type as set forth in such protocol or multilateral agreement process or resolution.

Article 1.2.2.12

In relation to any proposed modification in accordance with Article 1.2.2.4, LCH.Clearnet SA shall, following consultation with the appropriate legal, risk, operational and/or other forums established by LCH.Clearnet SA in relation to such proposed modification, determine whether such proposed modification will have an MTM Change on any existing Cleared Transaction that will be affected by any such proposed modification and any amount that shall be payable to a Clearing Member by LCH.Clearnet SA or from a Clearing Member to LCH.Clearnet SA to reflect such MTM Change. LCH.Clearnet SA shall, following any determination of an MTM Change in respect of a Cleared Transaction and any payment due in respect thereof, promptly notify each relevant Clearing Member of the same and the date on which such amount shall be due and payable by LCH.Clearnet SA or the Clearing Member as applicable.

Section 1.2.3 Publication

Article 1.2.3.1

LCH.Clearnet SA shall ensure that the CDS Clearing Documentation is kept updated and that all such documents and each Clearing Notice, each Rules Proposal and each Rules Notice and all other decisions of general application to the Clearing Members and/or any relevant decisions in relation to the CDS Clearing Service provided by LCH.Clearnet SA to Clearing Members are posted on its Website and notified to Clearing Members individually in accordance with the CDS Admission Agreement, as appropriate.

Article 1.2.3.2

Whenever any Rules Notice is issued in relation to the CDS Clearing Service provided by LCH.Clearnet SA to Clearing Members, LCH.Clearnet SA shall ensure that the relevant CDS Clearing Documents are updated as soon as reasonably possible to reflect the modifications contained in the Rules Notice and shall post such updated document on the Website.

Article 1.2.3.3

LCH.Clearnet SA shall additionally update the Procedures periodically to incorporate guidance issued by way of Clearing Notice in relation to the CDS Clearing Service provided by LCH.Clearnet SA to Clearing Members, pursuant to Article 1.2.2.8, and shall post such updated Procedures on the Website.

Section 1.2.4 Extension or waiver

Article 1.2.4.1

The time fixed by the CDS Clearing Documentation for the doing of any acts by a Clearing Member in relation to LCH.Clearnet SA may be extended or waived by LCH.Clearnet SA in its discretion whenever it considers that an extension or waiver is necessary or in the best interests of the CDS Clearing Service.

Article 1.2.4.2

Any waiver of any right or consent given by LCH.Clearnet SA under the CDS Clearing Documentation is only effective if it is given in writing. Any such waiver or consent shall only apply to the circumstances for which it was given and shall not prevent LCH.Clearnet SA from subsequently relying upon the relevant provision in another circumstance. No delay or failure by LCH.Clearnet SA to exercise its rights or pursue any of its remedies under the CDS Clearing Documentation shall constitute a waiver.

Section 1.2.5 Notices - Communications

Article 1.2.5.1

Unless stated otherwise in the relevant sections of this CDS Clearing Documentation, LCH.Clearnet SA shall deliver any notice, order or communication which is required to be given to Clearing Members pursuant to the CDS Clearing Documentation by hand, post, courier, electronic transmission, email, facsimile or telephone to the address, email address, facsimile number or telephone number specified by a Clearing Member in the CDS Admission Agreement, as updated from time to time, except that a copy of any Default Notice delivered pursuant to Article 4.3.1.3, Final Settlement Notice delivered pursuant to Article 4.3.3.3 and/or Membership Termination Notice delivered pursuant to Article 2.4.2.2 must additionally be delivered to a Clearing Member by hand, post or courier.

Article 1.2.5.2

Clearing Members shall deliver, provide, serve on or file with LCH.Clearnet SA any notice, document, communication, filing or form that is required pursuant to the CDS Clearing Documentation in writing unless otherwise specified in the CDS Clearing Documentation.

Article 1.2.5.3

With the exception of modifications made under Section 1.2.2 (which will become effective on the date stated therein), and unless stated otherwise in the relevant sections of the CDS Clearing Documentation, any notice (including but not limited to any Default Notice, Clearing Notice, Rules

Notice, and excluding any notice relating to Margin), document (including but not limited to any Rules Proposal), communication, filing or form, unless otherwise specified in the CDS Clearing Rules will only be effectively served, filed, made or provided:

- (i) if sent by post, on the third Business Day (or tenth Business Day in the case of airmail) after the day on which it was posted, with full postage paid and in a correctly addressed envelope;
- (ii) if delivered by hand or by courier, at the time of delivery or, if not delivered prior to 17:00 on a Business Day, on the following Business Day; and
- (iii) if delivered by facsimile or electronic transmission or published on the Website, on the Business Day of transmission or publication where such transmission or publication occurs prior to 16:00 or, where transmission or publication occurs after 16:00, on the following Business Day.

Article 1.2.5.4

LCH.Clearnet SA is entitled to act upon notice, order or communication appearing to have been issued by, or have come from, a Clearing Member. These will be accepted by LCH.Clearnet SA as genuine, even if, for example, they are later found:

- (i) to be inaccurate, whether in whole or in part; or
- (ii) not to have been given by the Clearing Member or with the authority of the Clearing Member.

Section 1.2.6 Fees

Article 1.2.6.1

The fees payable by Clearing Members to LCH.Clearnet SA shall be published from time to time by LCH.Clearnet SA on the Website.

Article 1.2.6.2

Each Clearing Member shall pay to LCH.Clearnet SA such fees when due and payable and in such manner as is required by LCH.Clearnet SA.

Section 1.2.7 Currency

Article 1.2.7.1

Subject to Article 1.2.7.4, if at any time a currency is substituted by another currency pursuant to existing or new legislation, the obligations of Clearing Members arising under the CDS Clearing Documentation shall take place in the substitute currency as from the effective date of such replacement providing that such substitute currency is an Eligible Currency.

Article 1.2.7.2

If substitution of a specific currency involves a period of transition, clearing by Clearing Members during this period of transition will take place in the currency as specified by LCH.Clearnet SA in a Rules Notice.

Article 1.2.7.3

If necessary, LCH.Clearnet SA shall establish the rate for converting the replaced currency to the substitute currency as well as the applicable rounding rules in accordance with the Procedures, subject to Applicable Law.

Article 1.2.7.4

If at any time the currency in which Clearing Members are required to make Cash Payments is succeeded or substituted by another currency pursuant to existing or new legislation, LCH.Clearnet SA shall be required to consult with Clearing Members in accordance with Article 1.2.2.2, prior to issuing a Rules Notice which revises the currency in which such Cash Payment obligations are required to be performed.

Article 1.2.7.5

Subject to Article 1.2.7.1 to Article 1.2.7.4 above, and to the extent permitted by Applicable Law, if any judgment or order expressed in a currency other than the CDS Contractual Currency is rendered:

- (i) for the payment of any amount owing in respect of any Cleared Transaction;
- (ii) for the payment of any amount relating to any early termination in respect of such Cleared Transaction; or
- (iii) in respect of a judgment or order of another court for the payment of any amount described in sub-paragraph (i) or (ii) above,

the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the CDS Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the CDS Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the CDS Contractual Currency is converted into the currency of the judgment or order for the purpose of such judgment or order and the rate of exchange at which such party is able, acting in good faith and using commercially reasonable procedures in converting the currency received into the CDS Contractual Currency, to purchase the CDS Contractual Currency with the amount of the currency of the judgment or order actually received by such party.

Article 1.2.7.6

To the extent permitted by Applicable Law, the provisions of Article 1.2.7.5 above constitute separate and independent obligations from the other obligations under the CDS Clearing Documentation, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of the CDS Admission Agreement.

Article 1.2.7.7

For the purpose of Article 1.2.7.5 and Article 1.2.7.6 above, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase of currencies been made.

Section 1.2.8 Time reference

Article 1.2.8.1

Where reference is made in the CDS Clearing Documentation to a time or deadline, it shall be understood to mean Central European Time (CET), unless otherwise stipulated in the CDS Clearing Documentation.

Section 1.2.9 Obligations of LCH.Clearnet SA to each Clearing Member

Article 1.2.9.1

In accordance with Article 3 of the Settlement Finality Directive, upon novation, Cleared Transactions shall be legally enforceable and binding on third parties even in the event of Insolvency Proceedings against a Clearing Member.

Upon novation, LCH.Clearnet SA undertakes to perform its obligations to each Clearing Member on the basis of the Cleared Transactions registered in its name, in accordance with the CDS Clearing Documentation.

Article 1.2.9.2

Where a Clearing Member is subject to a Payment Failure, LCH.Clearnet SA may (without prejudice to any other rights it may have against the Clearing Member) withhold any payments it would otherwise be obliged to make under the CDS Clearing Documentation to such Clearing Member up to the value of the payment(s) that constitute the Payment Failure (such value calculated using reasonable currency conversion rates where necessary) for so long as the Payment Failure continues.

The scope of the obligations that LCH.Clearnet SA undertakes to perform as counterparty to the relevant Clearing Members with respect to Cleared Transactions and as detailed in the relevant provisions of the CDS Clearing Documentation after novation has occurred include, without limitation:

- (i) the payment of the Variation Margin to the relevant Clearing Member;
- (ii) the payment of the Price Alignment Interest to the Clearing Member;
- (iii) the payment of the Initial Payment Amount, if any, to the relevant Clearing Member;
- (iv) the payment of Fixed Amounts to the CDS Seller; and
- (v) following a Credit Event, and in accordance with the CDS Clearing Supplement:
 - (a) when Auction Settlement applies, the payment of the Auction Settlement Amount to the CDS Buyer;
 - (b) when Physical Settlement applies, the payment to the CDS Buyer of the Physical Settlement Amount; and
 - (c) where the Partial Cash Settlement Terms apply pursuant to the Cleared Transaction, the payment of the Cash Settlement Amount to the CDS Buyer.

These obligations of LCH.Clearnet SA to each Clearing Member shall be determined after giving effect to netting as set out in Article 2.2.6.1.

Section 1.2.10 Liability

Article 1.2.10.1

Subject to Article 1.2.10.2, Article 1.2.10.3 and Article 1.2.10.5 below, a Clearing Member shall be liable for any direct Damage incurred or suffered by LCH.Clearnet SA as a consequence of such Clearing Member's breach of any of its obligations under the CDS Clearing Documentation or the terms of a Cleared Transaction.

Article 1.2.10.2

A Clearing Member will not be held liable for any special, indirect or consequential Damage, including loss of custom, profit or revenues, or any Damage which results from abnormal or fraudulent use of the CDS Clearing System by third parties, or for any Damage resulting from acts or omissions of, third parties other than members of its Financial Group.

Article 1.2.10.3

Unless expressly stated otherwise in the CDS Clearing Documentation, LCH.Clearnet SA will under no circumstances be liable for any Damage, including that arising out of or in connection with any of the following:

- (i) in respect of a claim for Damages by a Clearing Member, following a total or partial failure by such Clearing Member to perform or comply with the CDS Clearing Documentation;
- (ii) any act or omission of a Clearing Member or other third party, including, without limitation, in the circumstances set out in (ix) or (xviii) below;
- (iii) any agreement or arrangement that a Clearing Member has entered into with a third party in connection with its activities under the CDS Clearing Documentation (including, without limitation, any agreement or arrangement referred to in Section 2.2.5);
- (iv) any suspension, restriction or closure of LCH.Clearnet SA or its services, where required of LCH.Clearnet SA pursuant to Applicable Law, whether for a temporary period or otherwise;
- (v) reliance by LCH.Clearnet SA on any data provided to it by a Clearing Member or as may otherwise be provided to it in accordance with this CDS Clearing Rule Book, including the End of Day Contributed Prices;
- (vi) excepting any dispute arising under the CDS Dispute Resolution Protocol which may relate to whether an Original Transaction has been novated pursuant to Section 3.1.1 of this CDS Clearing Rule Book, any dispute arising from or in relation to any Original Transaction, including, but not limited to, any dispute as to the validity or otherwise of the Original Transaction, the terms of the Original Transaction or whether any alleged agreement or arrangement constitutes an Original Transaction;
- (vii) any failure to pre-register, or the improper pre-registration of, positions in the CDS Clearing System corresponding to an Original Transaction eligible for clearing by LCH.Clearnet SA because of a third party's fault or a Force Majeure Event affecting LCH.Clearnet SA;
- (viii) registration of Cleared Transactions in a Clearing Member's Trade Account and/or allocation of such Cleared Transactions in a Clearing Member's Margin Account where it

- does so on the basis of the Transaction Data with respect to the relevant Original Transaction;
- (ix) the quality, fitness for purpose, completeness or accuracy of End of Day Contributed Prices or composite prices/spreads;
 - (x) in respect of a claim for Damages by a Defaulting Clearing Member, any decision by LCH.Clearnet SA to proceed with a liquidation of its Cleared Transactions or the taking of any other action pursuant to Article 4.3.2.3 or the CDS Default Management Process;
 - (xi) the exercise, or failure to exercise, by LCH.Clearnet SA of any discretion or right conferred upon it by the CDS Clearing Documentation, including any actions taken or omitted to be taken in relation to the application of LCH.Clearnet SA's rights following the declaration of an Event of Default in respect of a Clearing Member;
 - (xii) any statement, representation or warranty by LCH.Clearnet SA or any of its officers or representatives other than as expressly set out in the CDS Clearing Documentation or the CDS Admission Agreement;
 - (xiii) any special, indirect or consequential Damage, including loss of custom, profit or revenues;
 - (xiv) rejection of any application to become a Clearing Member;
 - (xv) the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Matching Provider or the timeliness or otherwise of the delivery of any Original Transaction details by that Approved Matching Provider to LCH.Clearnet SA;
 - (xvi) any error within or corruption of any data sent by an Approved Matching Provider directly or indirectly to LCH.Clearnet SA or to a Clearing Member or any delay in or failure of the transmission of such data to LCH.Clearnet SA;
 - (xvii) the registration of a Cleared Transaction on the basis of incorrect or corrupted data sent to it by an Approved Matching Provider; or
 - (xviii) any decision of any ISDA Credit Derivatives Determinations Committee or any failure of any such committee to take any decision.

Article 1.2.10.4

Nothing in Article 1.2.10.3 above shall be construed as LCH.Clearnet SA excluding or restricting its liability vis-à-vis any Clearing Member for:

- (i) fraud, fraudulent representation, gross negligence or an intentional omission or act on the part of LCH.Clearnet SA;
- (ii) personal injury or death caused by the negligence, recklessness or any intentional act or omission of LCH.Clearnet SA;
- (iii) any liability which cannot be lawfully excluded under Applicable Law (to the extent such liability cannot be lawfully excluded);
- (iv) the performance of its obligations vis-à-vis any Clearing Member pursuant to Section 1.2.9 (to the extent that no Event of Default has occurred with respect to such Clearing Member (and is ongoing), and other than where such liability occurs as a result of LCH.Clearnet SA following the CDS Default Management Process);

- (v) its obligation to return Collateral to a Clearing Member in the event of a Margin Excess pursuant to Article 4.2.2.4 (to the extent that no Event of Default has occurred with respect to such Clearing Member); or
- (vi) its obligation, pursuant to Article 2.4.2.11, to repay to a Clearing Member who voluntarily terminates its membership in accordance with Article 2.4.2.2 an amount equal to the sum of its Margin Balance, any Collateral that has been transferred to LCH.Clearnet SA to satisfy its Contribution Requirement to the extent it has not been used by LCH.Clearnet SA in accordance with the CDS Clearing Rules and any recovery made by LCH.Clearnet SA in accordance with Article 4.4.3.8.

Article 1.2.10.5

LCH.Clearnet SA and each Clearing Member shall take all reasonable care in the selection and monitoring of any Person that is to act on its behalf.

Section 1.2.11 Force Majeure Events

Article 1.2.11.1

Neither LCH.Clearnet SA nor a Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the CDS Clearing Documentation if and to the extent that such failure, hindrance or delay arises as a result of a Force Majeure Event affecting LCH.Clearnet SA or the Clearing Member (as the case may be).

Article 1.2.11.2

On the occurrence of a Force Majeure Event:

- (i) if applicable to a Clearing Member, such Clearing Member shall as soon as reasonably practicable notify LCH.Clearnet SA of the occurrence of the Force Majeure Event occurring in respect of it. The decision to notify LCH.Clearnet SA of a Force Majeure Event under this Article will be taken by a Clearing Member at an appropriate level of seniority;
- (ii) if applicable to LCH.Clearnet SA, LCH.Clearnet SA shall issue a Clearing Notice, notifying all Clearing Members of the occurrence of the Force Majeure Event occurring in respect of it, which must be made by the chief executive officer of LCH.Clearnet SA or at an appropriate level of seniority;
- (iii) all Clearing Members shall comply with any reasonable directions issued by LCH.Clearnet SA in respect of such Cleared Transactions affected by the Force Majeure Event and as are specified by LCH.Clearnet SA provided that such directions may not have the effect of amending, introducing, overriding, contravening or revoking any of the rights of Clearing Members in respect of any Specific Matter (unless, for the avoidance of doubt, LCH.Clearnet SA complies with the procedures set out in Article 1.2.2.7 as applicable) save where LCH.Clearnet SA is required to do so in order to implement a binding direction issued to it by a Regulatory Body, and provided that no such direction shall be given in the circumstances contemplated by Article 1.2.2.4(ii)(c) without LCH.Clearnet SA having complied with the requirements of that Article;
- (iv) each of the Clearing Members and LCH.Clearnet SA who are, and continue to be, affected by the Force Majeure Event shall use all reasonable endeavours to mitigate the effect of the same upon each of their respective ability to perform their obligations under the CDS Clearing Documentation;

- (v) each Clearing Member affected by the Force Majeure Event shall promptly notify LCH.Clearnet SA as soon as its ability to perform is no longer affected by the Force Majeure Event; and
- (vi) if LCH.Clearnet SA was obliged to issue a Clearing Notice pursuant to Article 1.2.11.2(ii) above, it shall issue a further Clearing Notice to all Clearing Members as soon as its ability to perform is no longer affected by the Force Majeure Event.

Section 1.2.12 Confidentiality

Article 1.2.12.1

LCH.Clearnet SA shall hold all information concerning past or current activities of a Clearing Member (including, but not limited to, information concerning Cleared Transactions and Open Positions registered in the Clearing Member's Trade Account(s) and Margin Account, its Margin Requirement, the Collateral transferred to LCH.Clearnet SA by such Clearing Member, deliveries and payments made by or to such Clearing Member, as well as any financial statements and other documents filed with LCH.Clearnet SA by any Clearing Member) in a confidential manner and shall not make such confidential information known to any other person, save to the extent permitted by Article 1.2.12.2 to Article 1.2.12.4 below.

Article 1.2.12.2

LCH.Clearnet SA may, in accordance with the provisions of Article L. 632-17 of the French Monetary and Financial Code, when applicable, disclose any information referred to in Article 1.2.12.1 above:

- (i) with the written consent of the relevant Clearing Member;
- (ii) to any person to whom, at such times and in such manner as, LCH.Clearnet SA is required or formally requested to disclose information pursuant to an order of a competent court, or by or on behalf of any relevant Regulatory Body with respect to LCH.Clearnet SA and/or the relevant Clearing Member;
- (iii) to DTCC or the TIW or the Approved Matching Provider, to the extent that such disclosure is necessary for the proper performance by LCH.Clearnet SA or the relevant Clearing Member of its obligations under the CDS Clearing Documentation;
- (iv) as expressly permitted by the CDS Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default and the implementation by LCH.Clearnet SA and Clearing Members of physical settlement of the Cleared Transactions, and the information thus disclosed by LCH.Clearnet SA shall be treated as confidential information by the receiving Clearing Members and shall not be made known to any other person nor used for any purpose other than that for which it has been disclosed by LCH.Clearnet SA;
- (v) to other clearing houses, to which the relevant Clearing Member is admitted as a member for the purpose of clearing CDS, in connection with the occurrence of an Event or an Event of Default in respect of such Clearing Member; or
- (vi) to any other person (with the exception of ratings agencies including but not limited to Moody's, Standard and Poor's and Fitch) to whom LCH.Clearnet SA is authorised to disclose such information pursuant to and in accordance with the provisions of Articles L. 511-33 and L. 511-34 of the French Monetary and Financial Code..

Article 1.2.12.3

LCH.Clearnet SA shall disclose to a Clearing Member, on request, details of the Regulatory Body(ies) to whom it may disclose information, referred to in Article 1.2.12.1, pursuant to Article 1.2.12.2(ii).

Article 1.2.12.4

Where LCH.Clearnet SA is required or requested to disclose information referred to in Article 1.2.12.1 above in the circumstance described in Article 1.2.12.2(ii), the relevant French Competent Authorities will also be promptly informed of such disclosure.

Article 1.2.12.5

For the avoidance of doubt, nothing in this Section 1.2.12 shall prevent a Clearing Member from disclosing any information provided to LCH.Clearnet SA to Regulatory Body(ies) or other third parties where required by Applicable Law.

Article 1.2.12.6

Where a Clearing Member owes a duty of confidentiality to LCH.Clearnet SA under the CDS Clearing Documentation, that Clearing Member is released from that duty to the extent that such disclosure is required under Applicable Law or by the Clearing Member's Competent Authority.

Section 1.2.13 Data protection

Article 1.2.13.1

For the purposes of its general administration, client and risk management and for the proper performance by LCH.Clearnet SA of its obligations under the CDS Clearing Documentation and Applicable Law and regulation, LCH.Clearnet SA, acting as data controller, processes personal data concerning representatives, managers, employees or any other individuals acting on behalf of the Clearing Members in accordance with the Data Protection Law.

Article 1.2.13.2

LCH.Clearnet SA may disclose such personal data to such Persons and for such purposes as are set out in Section 1.2.12 in accordance with the Data Protection Law.

Article 1.2.13.3

In accordance with the Data Protection Law, the individuals in relation to whom personal data is processed by LCH.Clearnet SA have the right (subject to payment of such fee to LCH.Clearnet SA as is published on the Website, where LCH.Clearnet SA is lawfully entitled to levy such a fee) to receive a copy of personal data held by LCH.Clearnet SA and to rectify any errors or inaccuracies in such personal data or delete them, in accordance with the provisions of the Data Protection Law, by contacting the membership department by email (Lchclearnetsa_Membership@lchclearnet.com). Without prejudice to any other rights that individuals may have under the Data Protection Law, they may oppose the use of their personal data by LCH.Clearnet SA for marketing operations.

Article 1.2.13.4

The Clearing Members declare that each of their Representatives in relation to whom personal data is processed by LCH.Clearnet SA have been notified of the disclosure of their personal data to LCH.Clearnet SA for the purposes set out in Article 1.2.13.3.

Article 1.2.13.5

LCH.Clearnet SA and each Clearing Member consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with conversations contemplated by the CDS Clearing Documentation, and agrees to obtain any necessary consent of, and give any necessary notice of such recordings to, its relevant personnel and agrees, subject to Applicable Law, that recordings may be used in evidence.

Section 1.2.14 Governing law

Article 1.2.14.1

The CDS Clearing Rules and the CDS Admission Agreement shall be governed by and construed in accordance with French substantive law unless explicitly stated otherwise.

Article 1.2.14.2

The CDS Clearing Supplement, the ISDA Credit Derivatives Definitions and any Cleared Transactions (and any related definitions or Clearing Notices issued in respect of the CDS Clearing Supplement, the ISDA Credit Derivatives Definitions or any Cleared Transactions) shall be governed by and construed in accordance with English substantive law.

Article 1.2.14.3

Any non-contractual obligations (within the meaning of Regulation (EC) no. 864/2007 as may be amended from time to time) arising out of, relating to or having any connection with the CDS Clearing Documentation, or any Cleared Transaction, shall be governed by and construed in accordance with either French or English substantive law, as determined by this Article 1.2.14.3. Such non-contractual obligations shall be governed by and construed in accordance with:

- (i) French law, where the non-contractual obligation is more closely connected to the CDS Clearing Rules (save the CDS Dispute Resolution Protocol) or the CDS Admission Agreement; or
- (ii) English law, where the non-contractual obligation is more closely connected to the CDS Clearing Supplement, the ISDA Credit Derivatives Definitions, the CDS Dispute Resolution Protocol and/or any Cleared Transactions (and/or to any related definitions or Clearing Notices issued in respect of the CDS Clearing Supplement, the ISDA Credit Derivatives Definitions, the CDS Dispute Resolution Protocol or any Cleared Transactions).

Section 1.2.15 Dispute resolution

Article 1.2.15.1

Disputes shall be resolved in accordance with the CDS Dispute Resolution Protocol, subject to the provisions of Sections 8 and 9 of the Procedures.

Section 1.2.16 Default Interest

Article 1.2.16.1

If either LCH.Clearnet SA or a Clearing Member defaults in the performance of any payment obligation, it will, to the extent permitted by Applicable Law, pay interest (before as well as after judgment) on the overdue amount to the other party on demand in Euro, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the average rate at which overnight deposits in Euro are offered by major banks in the French inter-

bank market as at 11:00 (or, if no such rate is available, at such reasonable rate as LCH.Clearnet SA or, as applicable, the relevant Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid provided that default interest payable in case of late payment of fees due to LCH.Clearnet SA shall be as set out in the CDS Admission Agreement.

Section 1.2.17 Tax

Article 1.2.17.1

All payments under the CDS Clearing Documentation or any Cleared Transaction will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If LCH.Clearnet SA or a Clearing Member is so required to deduct or withhold, then LCH.Clearnet SA or the Clearing Member (“X”) will:

- (i) promptly notify the recipient (“Y”) of such requirement;
- (ii) pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to LCH.Clearnet SA under Article 1.2.17.1, Article 1.2.17.2 or Article 1.2.17.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (iii) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

For the purpose of the CDS Clearing Documentation and Cleared Transactions, “**Tax**” shall mean any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

Article 1.2.17.2

In the event that any payment made by a Clearing Member to LCH.Clearnet SA under the CDS Clearing Documentation or any Cleared Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and LCH.Clearnet SA), then the Clearing Member shall pay to LCH.Clearnet SA an amount (such amount, together with any additional amount paid pursuant to Article 1.2.17.7, the “**Additional Amount**”), in addition to the payment to which LCH.Clearnet SA is otherwise entitled under the CDS Clearing Documentation or any Cleared Transaction, necessary to ensure that the net amount actually received by LCH.Clearnet SA (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or LCH.Clearnet SA), will equal the full amount LCH.Clearnet SA would have received in the absence of any such deduction or withholding.

However, a Clearing Member will not be required to pay any Additional Amount to LCH.Clearnet SA under this Article 1.2.17.2 to the extent that it would not be required to be paid but for (i) the failure by LCH.Clearnet SA to provide to the Clearing Member such forms and documents as required under Article 1.2.17.5 or the CDS Admission Agreement, provided that this clause (i) shall apply only if (A) the relevant Clearing Member has notified LCH.Clearnet SA in writing of such failure and (B) LCH.Clearnet SA has failed to provide such forms or documents within five

Business Days after the receipt of such notice; or (ii) the failure of a representation made by LCH.Clearnet SA pursuant to Section 10 of the CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to a party to the relevant CDS Admission Agreement) or (B) a Change in Tax Law, that in each case occurs after LCH.Clearnet SA and the Clearing Member enter into the relevant CDS Admission Agreement (or, if applicable, the date that LCH.Clearnet SA and the Clearing Member amend such CDS Admission Agreement to account for such Change in Tax Law)) or a failure by LCH.Clearnet SA to provide the representations that it is obligated to provide pursuant to Article 1.2.17.10 below.

In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under subclause (A) or (B) thereof, LCH.Clearnet SA shall use commercially reasonable efforts to provide to the Clearing Member a new representation (to the extent that it is appropriate) for the purpose of Section 10 of the relevant CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member, promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of LCH.Clearnet SA).

A Clearing Member will also not be required to pay any Additional Amount to LCH.Clearnet SA under this Article 1.2.17.2 for any tax (a "**FACTA Withholding Tax**") imposed under U.S. Internal Revenue Code Sections 1471, 1472, 1473 or 1474 (or any successor sections that are substantially similar) and any regulation or authoritative guidance promulgated thereunder (collectively, the "**FACTA Rules**") provided that such FACTA Withholding Tax would not have been imposed but for LCH.Clearnet SA's failure to comply with the FACTA Rules.

For the purpose of this Article 1.2.17.2, "**Change in Tax Law**" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law).

Article 1.2.17.3

If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to LCH.Clearnet SA under the CDS Clearing Documentation or any Cleared Transaction for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to LCH.Clearnet SA under Article 1.2.17.2; (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against LCH.Clearnet SA, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to LCH.Clearnet SA the amount of such liability (including any related liability for interest, penalties and costs).

Article 1.2.17.4

If: (i) LCH.Clearnet SA is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under the CDS Clearing Documentation or any Cleared Transaction for or on account of any Tax; (ii) LCH.Clearnet SA does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against LCH.Clearnet SA, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to LCH.Clearnet SA the amount of such liability (excluding any related liability for interest, penalties and costs).

Article 1.2.17.5

LCH.Clearnet SA shall provide to each Clearing Member (i) the tax forms and documents specified in Section 10 of the CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member and (ii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under the CDS Clearing Documentation or any Cleared Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in this clause (ii) would not materially prejudice the legal or commercial position of LCH.Clearnet SA).

Article 1.2.17.6

LCH.Clearnet SA shall request from each Clearing Member: (i) the tax forms and documents specified in Section 10 of the CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member and (ii) any other form or document reasonably requested in order to allow LCH.Clearnet SA to make a payment under the CDS Clearing Documentation or any Cleared Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by LCH.Clearnet SA to a Clearing Member under the CDS Clearing Documentation or any Cleared Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, LCH.Clearnet SA is not required to pay any additional amount in respect of such deduction or withholding. LCH.Clearnet SA will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with a Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in LCH.Clearnet SA's judgment, materially prejudice the legal or commercial position of LCH.Clearnet SA).

Article 1.2.17.7

Each Clearing Member will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with the CDS Clearing Documentation and will indemnify LCH.Clearnet SA against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that LCH.Clearnet SA is not able, in LCH.Clearnet SA's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon LCH.Clearnet SA or in respect of LCH.Clearnet SA's execution or performance of any agreement, contract or transaction in connection with the CDS Clearing Documentation. Any payment required to be made by a Clearing Member to LCH.Clearnet SA under this Article 1.2.17.7 shall include an additional amount equal to any Tax levied or imposed on LCH.Clearnet SA as a result of the receipt of any payment under this Article 1.2.17.7.

Article 1.2.17.8

Each Clearing Member shall promptly notify LCH.Clearnet SA in writing upon learning that any payment made by LCH.Clearnet SA to the Clearing Member or by the Clearing Member to LCH.Clearnet SA under the CDS Clearing Documentation is subject to any Tax, other than any Tax imposed or levied based on the net income of the Clearing Member or LCH.Clearnet SA, as applicable.

Article 1.2.17.9

Clearing Members shall not have any termination or other special rights in respect of Cleared Transactions as a result of the occurrence of adverse Tax consequences, whether relating to a Change in Tax Law or otherwise, it being understood that Clearing Members may, in accordance with the CDS Clearing Documentation, submit for clearing Original Transactions with other Clearing Members (including with any Affiliate that is a Clearing Member) that, if accepted, would offset its Cleared Transaction. If so requested by a Clearing Member for the purpose of reducing adverse Tax consequences to such Clearing Member, LCH.Clearnet SA shall use reasonable efforts to expeditiously review an application for status as a Clearing Member submitted by an Affiliate of such requesting Clearing Member.

Article 1.2.17.10

LCH.Clearnet SA shall provide such representations and documentation as are required and requested by each Clearing Member such that each Clearing Member can make payments to LCH.Clearnet SA without deduction or withholding being applicable.

CHAPTER 3 - LCH DEFAULT

Section 1.3.1

Article 1.3.1.1

Any of the following events shall, on the service of notice in accordance with Article 1.3.1.2, constitute an LCH Default:

- (i) LCH.Clearnet SA has failed to make a payment, or to redeliver Eligible Collateral when such payment or redelivery is due and payable in accordance with the CDS Clearing Documentation, to a Clearing Member (other than to a Defaulting Clearing Member or in accordance with the first paragraph of Article 1.2.9.2) under any Cleared Transaction and such failure has not been cured by 17:00 on the third Clearing Day after the date on which notice of such failure is given by the Clearing Member to LCH.Clearnet SA;
- (ii) LCH.Clearnet SA notifies the Clearing Members stating that it is unable to pay the aggregate amount of the Margin Repayment Amounts or redeliver all relevant Redeliverable Eligible Collateral pursuant to Clause 7.6 of the CDS Default Management Process or fails to pay an LCH Repayment Amount when due by LCH.Clearnet SA to a Clearing Member in full pursuant to Clause 7.7 of the CDS Default Management Process (other than by operation of Clause 7.8 of the CDS Default Management Process); or
- (iii) LCH.Clearnet SA becomes subject to LCH Insolvency Proceedings.

In the event LCH.Clearnet SA becomes subject to LCH Insolvency Proceedings, LCH.Clearnet SA shall as soon as reasonably practicable, and no later than 23:59 on the Clearing Day on which the LCH Insolvency Proceedings commence (or, if such day is not a Clearing Day, no later than 23:59 on the first Clearing Day following the day on which the LCH Insolvency Proceedings commence), post a notice on the Website informing all Clearing Members of such circumstance. A failure to provide such notice shall not prohibit an Affected Clearing Member from posting the notice specified in Article 1.3.1.2.

Copies of any notices provided under Article 1.3.1.1(i) or (ii) shall be provided by LCH.Clearnet SA to the Autorité de Contrôle Prudenciel.

Article 1.3.1.2

In the event of any of the circumstances set out in Article 1.3.1.1 occurring, the Affected Clearing Member may provide LCH.Clearnet SA in writing with a notice, specifying the occurrence of an LCH Default. In the circumstance set out in Article 1.3.1.1(i) and (ii), such notice shall only be valid if given within 10 Clearing Days of the occurrence of the relevant event and the failure to pay or redeliver is continuing at the time the notice is delivered. In the circumstance set out in Article 1.3.1.1(iii), such notice shall only be valid if given within 10 Clearing Days of the day on which LCH Insolvency Proceedings have been published in the *Bulletin officiel des annonces civiles et commerciales (Bodacc)* in accordance with the provisions of the French Commercial Code. Any such notice provided in accordance with this Article must be provided in accordance with, and subject to, the requirements of Section 1.2.5.

An Affected Clearing Member shall not be permitted to serve a notice pursuant to this Article 1.3.1.2 in the case of the circumstances set out in Article 1.3.1.1(i) and (ii) where:

- (i) the failure to make the required payment, or to redeliver the required Eligible Collateral, and the failure to cure such failure within the grace period specified in Article 1.3.1.1, is solely as a consequence of a Force Majeure Event or such other technical or

administrative reason outside of the reasonable control of LCH.Clearnet SA, provided that: (a) LCH.Clearnet SA is able to, and does, confirm that it would have had sufficient available resources to pay or redeliver but for the applicable Force Majeure Event, technical or administrative event; and (b) LCH.Clearnet SA makes such payment or delivery no later than one Clearing Day after the consequences of the Force Majeure Event or the other technical or administrative reason for its failure to pay or redeliver have ceased. For the avoidance of doubt, the limitation on an Affected Clearing Member serving a notice pursuant to this paragraph shall continue for as long as the consequence of a Force Majeure Event or such other technical or administrative reason mentioned above continues;

- (ii) the failure to pay or redeliver is permitted by the CDS Default Management Process.

For the purposes of Article 1.3.1.3 to Article 1.3.1.12, a notice duly provided by an Affected Clearing Member in accordance with this Article 1.3.1.2 shall bind LCH.Clearnet SA and all other Clearing Members (regardless of whether they are Affected Clearing Members or not) as if all other Clearing Members were Affected Clearing Members and had served such notice.

Article 1.3.1.3

In the event that it is subject to an LCH Default, LCH.Clearnet SA shall promptly post a Clearing Notice on its Website specifying the Termination Date and the LCH Default Time applicable to all Clearing Members. The Termination Date shall be the first Clearing Day after the LCH Default Date. Any failure of LCH.Clearnet SA to post a Clearing Notice on its Website shall not invalidate or otherwise delay the Termination Date.

As from the LCH Default Time:

- (i) LCH.Clearnet SA shall not accept any Original Transactions submitted to it for clearing and registration as Cleared Transactions;
- (ii) neither LCH.Clearnet SA nor any Clearing Member shall be obliged to make any further payments or deliveries under any Cleared Transaction between them which would, but for this TITLE I, Chapter 3, have fallen due for performance on or after the LCH Default Time other than by settlement of the Termination Amount; and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set off or otherwise) of the Termination Amount;
- (iii) any Power of Attorney or other authority for LCH.Clearnet SA to debit any payment or securities account of a Clearing Member, including a Clearing Member's TARGET2 Account shall be revoked and LCH.Clearnet SA shall not use, rely on or seek to use or rely on any such Power of Attorney or other authority; and
- (iv) all other payment and delivery obligations (other than as set out in (ii) above) in relation to any Cleared Transactions and any other obligations pursuant to the CDS Clearing Documentation (including the repayment or redelivery of a Clearing Member's Margin Balance and other Collateral representing a Clearing Member's Contribution Requirement) shall be payable or deliverable on the Termination Date and in accordance with the provisions of this Chapter 3.

LCH.Clearnet SA shall, to the extent possible, return or redeliver all amounts received, or debited contrary to the revocation of its authority pursuant to sub-paragraph (iii), after the LCH Default Time.

Article 1.3.1.4

Each Clearing Member shall, on, or as soon as reasonably practicable after, the Termination Date, and in no event later than 25 Clearing Days after the Termination Date, determine as of the Termination Date:

- (i) the value of each Cleared Transaction; and
- (ii) the value of all other amounts which it owes to LCH.Clearnet SA and which LCH.Clearnet SA owes to it, in each case whether future, liquidated or unliquidated, actual or contingent, pursuant to the CDS Clearing Documentation.

Article 1.3.1.5

For the purpose of Article 1.3.1.4(i) and where the LCH Default arises because of the circumstance set out in Article 1.3.1.1(i) or Article 1.3.1.1(iii), the determination by a Clearing Member of the value of each Cleared Transaction shall be determined, assuming satisfaction of each applicable condition precedent, without reference to the receipt or payment of Variation Margin in relation to any Cleared Transaction (or, for the avoidance of doubt, any part of the Margin Balance) and without application of the Loss Distribution Process (if applicable) subject that each Clearing Member may take into account, in addition, any loss of bargain, any cost of funding, and/or without duplication, any loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position.

Article 1.3.1.6

For the purpose of Article 1.3.1.4(ii), the Clearing Member shall calculate the value of:

- (i) the repayment by the Clearing Member or LCH.Clearnet SA of Variation Margin;
- (ii) the repayment or redelivery of all Eligible Collateral and Cash Collateral representing the Margin Balance or the Contribution Balance, in each case without applying any haircuts to the valuation of the Collateral;
- (iii) in the event the Clearing Member is a Cash Gainer as at the last successful payment of Margin prior to the LCH Default Date, the repayment of any net Cash Gainer Adjustments made pursuant to the CDS Default Management Process; and
- (iv) any other amounts that may be due to or from either the Clearing Member or LCH.Clearnet SA to or from the other in relation to the CDS Clearing Service pursuant to the CDS Clearing Documentation.

In determining amounts in relation to the repayment or redelivery of Collateral, the Clearing Member shall not separately value, nor take into account, as an amount due to it, any Collateral:

- (i) which is Redeliverable Eligible Collateral and which the Clearing Member will otherwise receive back in accordance with the CDS Clearing Rules; or
- (ii) which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process.

Article 1.3.1.7

Where the LCH Default arises because of the circumstance set out in Article 1.3.1.1(ii), each Clearing Member shall use such amounts calculated by LCH.Clearnet SA pursuant to Clause 7.2(i)

of the CDS Default Management Process (and without, for the avoidance of doubt, applying Clause 7.3) for the purposes of its valuation pursuant to Article 1.3.1.4(ii).

Article 1.3.1.8

For the purposes of any calculation required to be made under this Chapter 3, any sums calculated other than in Euro shall be converted into Euro at the relevant exchange rate as at 17.00 on the Termination Date. The relevant exchange rate shall be determined by the European Central Bank and taken from Reuters or, where not available for the relevant currency, such other provider as is notified in a Clearing Notice.

Article 1.3.1.9

Pursuant to the determination made under Article 1.3.1.4:

- (i) each gain by the Clearing Member and each other amount which LCH.Clearnet SA owes to it, shall be treated as a positive amount; and
- (ii) each loss suffered by the Clearing Member and each other amount which it owes to LCH.Clearnet SA shall be treated as a negative amount.

Article 1.3.1.10

A Clearing Member shall aggregate all positive amounts and all negative amounts that it has determined apply and shall produce one net Termination Amount. If the Termination Amount is a positive amount, LCH.Clearnet SA shall pay it to the Clearing Member and, if the Termination Amount is a negative amount, the Clearing Member shall pay it to LCH.Clearnet SA, in accordance with Article 1.3.1.11 below.

The Clearing Member shall notify LCH.Clearnet SA of the Termination Amount, by which party it is payable, and showing in reasonable detail how such Termination Amount has been calculated, immediately after the calculation thereof.

If for any reason one or more Clearing Member(s) fail(s) to determine and notify the Termination Amount to LCH.Clearnet SA on or before the day falling 25 Clearing Days after the Termination Date (such day being the "**Notification Limit Date**"), LCH.Clearnet SA shall post a notice on the Website and make its own determination of the respective Termination Amount(s) in respect of each such Clearing Member(s) within the 25 Clearing Days following the Notification Limit Date, and shall notify the relevant Clearing Member(s) of the respective Termination Amount(s) it has determined immediately after the calculation thereof. In such case, the LCH Default Payment Date for all Clearing Members shall be the second Clearing Day after the date on which the Termination Amount(s) has(have) been notified by LCH.Clearnet SA; if, however, LCH.Clearnet SA fails to make such determination and notification, the LCH Default Payment Date in respect of all Clearing Members having duly determined and notified their Termination Amount to LCH.Clearnet SA shall be the 27th Clearing Day following the Notification Limit Date.

Article 1.3.1.11

Each Termination Amount calculated pursuant to this Chapter 3 shall be paid by LCH.Clearnet SA or a Clearing Member, as the case may be, in Euro by 17:00 on the LCH Default Payment Date. If LCH.Clearnet SA has received notices pursuant to Article 1.3.1.10 from all Clearing Members setting out their respective Termination Amounts, LCH.Clearnet SA may by no less than 2 Clearing Days' notice on the Website specify an earlier date as the LCH Default Payment Date.

In addition, LCH.Clearnet SA shall redeliver all Redeliverable Eligible Collateral (other than Redeliverable Eligible Collateral which LCH.Clearnet SA has applied in order to reduce its loss in

accordance with Article 4.3.3.1 or the CDS Default Management Process) on the LCH Default Payment Date.

Article 1.3.1.12

The Clearing Member's rights under this Chapter 3 shall be in addition to, and not in limitation or exclusion of, any other rights which the Clearing Member may have.

This Chapter 3 shall be without prejudice to the rights that LCH.Clearnet SA may have pursuant to the CDS Clearing Rules against any Clearing Member prior to the occurrence of the LCH Default.

TITLE II

MEMBERSHIP

CHAPTER 1 - GENERAL PROVISIONS

Section 2.1.1 Participants

Article 2.1.1.1

As a securities settlement system within the meaning of the Settlement Finality Directive, LCH.Clearnet SA has only direct participants, being the Clearing Members. It does not have any indirect participants.

Article 2.1.1.2

The following entities are eligible to become a Clearing Member, pursuant to Article L. 440-2 of the French Monetary and Financial Code:

- (i) Credit Institutions, having their head office in a Member State;
- (ii) Investment Firms, having their head office in a Member State;
- (iii) legal persons whose members or shareholders have unlimited joint and several liability for their debts and obligations, provided that such members or shareholders are institutions or firms mentioned under Article 2.1.1.2(i) and/or (ii) above;
- (iv) legal persons having their head office in metropolitan France or in French overseas departments or in Saint-Barthélemy or Saint-Martin and whose principal or sole object is the clearing of financial instruments; and
- (v) in the circumstances set out in the general regulations of the AMF and with the prior approval of the AMF, Credit Institutions and Investment Firms not having their head office in a Member State, and legal persons whose principal or sole object is the clearing of financial instruments, that are not established in metropolitan France or in French overseas departments or in Saint-Barthélemy or Saint-Martin. An agreement between the AMF and the relevant Governmental Authority(ies) may provide for an exemption from prior authorisation for a category of entities.

CHAPTER 2 - LEGAL OBLIGATIONS

Article 2.2.0.1

An Applicant shall be required to evidence its ability to comply with the obligations set out in this Chapter 2 as if it were a Clearing Member. LCH.Clearnet SA may refuse to admit an Applicant as a Clearing Member if the conditions set out in Article 2.2.1.1 have not been satisfied, would not be satisfied if such Applicant was a Clearing Member, or if it considers that admission of such Applicant as a Clearing Member may adversely affect the operation of the CDS Clearing System or the provision of the CDS Clearing Service.

LCH.Clearnet SA is entitled to impose specific conditions or requirements on any Applicant. Further information in respect of the application procedure can be obtained from LCH.Clearnet SA's membership department by email at Lchclearnetsa_membership@lchclearnet.com or on +33 (0)1 70 37 67 60.

Section 2.2.1 Continuing obligations

Article 2.2.1.1

Each Clearing Member must at all times:

- (i) be validly incorporated and existing under the laws of its jurisdiction of incorporation and (if relevant in such jurisdiction) be in good standing;
- (ii) be a party to the CDS Admission Agreement;
- (iii) be the subject of supervision by its Competent Authorities;
- (iv) comply with the CDS Clearing Documentation;
- (v) comply with all Applicable Law relating to its status as a Clearing Member and the performance of its obligations pursuant to the CDS Clearing Documentation;
- (vi) not be subject to Insolvency Proceedings;
- (vii) meet the Capital requirements as specified in Section 2.2.2 and any further liquidity and/or solvency requirements as may be set by LCH.Clearnet SA from time to time in accordance with this CDS Clearing Rule Book, taking into account notably the indicators mentioned in Article 2.3.2.1;
- (viii) satisfy LCH.Clearnet SA that it has sufficient expertise in relation to clearing activities, that its Systems and Operations are operationally reliable and capable of supporting the proper performance of its business as a Clearing Member and that its risk management policy is adequate;
- (ix) undertake to participate in the implementation of the CDS Default Management Process, including participation in regular fire drills, in accordance with this CDS Clearing Rule Book;
- (x) comply with the procedure to provide prices/spreads in relation to the establishment of End of Day Contributed Prices, as described in Section 4.2.5 and more fully set out in Section 5 of the Procedures;
- (xi) have nominated and notified to LCH.Clearnet SA:
 - (a) a Person, having director, general partner, trustee or officer status at the Clearing Member (or a Person occupying a similar status or performing similar functions)

who is both responsible for the clearing operations of the Clearing Member and authorised to act on behalf of the Clearing Member in respect of all transactions with or involving LCH.Clearnet SA; and

- (b) an alternate Person that satisfies the requirements set out in sub-paragraph (a) above and who is authorised to act on behalf of the Clearing Member in the event that the first Person is incapable or unable to act;
- (xii) pay all fees and other amounts required by LCH.Clearnet SA in accordance with the CDS Clearing Documentation, including, without limitation, its Margin Requirement, Contribution Requirement and Cash Payment obligations;
- (xiii) be in a position to provide Collateral in satisfaction of its Margin Requirement and Contribution Requirement, and to perform Cash Payment obligations, including:
 - (a) submitting evidence and details of duly existing cash account(s) (including, at least, one TARGET2 Account) for the purposes of payment of cash amounts, as well as evidence that a Power of Attorney has been issued in favour of LCH.Clearnet SA to allow the debiting or crediting of such cash account(s) for the performance of Cash Payment obligations and the provision of Cash Collateral;
 - (b) submitting evidence and details of duly existing CLS Account(s) for the purposes of payment of cash amounts through CLS; and
 - (c) having in place all appropriate settlement solutions (direct access or indirect access to at least one settlement system) in case of Physical Settlement;
- (xiv) have at its disposal the technical environment, including facilities, equipment, operational capability, personnel, hardware and software systems as may be required to support the proper performance of its business as a Clearing Member, including such IT links as may be necessary for it to be connected to the CDS Clearing System managed by LCH.Clearnet SA;
- (xv) have operational competence in CDS substantially similar to Original Transactions eligible for clearing by LCH.Clearnet SA;
- (xvi) be a TIW Participant for the purposes of maintaining Original Transactions and Cleared Transactions in the TIW;
- (xvii) be an AMP Participant for the purpose of submitting Original Transactions for clearing;
- (xviii) have access to either LCH.Clearnet SA's eCCW website or Logical Access Point (LCAP) ftp solution to obtain CDS Clearing System reports;
- (xix) be party to any required documentation with DTCC allowing LCH.Clearnet SA as "Service Provider" to send to DTCC:
 - (a) termination messages referred to in Article 3.1.3.3;
 - (b) messages by which Cleared Transactions would be adhered to Credit Events; and
 - (c) creation messages referred to in Article 3.1.3.3 (if the Applicant has duly authorised LCH.Clearnet SA to submit new Cleared Transactions to DTCC on its behalf pursuant to Article 3.1.3.5); and

- (xx) if it is incorporated or registered in the United States of America, be an eligible contract participant, as defined in Section 1a(12) of the Commodity Exchange Act (other than paragraph (C) thereof).

Section 2.2.2 Capital requirements

Article 2.2.2.1

Each Clearing Member must, unless otherwise permitted by the provisions of this Section 2.2.2, have and maintain Capital of at least Euro 3 billion at all times.

Article 2.2.2.2

LCH.Clearnet SA shall deem the Capital requirement set out in Article 2.2.2.1 above to be satisfied if, and for as long as, a Clearing Member has and maintains Capital of at least Euro 1.5 billion and provides LCH.Clearnet SA with an unconditional direct first-demand guarantee (in a form, and backed by a legal opinion, in each case acceptable to LCH.Clearnet SA, but limited to a maximum liability of EUR 1.5 billion) from its Parent or from another member of its Financial Group (not including a subsidiary of the Clearing Member) covering the amount by which a Clearing Member's Capital requirement of Euro 3 billion exceeds the amount of its Capital, provided that the Guarantor itself meets the Capital criteria set out in Article 2.2.2.1 above.

Article 2.2.2.3

For the purpose of Article 2.2.2.1, any guarantee which has been issued by a Clearing Member acting as Guarantor pursuant to Article 2.2.2.2 for the benefit of another Clearing Member shall reduce the Capital of the Guarantor *pro tanto*.

Section 2.2.3 Corporate organisation

Article 2.2.3.1

A Clearing Member may organise itself in such manner as it sees fit in relation to the performance of its clearing and back office obligations pursuant to the CDS Clearing Documentation, provided that it can satisfy LCH.Clearnet SA that it maintains sufficient oversight over the performance of such function.

Article 2.2.3.2

Subject to Article 2.2.3.3, a Clearing Member may outsource the performance of all or part of its clearing activities, subject that the Clearing Member shall remain responsible to LCH.Clearnet SA for the performance of all such activities pursuant to the CDS Clearing Documentation. In respect of any such outsourcing, the Clearing Member shall ensure that:

- (i) any entity to whom such activities are outsourced have the ability, capacity and authorisation to carry out such functions;
- (ii) it supervises and monitors the performance of the outsourced activities; and
- (iii) it has effective access to data related to the outsourced activities and to the business premises of the entity to whom the activities have been outsourced and is able to provide such access to LCH.Clearnet SA as would apply to the Clearing Member under this CDS Clearing Rule Book.

Article 2.2.3.3

A Clearing Member may only outsource a material part of its clearing activities with the prior consent of LCH.Clearnet SA. In this context, an outsourcing will be "material" if a failure in the

performance of the outsourcee entity would be such as to materially impair the ability of the Clearing Member to perform its obligations to LCH.Clearnet SA. LCH.Clearnet SA may decline to approve such an outsourcing if a failure in such arrangement could be such as to materially impair the ongoing financial soundness or the proper performance of the CDS Clearing Service.

Section 2.2.4 Membership of industry organisations or systems relating to CDS contracts

Article 2.2.4.1

Clearing Members must be members of industry organisations or systems relating to CDS, as designated by LCH.Clearnet SA from time to time, which at the date of launch of the CDS Clearing Service by LCH.Clearnet SA are ISDA, TIW and the Approved Matching Provider designated as such in Section 5 of the Procedures. LCH.Clearnet SA may only make a designation where it is reasonable to do so or it is otherwise necessary for a Clearing Member to utilise the CDS Clearing Service.

Section 2.2.5 Third party contractual obligations

Article 2.2.5.1

The payment of Physical Settlement Amounts shall not be subject to the provisions of this Section 2.2.5 save as set out in the CDS Clearing Supplement.

Relationship with Securities Settlement Agents, TARGET2 Payment Agents and CLS Paying Agents

Article 2.2.5.2

A Clearing Member that wishes to use a Securities Settlement Agent, a TARGET2 Payment Agent and/or a CLS Paying Agent to:

- (i) deliver Eligible Collateral;
- (ii) provide Cash Collateral; or
- (iii) perform Cash Payment obligations

in accordance with the CDS Clearing Documentation must enter into an agreement with the Securities Settlement Agent, the TARGET2 Payment Agent and/or the CLS Paying Agent, as the case may be, on such terms as allow the Clearing Member to perform its obligations under the CDS Clearing Documentation as required by LCH.Clearnet SA.

Article 2.2.5.3

Notwithstanding the provisions of Article 2.2.5.2 above, the use of a Securities Settlement Agent, TARGET2 Payment Agent or CLS Paying Agent shall not relieve the Clearing Member of its obligations under the CDS Clearing Documentation.

Provisions related to TARGET2 Payment Agents

Article 2.2.5.4

Clearing Members must ensure that they are able to comply with their Cash Payment obligations to LCH.Clearnet SA (other than the Cash Payment obligations referred to in Article 2.2.5.7 below, save in circumstances described in Article 2.2.5.11 below), and their obligations to provide Cash Collateral, through TARGET2.

Article 2.2.5.5

Each Clearing Member must provide LCH.Clearnet SA with a Power of Attorney enabling it to directly debit or credit a Clearing Member's TARGET2 Account or the cash account(s) of the TARGET2 Payment Agent being used to satisfy a Clearing Member's obligations under Article 2.2.5.2.

Provisions related to Securities Settlement Agents

Article 2.2.5.6

Each Clearing Member shall ensure that it has entered into arrangements with the relevant central securities depository or securities settlement system enabling them to provide Eligible Collateral through such central securities depository or securities settlement system if required.

Relationship with CLS Paying Agents

Article 2.2.5.7

Clearing Members must ensure that they are able to perform their obligations to pay the Initial Payment Amounts, the Fixed Amounts and the Auction Settlement Amounts through CLS by holding a CLS Account in their own name or by using a CLS Paying Agent.

Article 2.2.5.8

The holder of the CLS Account (being either the Clearing Member or its CLS Paying Agent) must authorise DTCC to give instructions on its behalf.

Article 2.2.5.9

LCH.Clearnet SA shall hold a CLS Account in its own name or use a CLS Account held by a CLS Paying Agent to perform its obligations vis-à-vis Clearing Members in respect of the Initial Payment Amounts, the Fixed Amounts and the Auction Settlement Amounts through CLS.

Article 2.2.5.10

Where LCH.Clearnet SA is unable to perform the Cash Payment obligations referred to in Article 2.2.5.9 using the CLS Account held by LCH.Clearnet SA or its CLS Paying Agent, LCH.Clearnet SA shall use its best efforts to ensure that Cash Payment obligations resume through CLS as soon as possible, including by appointing a new CLS Paying Agent.

Article 2.2.5.11

Until LCH.Clearnet SA is able to resume the Cash Payment obligations referred to in Article 2.2.5.9 through CLS, it shall perform such Cash Payment obligations through TARGET2 in accordance with Article 2.2.5.4 and Article 2.2.5.5 above.

Relationship with DTCC and the Approved Matching Provider

Article 2.2.5.12

Clearing Members and LCH.Clearnet SA use the services offered by DTCC and the Approved Matching Provider in accordance with their own contractual arrangements.

LCH.Clearnet SA shall not be responsible for verifying the content of such contractual arrangements between Clearing Members and DTCC and the Approved Matching Provider.

Section 2.2.6 Processing

Article 2.2.6.1

Each Clearing Member acknowledges that, before processing payment of any amount, CLS will, subject to and in accordance with its own rules and procedures, net all such payments by or to a Clearing Member which are due and payable to or by LCH.Clearnet SA in the same currency on the same date. Where payments are to be made through TARGET2 under Article 2.2.5.4 of this CDS Clearing Rule Book, LCH.Clearnet SA shall debit the net amount due from the Clearing Member's TARGET2 Account. For the avoidance of doubt no netting will occur between any payment to be made through TARGET2 and any payment to be made through CLS.

Section 2.2.7 Test processing

Article 2.2.7.1

Each Clearing Member must participate in technical and operational tests, organised reasonably at the discretion of LCH.Clearnet SA, in order, amongst other things, to ensure the continuity and orderly functioning of the CDS Clearing Service.

CHAPTER 3 - INFORMATION OBLIGATIONS, MONITORING AND AUDIT

Section 2.3.1 Information and financial reporting

Article 2.3.1.1

Each Clearing Member shall notify LCH.Clearnet SA in writing without delay providing full particulars known to it:

- (i) if there is a change in those direct or indirect shareholders having or controlling 10% or more of its share capital or voting rights (such notification to be given as soon as it becomes aware of that change and provided also that it is not prevented from disclosing the change by Applicable Law);
- (ii) if it ceases to satisfy the Capital requirement in Article 2.2.2.1;
- (iii) if the amount of its Capital is reduced by more than 10% from that shown on the latest financial statement filed with LCH.Clearnet SA;
- (iv) of any proposed change in the terms of any guarantee referred to in Article 2.2.2.2, its expiry, its renewal or any other circumstance which could result in the guarantee no longer meeting the criteria set out in Article 2.2.2.2;
- (v) if it ceases to be subject to the supervision of a Competent Authority;
- (vi) in the event that it fails to comply with any applicable financial requirements of any Governmental Authority, Competent Authority, exchange, clearing organisation, or settlement system;
- (vii) of Insolvency Proceedings affecting the Clearing Member, any Parent or its Guarantor;
- (viii) an Event which could permit LCH.Clearnet SA to declare an Event of Default against that Clearing Member;
- (ix) of any material breach of Applicable Law which relates to its status and performance as a Clearing Member under the CDS Clearing Documentation;
- (x) of a Force Majeure Event or the cessation of a Force Majeure Event occurring in respect of it to the extent required by Article 1.2.11.2;
- (xi) any change to its Systems and Operations that materially impacts its ability to comply with its obligations under the CDS Clearing Documentation; and
- (xii) of anything relating to the Clearing Member of which LCH.Clearnet SA would reasonably expect notice (including any matter, circumstance, change or occurrence which would cause a statement previously furnished under this Article 2.3.1.1, any information supplied in connection with its application for admission to membership of the CDS Clearing Service, or otherwise to be inaccurate, incomplete or superseded).

Article 2.3.1.2

Each Clearing Member must file the following information with LCH.Clearnet SA:

- (i) audited financial statements and audited consolidated financial statements, including balance sheet and profit and loss accounts, with the auditor's report drawn up in accordance with Applicable Law and accounting standards within 90 days of the end of the Clearing Member's fiscal year;

- (ii) interim financial statements, including management profit and loss accounts and balance sheet, drawn up in accordance with Applicable Law and accounting standards, within 60 days of the end of the relevant period; and
- (iii) such financial or other relevant information, in addition to what is explicitly required by this Article 2.3.1.2, as may be requested by LCH.Clearnet SA at its reasonable discretion from time to time.

Article 2.3.1.3

On request from LCH.Clearnet SA on an annual basis, a Clearing Member shall send to LCH.Clearnet SA:

- (i) an updated group organisation chart and a list of each of its direct and indirect shareholders holding more than a 10% interest in the share capital or voting rights of the Clearing Member; and
- (ii) any change to the identity of those Persons notified to LCH.Clearnet SA in accordance with Article 2.2.1.1(xi).

This is without prejudice to LCH.Clearnet SA's right reasonably to request such information more frequently if it wishes to do so.

Article 2.3.1.4

A Clearing Member shall answer any reasonable requests that LCH.Clearnet SA may deem necessary for any matter arising out of or in connection with an Event and shall co-operate with LCH.Clearnet SA in order to process the Event relating to it. For these purposes, it is irrelevant whether the Event has been determined to be an Event of Default by LCH.Clearnet SA pursuant to Section 4.3.1.

Article 2.3.1.5

A Clearing Member will not breach any obligation to provide information to LCH.Clearnet SA if it is prevented from providing such information by a mandatory provision of Applicable Law or pursuant to an order or direction from a Regulatory Body or court with jurisdiction over the Clearing Member.

Article 2.3.1.6

The Clearing Member shall respond to all reasonable requests for information from LCH.Clearnet SA concerning its clearing activities and exposure to general and financial risks (Cleared Transactions, Open Positions, defaults etc).

Article 2.3.1.7

Clearing Members shall send LCH.Clearnet SA a copy of all injunctions, formal administrative or disciplinary notifications or sanctions imposed on them by any Regulatory Body regarding any event which may significantly affect the ability of the Clearing Member to perform its obligations under the CDS Clearing Documentation, the exercise of its duties and/or the orderly conduct of its activities as a Clearing Member.

Section 2.3.2 Monitoring

Article 2.3.2.1

LCH.Clearnet SA will monitor, on an ongoing basis, a number of forward-looking indicators, including, but not limited to:

- (i) CDS spreads in respect of a Clearing Member, its Parent, or other members of its Financial Group;
- (ii) the long-term credit rating(s) of a Clearing Member, its Parent or other member of its Financial Group, as applicable; and
- (iii) equity returns for a Clearing Member, its Parent or other member of its Financial Group, as applicable,

and where, as a result of this monitoring, LCH.Clearnet SA deems it necessary to contain its exposure, it shall have discretion to suspend a Clearing Member as set out in Article 2.4.1.1, to reject the guarantee provided by the Clearing Member in accordance with Article 2.2.2.2, and/or to require Extraordinary Margin to be provided in accordance with Article 4.2.1.2.

Section 2.3.3 Audit and inspection

Article 2.3.3.1

Each Clearing Member agrees to submit its clearing activity carried out under the CDS Clearing Documentation to inspections reasonably requested by LCH.Clearnet SA.

Article 2.3.3.2

LCH.Clearnet SA may require an audit of a Clearing Member's Systems and Operations on reasonable notice and no more than twice annually.

Article 2.3.3.3

In establishing its internal arrangements, the Clearing Member shall ensure that LCH.Clearnet SA shall be permitted access pursuant to Applicable Law in any jurisdiction in which the Clearing Member performs its clearing activities, whether by the Clearing Member itself, a Person in the same Financial Group or a third party outsourcee pursuant to Article 2.2.3.2.

Article 2.3.3.4

Each Clearing Member shall be entitled to deny the attendance of LCH.Clearnet SA representatives at an inspection or audit if they are affected by conflicts of interest and in such event shall provide appropriate reasons for such denial.

Article 2.3.3.5

Each Clearing Member shall ensure that appropriate personnel are available for communications with LCH.Clearnet SA during clearing hours on each Clearing Day as specified in the Procedures.

Article 2.3.3.6

If, upon the completion of an audit under this Section 2.3.3, LCH.Clearnet SA believes that any modifications are necessary to the Clearing Member's Systems and Operations or to any other part of the Clearing Member's business activities, the Clearing Member will enter into good faith discussions with LCH.Clearnet SA as to the necessary extent of any modifications and the timescale within which the Clearing Member will make such modifications.

Section 2.3.4 Record keeping

Article 2.3.4.1

Each Clearing Member is required to keep all data relating to each Cleared Transaction for at least six years following the termination of each such Cleared Transaction and must make the data

available to LCH.Clearnet SA upon demand, subject to any mandatory provisions of Applicable Law to which a Clearing Member is subject, throughout that period.

CHAPTER 4 - SUSPENSION AND TERMINATION OF MEMBERSHIP

Section 2.4.1 Suspension

Article 2.4.1.1

LCH.Clearnet SA shall be entitled, subject to Article 2.4.1.3, to suspend a Clearing Member's ability to submit all new Original Transactions, or, alternatively, those Original Transactions which LCH.Clearnet SA does not consider as contributing to reducing the risks of the Clearing Member, for clearing by LCH.Clearnet SA:

- (i) upon any unremedied breach by the Clearing Member of the CDS Clearing Documentation, except where such breach is minor, technical or administrative in nature in the reasonable opinion of LCH.Clearnet SA;
- (ii) when LCH.Clearnet SA determines that it is necessary for it to contain its exposure to the Clearing Member following its monitoring pursuant to Article 2.3.2.1;
- (iii) upon suspension or termination (other than a voluntary termination) of the Clearing Member from membership of another clearing house provided that the circumstances relating to that suspension or termination are, in LCH.Clearnet SA's reasonable opinion, material to the management of its risk by LCH.Clearnet SA, and that LCH.Clearnet SA first consults or attempts to consult with the Clearing Member and LCH.Clearnet SA's Competent Authority;
- (iv) as a result of Disciplinary Proceedings brought against a Clearing Member; or
- (v) upon the occurrence of an Event in respect of the Clearing Member that could materially impact the ability of that Clearing Member to perform its obligations under the CDS Clearing Documentation.

Article 2.4.1.2

A suspended Clearing Member shall remain and continue to be bound by all of its obligations under the CDS Clearing Documentation.

Article 2.4.1.3

Before suspending a Clearing Member under Article 2.4.1.1, and without limiting its rights under Section 4.3.1, LCH.Clearnet SA must consult with the relevant Clearing Member, where to do so would be reasonable in the circumstances, further to which LCH.Clearnet SA may either agree a grace period within which the Clearing Member may remedy the event in question or institute Disciplinary Proceedings in respect of the Clearing Member without limitation to any right to declare an Event of Default.

Article 2.4.1.4

LCH.Clearnet SA shall be entitled, at any time and at its discretion, to revoke the suspension imposed on a Clearing Member under Article 2.4.1.1 above.

Article 2.4.1.5

Suspension of membership shall be promptly notified to the Competent Authorities.

Section 2.4.2 Membership Termination

Article 2.4.2.1

Membership Termination shall become effective, in the case of a Clearing Member in respect of which a Default Notice has been served by LCH.Clearnet SA, on the Defaulting Clearing Member Termination Date, and in the case of an LCH Default, on the Termination Date.

Article 2.4.2.2

Subject to Article 2.4.2.1, the membership of a Clearing Member may be terminated:

- (i) by LCH.Clearnet SA serving a Membership Termination Notice to the relevant Clearing Member, specifying a date in respect of which Membership Termination shall be effective, which may be no earlier than the date six months after service of the Membership Termination Notice save in the case of a Defaulting Clearing Member in which case the termination date may be any date stated by LCH.Clearnet SA; or
- (ii) by a Clearing Member serving a Membership Termination Notice to LCH.Clearnet SA, specifying a date in respect of which Membership Termination shall be effective, which may be no earlier than the date 25 Business Days after service of the Membership Termination Notice, provided that no such termination shall be effective where it relates to a Defaulting Clearing Member.

In each case, the Clearing Member shall be required to effect a Non-Default Unwind of all of its Cleared Transactions prior to the Scheduled Membership Termination Date.

Article 2.4.2.3

For the purposes of Article 4.3.1.1, a failure by a Clearing Member to effect a Non-Default Unwind of all of its Cleared Transactions prior to the Scheduled Membership Termination Date shall constitute a breach of the CDS Clearing Documentation but not an Event for the purposes of Article 4.3.1.1.

However, if a Clearing Member fails to effect a Non-Default Unwind of all of its Cleared Transactions prior to the Scheduled Membership Termination Date, LCH.Clearnet SA shall consult with the relevant Clearing Member to agree a grace period (to be no longer than 10 Business Days) for the Clearing Member to effect the Non-Default Unwind of all of its Cleared Transactions. If, at the end of such grace period (or, in the absence of any agreement on such grace period, on the 10th Business Day following the Scheduled Membership Termination Date), the relevant Clearing Member has not effected a Non-Default Unwind of all of its Cleared Transactions, LCH.Clearnet SA shall be entitled to take any of the actions set out in Article 4.3.2.3 as if an Event of Default had been declared with respect to such Clearing Member and such Clearing Member was a Defaulting Clearing Member.

Article 2.4.2.4

In the event of any Non-Default Termination, Membership Termination shall be effective (unless the relevant Membership Termination Notice is withdrawn in accordance with Article 2.4.2.5):

- (i) if the Membership Termination Notice is delivered during a CDS Post-Default Period:
 - (a) if such Clearing Member has concluded a Non-Default Unwind of all of its Cleared Transactions on or prior to the final calendar day of such CDS Post-Default Period, on the final calendar day of such CDS Post-Default Period; and

- (b) if such Clearing Member has not concluded a Non-Default Unwind of all of its Cleared Transactions on or prior to the final calendar day of such CDS Post-Default Period, on the 10th calendar day following the first date as of which such Clearing Member has concluded its Non-Default Unwind of all of its Cleared Transactions, provided that if an Event of Default in relation to another Clearing Member occurs prior to such date of effective withdrawal, the Clearing Member's Membership Termination Notice shall be deemed to have been given during the resulting CDS Post-Default Period and the provisions of this sub-paragraph (i) shall apply again in relation to that Clearing Member's Membership Termination Notice;
- (ii) if the Membership Termination Notice is delivered other than during a CDS Post-Default Period:
 - (a) if such Clearing Member has concluded a Non-Default Unwind of all of its Cleared Transactions on or prior to the Scheduled Membership Termination Date, on such Scheduled Membership Termination Date; or
 - (b) if such Clearing Member has not concluded a Non-Default Unwind of all of its Cleared Transactions on or prior to the Scheduled Membership Termination Date, on the 10th calendar day following the first date as of which such Clearing Member has concluded a Non-Default Unwind of all of its Cleared Transactions,

provided that, in each case, if a Default Notice is issued in relation to another Clearing Member prior to such date, such Membership Termination Notice shall be deemed to have been given during the resulting CDS Post-Default Period and the provisions of sub-paragraph (i) shall apply.

Article 2.4.2.5

A Clearing Member or LCH.Clearnet SA, as the case may be, shall be entitled to withdraw its Membership Termination Notice served pursuant to Article 2.4.2.2 at any time prior to Membership Termination.

Article 2.4.2.6

In the event that, during a Membership Termination Notice Period for a Clearing Member, an LCH Default occurs or a Default Notice is served in respect of that Clearing Member, the procedures being undertaken in relation to the Non-Default Termination shall end and the rights of LCH.Clearnet SA, in relation to an Event of Default, and the rights of a Clearing Member, in relation to an LCH Default, shall prevail.

Article 2.4.2.7

Where LCH.Clearnet SA issues a Default Notice prior to Membership Termination, the Collateral transferred to LCH.Clearnet SA as a Contribution or Additional Contribution Amount by a Clearing Member may be applied in accordance with Article 4.3.3.1.

Article 2.4.2.8

Subject to the application of TITLE I, Chapter 3 during any Membership Termination Notice Period, the relevant Clearing Member shall remain liable to:

- (i) provide Collateral to satisfy its Margin Requirement;
- (ii) satisfy its Variation Margin Requirement when due to LCH.Clearnet SA;

- (iii) provide Collateral to satisfy its Contribution Requirement, including any increase to the level of its Contribution in the event that LCH.Clearnet SA recalculates the required CDS Default Fund in accordance with Article 4.4.1.5 during the Membership Termination Notice Period;
- (iv) make all other required Cash Payments;
- (v) transfer, liquidate and make settlement/delivery (as applicable) in respect of all Cleared Transactions to which it is party in accordance with this CDS Clearing Rule Book, the CDS Clearing Supplement and the terms of the relevant Cleared Transactions;
- (vi) participate in the CDS Default Management Process;
- (vii) co-operate fully with LCH.Clearnet SA and to deal with any requests from it in a prompt and orderly fashion; and
- (viii) continue to satisfy conditions to its membership as set out in TITLE II and the CDS Admission Agreement.

For the avoidance of doubt, if an LCH Default occurs during the Membership Termination Notice Period other than where the Clearing Member is itself subject to an Event of Default, the provisions of TITLE I, Chapter 3 shall take precedence with respect to the Cleared Transactions registered in the Account Structure of the relevant Clearing Member and for which the relevant Clearing Member has not concluded a Non-Default Unwind on or prior to the LCH Default Time.

Article 2.4.2.9

Following Membership Termination, LCH.Clearnet SA and any Former Clearing Member shall remain:

- (i) subject to Article 1.2.14.1, Section 1.2.15 and any proceedings under the CDS Dispute Resolution Protocol and any provisions of the CDS Clearing Documentation which relate in whole or in part to any acts or omissions of LCH.Clearnet SA or the Former Clearing Member while it was a Clearing Member;
- (ii) in the event of an LCH Default, subject to the rights and obligations set out in TITLE I, Chapter 3; and
- (iii) liable in respect of all fees, fines, charges and payments under Cleared Transactions, amounts due to LCH.Clearnet SA or the Former Clearing Member as a result of its Cleared Transactions and any other liabilities accrued prior to Membership Termination, including in particular, the payment of any Termination Amount pursuant to Article 1.3.1.11, any amounts due pursuant to Article 4.3.3.3 or the payment of the LCH Repayment Amount pursuant to Clause 7.7 of the CDS Default Management Process..

Article 2.4.2.10

Promptly following Membership Termination, pursuant to Non-Default Termination, LCH.Clearnet SA shall issue a Clearing Notice specifying the name of the Former Clearing Member and, where appropriate, that they have opted to voluntarily terminate their membership pursuant to Article 2.4.2.2(ii).

Article 2.4.2.11

Following Membership Termination, LCH.Clearnet SA shall, if not already repaid, redelivered or accounted for pursuant to the CDS Clearing Rules, repay to a Former Clearing Member an amount equal to the sum of:

- (i) its Margin Balance; plus
- (ii) any Collateral that has been transferred to LCH.Clearnet SA to satisfy its Contribution Requirement to the extent it has not been used by LCH.Clearnet SA in accordance with the CDS Clearing Rules; less
- (iii) any amounts owing by the Former Clearing Member to LCH.Clearnet SA;

and redeliver to the Former Clearing Member any Redeliverable Eligible Collateral (other than Redeliverable Eligible Collateral which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) which the Former Clearing Member has transferred to LCH.Clearnet SA.

Repayment shall be made as soon as reasonably possible after LCH.Clearnet SA has determined that the Former Clearing Member has no outstanding sums owing to LCH.Clearnet SA.

Article 2.4.2.12

Termination of membership shall be promptly notified to the Competent Authorities.

TITLE III

CLEARING OPERATIONS

CHAPTER 1 - NOVATION AND REGISTRATION

Section 3.1.1 Novation principles

Article 3.1.1.1

An Original Transaction may be submitted to LCH.Clearnet SA for clearing through an Approved Matching Provider on any Clearing Day.

Article 3.1.1.2

Submission by an AMP Participant to an Approved Matching Provider of an Original Transaction with a designation for clearing by LCH.Clearnet SA shall be deemed to be an irrevocable agreement by such AMP Participant that:

- (i) the relevant Transaction Data may be sent by such Approved Matching Provider, pursuant to the Approved Matching Provider's terms and conditions, to LCH.Clearnet SA;
- (ii) such Original Transaction is intended to be novated to LCH.Clearnet SA pursuant to and in accordance with the terms of this CDS Clearing Rule Book and the CDS Clearing Supplement; and
- (iii) the terms of such Original Transaction will not be amended prior to novation (unless such Original Transaction is rejected for clearing by LCH.Clearnet SA).

Article 3.1.1.3

Upon receipt by LCH.Clearnet SA from an Approved Matching Provider of Transaction Data relating to an Original Transaction, LCH.Clearnet SA will:

- (i) check the file existence and file format of such Transaction Data to ensure technical compliance of such Transaction Data with the CDS Clearing System;
- (ii) check to ensure the completeness of the information required by LCH.Clearnet SA as previously notified to Clearing Members to process the Transaction Data and novate the Original Transaction pursuant to and in accordance with this CDS Clearing Rule Book and the CDS Clearing Supplement;
- (iii) check to ensure that each of the Fixed Rate Payer's and Floating Rate Payer's Transaction Data in respect of such Original Transaction match; and
- (iv) determine whether such Original Transaction meets the Eligibility Requirements.

LCH.Clearnet SA may reject any Original Transaction which does not comply with this CDS Clearing Rule Book or the Procedures or the Eligibility Requirements or where an Event of Default has occurred or, in LCH.Clearnet SA's reasonable opinion, is likely to occur, in relation to the relevant Clearing Member.

Article 3.1.1.4

Margin shall be calculated, and the Margin Requirement notified, to each Clearing Member in accordance with Article 3.1.2.2.

Article 3.1.1.5

Provided that a Novation Postponement Event has not occurred, LCH.Clearnet SA will novate all the Original Transactions submitted to it pursuant to Article 3.1.1.1 that meet all of the eligibility

checks in Article 3.1.1.3 in accordance with Article 3.1.1.6. Promptly following novation, LCH.Clearnet SA will issue, in accordance with LCH.Clearnet SA's processes, a Cleared Transaction Portfolio Report to all relevant Clearing Members confirming, if applicable, that novation took place at the Novation Time and listing all Original Transactions that were novated.

Article 3.1.1.6

Provided that a Novation Postponement Event has not occurred at or prior to the Novation Time, then, in respect of each of the Original Transactions novated pursuant to Article 3.1.1.5 and with effect from the Novation Time:

- (i) the parties to each such Original Transaction shall be automatically and immediately released and discharged from all their obligations to each other under such Original Transaction (and the books and records of such parties shall be updated to reflect such novation) other than in respect of:
 - (a) any amounts which are due and payable (or deliverable) by one party to the other pursuant to the terms of such Original Transaction but have not yet been paid (or delivered), on or prior to the Novation Time; and
 - (b) any Initial Payment Amounts or any Fixed Amounts, when such amounts remain payable between the parties to such Original Transaction and in accordance with the terms of such Original Transaction pursuant to the CDS Clearing Supplement;
- (ii) each such Original Transaction will be replaced by two Cleared Transactions as follows:
 - (a) a Cleared Transaction entered into between LCH.Clearnet SA (acting as the protection seller in respect of such Cleared Transaction) and the Fixed Rate Payer in respect of the Original Transaction (acting as CDS Buyer in respect of such Cleared Transaction); and
 - (b) a Cleared Transaction entered into between LCH.Clearnet SA (acting as the protection buyer in respect of such Cleared Transaction) and the Floating Rate Payer in respect of the Original Transaction (acting as CDS Seller in respect of such Cleared Transaction),within each case, each Clearing Member and LCH.Clearnet SA acting as principal and not as agent; and
- (iii) each such Cleared Transaction is deemed entered into by LCH.Clearnet SA as a system and is irrevocable in accordance with Article L. 330-1 III and IV of the French Monetary and Financial Code.

Any failure by a party to perform its obligations under such Original Transaction shall not affect the liability of any such party to LCH.Clearnet SA following the novation of such Original Transaction.

Article 3.1.1.7

LCH.Clearnet SA will be entitled to assume and will assume that no Credit Event Notice or Notice of Physical Settlement under an Original Transaction submitted for clearing by LCH.Clearnet SA in accordance with Article 3.1.1.1 has been delivered by either party to the other prior to the Novation Time for that Original Transaction (other than any deemed delivery of a Credit Event Notice pursuant to a DC Credit Event Announcement). Each Clearing Member upon submitting an Original Transaction for clearing by LCH.Clearnet SA acknowledges and agrees that any Credit Event Notice (other than any deemed delivery of a Credit Event Notice pursuant to a DC Credit Event Announcement) or Notice of Physical Settlement (or NOPS Amendment Notice) delivered in

relation to an Original Transaction which is accepted for clearing by LCH.Clearnet SA in accordance with Article 3.1.1.5 shall be deemed, at the Novation Time, never to have been delivered.

Article 3.1.1.8

Subject to Article 3.1.1.6 above, each Cleared Transaction shall be on identical terms as the Original Transaction replaced by such Cleared Transaction, and otherwise subject to the provisions of the CDS Clearing Documentation. With effect from the Novation Time, the terms of the Cleared Transaction shall be definitive, regardless of whether any Cleared Transaction is based on any Original Transaction and regardless of any error or the validity of any Original Transactions.

Article 3.1.1.9

Notwithstanding the designation by LCH.Clearnet SA of any system as an Approved Matching Provider, LCH.Clearnet SA makes no warranty as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Matching Provider or the timeliness or otherwise of the delivery of any Original Transaction details by that Approved Matching Provider to LCH.Clearnet SA. The ability of Clearing Members to submit Original Transactions through a particular Approved Matching Provider may be suspended from time to time provided that any such suspension applies to all Clearing Members and, where reasonably practicable, LCH.Clearnet SA gives at least 2 Business Days notice of such suspension.

Article 3.1.1.10

In the event that LCH.Clearnet SA registers Cleared Transactions on the basis of incorrect or corrupted data sent to it by an Approved Matching Provider, the Clearing Member concerned shall be bound by the terms of such Cleared Transactions. LCH.Clearnet SA may agree to use its reasonable endeavours to assist the relevant Clearing Members in re-registering such trades on the correct basis but it shall be under no obligation to do so. LCH.Clearnet SA shall not be liable to Clearing Members or anyone else with regard to the registration of such Cleared Transactions.

Section 3.1.2 Margin provision and Novation Postponement Events

A. Pre-registration and margin calculation

Article 3.1.2.1

On any Clearing Day, in relation to any Original Transaction eligible for clearing by LCH.Clearnet SA and submitted for clearing to LCH.Clearnet SA on such Clearing Day, LCH.Clearnet SA shall, upon completion of the checks set out in Article 3.1.1.3, promptly pre-register the positions corresponding to such Original Transaction in the Account Structure of the relevant Clearing Members, as if novation of such Original Transaction had occurred pursuant to Article 3.1.1.5 and such positions were Cleared Transactions, in accordance with TITLE III, Chapter 2.

Such pre-registration of the positions corresponding to an Original Transaction is an internal process implemented by LCH.Clearnet SA for the purposes only of ensuring that the terms of such Original Transaction are taken into account in determination of the applicable Margin Requirement on the relevant Clearing Day for a Clearing Member pursuant to TITLE IV of this CDS Clearing Rule Book. For the avoidance of doubt, pre-registration of the positions corresponding to an Original Transaction does not constitute the novation of such Original Transaction.

Article 3.1.2.2

LCH.Clearnet SA shall calculate and call the Margin Requirement applicable to each Clearing Member on a daily basis in accordance with TITLE IV, Chapter 2 and Section 2 of the Procedures, taking into account the Open Positions registered within its Account Structure (including, without limitation, the positions corresponding to Original Transactions pre-registered in the Account Structure of the relevant Clearing Member in accordance with Section 3.1.2). LCH.Clearnet SA shall, in accordance with the Procedures, notify each Clearing Member by 07:45 on each Clearing Day of its applicable Margin Requirement in respect of such Clearing Day by means of the Margin Call Report. Clearing Members shall meet their applicable Margin Requirement between 08:30 and 09:00 on that Clearing Day.

B. Novation Postponement Events

Article 3.1.2.3

If, on a Clearing Day, any Clearing Member has not, by 09:00 on such Clearing Day, complied with its applicable Margin Requirement and Variation Margin Requirement set out in the Margin Call Report in respect of such Clearing Day (a "**Novation Postponement Event**"), the novation of all Original Transactions submitted to LCH.Clearnet SA for clearing on such Clearing Day (including Original Transactions unrelated to the Clearing Member that has failed to comply with its applicable Margin Requirement and Variation Margin Requirement) will be postponed.

If a Novation Postponement Event exists at 09:00 on a Clearing Day, LCH.Clearnet SA shall promptly deliver a Novation Postponement Event Notice to all Clearing Members who have submitted Original Transactions to LCH.Clearnet SA for clearing on such Clearing Day.

Article 3.1.2.4

In respect of a Clearing Day on which the novation of Original Transactions is postponed in accordance with Article 3.1.2.3, LCH.Clearnet SA shall, by 11:25 on such Clearing Day, recalculate each Clearing Member's Margin Requirement in accordance with Article 3.1.2.2 but excluding all Original Transactions to which a Postponing Clearing Member is a party. LCH.Clearnet SA shall, in accordance with the Procedures, send a recalculated Margin Call Report to Clearing Members by 11:25. Excluded Original Transactions will not be novated by LCH.Clearnet SA on this Clearing Day, but may be resubmitted by the relevant Clearing Members on the following Clearing Day in accordance with Article 3.1.2.8. Clearing Members shall meet their applicable Recalculated Margin Requirement between 11:50 and 11:55 on that Clearing Day. If, for any reason, LCH.Clearnet SA is unable to send the recalculated Margin Call Report to Clearing Members by 11:25, but is able to send it between 11:25 and 12:25, then Clearing Members shall meet their applicable Recalculated Margin Requirements between 12:50 and 12:55.

Article 3.1.2.5

Provided that all Clearing Members (with the exception of any Postponing Clearing Member(s)) have met their recalculated Margin Requirement by the Recalculated Margin Time, all the Original Transactions submitted to LCH.Clearnet SA for clearing pursuant to Article 3.1.1.1 (save those to which any Postponing Clearing Member was a party) will then be novated at the Recalculated Novation Time in accordance with Article 3.1.1.5 and Article 3.1.1.6, mutatis mutandis provided that, notwithstanding Section 3.1.1, the Novation Time will be the Recalculated Novation Time, and LCH.Clearnet SA shall promptly send a revised Cleared Transaction Portfolio Report to all relevant Clearing Members.

Article 3.1.2.6

Each Clearing Member in respect of whom a Novation Postponement Event has occurred shall be liable for costs incurred by LCH.Clearnet SA in connection with the process described in Article 3.1.2.3 and Article 3.1.2.4 above, as specified in a fee grid published from time to time by LCH.Clearnet SA on the Website.

Article 3.1.2.7

If, on a Clearing Day following a recalculation and call of the Margin Requirement calculated and called pursuant to Article 3.1.2.4, any relevant Clearing Member has not complied with such recalculated Margin Requirement by the Recalculated Margin Time, the Original Transactions submitted for clearing to LCH.Clearnet SA on such Clearing Day will be rejected, and no further novation process shall be implemented by LCH.Clearnet SA on such Clearing Day. Collateral transferred to LCH.Clearnet SA to satisfy a Clearing Member's Margin Requirement on such Clearing Day shall not be returned to the relevant Clearing Member by LCH.Clearnet SA on such Clearing Day but may be returned to the relevant Clearing Member on subsequent Clearing Days in accordance with the provisions of TITLE IV, Chapter 2 and Section 3 of the Procedures.

Article 3.1.2.8

Original Transactions which have been rejected by LCH.Clearnet SA for whatever reason can be submitted by the relevant Clearing Members for clearing by LCH.Clearnet SA on the following Clearing Day, subject to Article 2.4.1.1 and Section 4.3.1.

Article 3.1.2.9

In relation to Article 3.1.2.3 to Article 3.1.2.8, Article 3.1.1.6 to Article 3.1.1.10 shall apply *mutatis mutandis* save that the Novation Time will be the Recalculated Novation Time.

C. Loss Distribution Periods

Article 3.1.2.10

If, on a Clearing Day and in accordance with Clause 6.3 of the CDS Default Management Process, LCH.Clearnet SA requests that an adjustment be made to the Loss Distribution Cap Amount for one or more Non-Defaulting Clearing Members, the novation of all Original Transactions submitted to LCH.Clearnet SA for clearing on such Clearing Day will be postponed.

In this circumstance, LCH.Clearnet SA shall promptly, and by no later than 07:45, publish a Clearing Notice notifying all Clearing Members that it will not novate any Original Transactions submitted to LCH.Clearnet SA for clearing on such Clearing Day unless and until each affected Non-Defaulting Clearing Member has agreed to an adjustment to their Loss Distribution Cap Amount. For the avoidance of doubt, such Clearing Notice will not identify the Non-Defaulting Clearing Members who are being consulted in relation to an adjustment to their Loss Distribution Cap Amount.

Article 3.1.2.11

In the event that each Non-Defaulting Clearing Member agrees to an adjustment to their Loss Distribution Cap Amount on such Clearing Day in the form and within the timeframe set out in the relevant Clearing Notice, LCH.Clearnet SA will promptly distribute a Margin Call Report to each Clearing Member for that Clearing Day. Clearing Members will be required to satisfy their Margin Requirement at the time of the next available TARGET2 payment window (as set out in Paragraph 3.8 of Section 3 of the Procedures) on such Clearing Day, save that if the time of the next available TARGET2 payment window is less than 45 minutes from the time of distribution of the Margin Call

Report Clearing Members will be required to satisfy their Margin Requirement at the time of the second next available TARGET2 payment window on such Clearing Day. In the event that LCH.Clearnet SA utilises an exceptional TARGET2 payment window, as contemplated in Section 3 of the Procedures, it shall ensure that Clearing Members are provided with at least 45 minutes notice of the time at which they will be required to satisfy their Margin Requirement on such Clearing Day.

Article 3.1.2.12

Provided that each Clearing Member satisfies its Margin Requirement by the close of the relevant TARGET2 payment window, in accordance with Article 3.1.2.11, all the Original Transactions submitted to LCH.Clearnet SA for clearing pursuant to Article 3.1.1.1 shall be novated 15 minutes after the time that the relevant TARGET2 payment window closes. In the event that any Clearing Member does not satisfy its Margin Requirement within this timeframe, this shall constitute a Novation Postponement Event and LCH.Clearnet SA shall follow the process set out in Section 3.1.2 B *mutatis mutandis*.

Article 3.1.2.13

If any Non-Defaulting Clearing Member does not agree to an adjustment to its Loss Distribution Cap Amount on such Clearing Day in the form and within the timeframe set out in the relevant Clearing Notice, an Early Termination Trigger Date shall arise, in accordance with Clause 7.1 of the CDS Default Management Process. Upon an Early Termination Trigger Date, LCH.Clearnet SA shall promptly publish a Clearing Notice notifying all Clearing Members that an Early Termination Trigger Date has arisen, and that LCH.Clearnet SA will not novate any more Original Transactions submitted to it for clearing on such Clearing Day, and will not accept any Original Transactions which are submitted to LCH.Clearnet SA for clearing by Clearing Members at any time after the Early Termination Trigger Date has arisen.

Section 3.1.3 Registration of Cleared Transactions

Article 3.1.3.1

Cleared Transactions shall be registered by LCH.Clearnet SA in the CDS Clearing System in the Account Structure of the relevant Clearing Members.

Article 3.1.3.2

The terms and conditions of such Cleared Transactions are determined pursuant to the CDS Clearing Supplement.

Article 3.1.3.3

Upon novation of an Original Transaction pursuant to Article 3.1.1.5, LCH.Clearnet SA shall promptly:

- (i) send to the TIW, on behalf of the relevant Clearing Members, a message relating to the termination of such Original Transaction;
- (ii) send to the TIW, on behalf of LCH.Clearnet SA, a message relating to the creation of the two related Cleared Transactions pursuant to Article 3.1.1.6(ii), between LCH.Clearnet SA and the relevant Clearing Members; and
- (iii) for each such Cleared Transaction, either:

- (a) send to the relevant Clearing Member a file, including details of such Cleared Transaction, sufficient for such Clearing Member to create in the TIW the details of such Cleared Transaction; or
- (b) in the case where the relevant Clearing Member has duly authorised LCH.Clearnet SA to submit new Cleared Transactions to the TIW on its behalf pursuant to Article 3.1.3.5 below, send to the TIW, on behalf of such Clearing Member, details of such Cleared Transaction sufficient to create in the TIW the details of such Cleared Transaction.

Article 3.1.3.4

Subject to Article 3.1.3.5 below, each Clearing Member is required to submit each Cleared Transaction to the TIW for the purposes of the creation in the TIW of such Cleared Transactions as soon as reasonably practicable after receipt of the file referred to in Article 3.1.3.3(iii) above. For the avoidance of doubt, such direct submission by a Clearing Member (or a failure by a Clearing Member to carry out such direct submission) will have no effect on the novation of any Original Transaction and creation of Cleared Transactions pursuant to Article 3.1.1.5.

Article 3.1.3.5

Upon a request by a Clearing Member, LCH.Clearnet SA will be authorised to submit Cleared Transactions to the TIW on behalf of such Clearing Member, for the sole purpose of creating such Cleared Transactions in the TIW. Such request must be addressed by such Clearing Member to LCH.Clearnet SA and comply with the requirements set out in a Clearing Notice, and will apply for the purposes of the creation in the TIW of all Cleared Transactions of such Clearing Member.

Once such request has been accepted by LCH.Clearnet SA, LCH.Clearnet SA will send to the TIW, on behalf of such Clearing Member, all messages necessary for the creation in the TIW of Cleared Transactions to which such Clearing Member is party. For the avoidance of doubt, the provisions of this CDS Clearing Rule Book under which Clearing Members are required to submit Cleared Transactions to the TIW for the purposes of the creation in the TIW of such Cleared Transactions (Article 3.1.3.4 above) will not apply to Clearing Members who have duly authorised LCH.Clearnet SA to submit Cleared Transactions to the TIW on their behalf pursuant to this Article 3.1.3.5.

Article 3.1.3.6

Each Clearing Member which is party to an Original Transaction novated in accordance with this CDS Clearing Rule Book must ensure that its books and records are updated to reflect the novation of such Original Transaction and the creation of the relevant Cleared Transaction as soon as reasonably practicable after novation has occurred pursuant to Article 3.1.1.5.

Article 3.1.3.7

LCH.Clearnet SA and each Clearing Member agree that without prejudice to Section 2 of the CDS Clearing Supplement, upon novation of an Original Transaction pursuant to Article 3.1.1.5 and until the two related Cleared Transactions are registered in the TIW pursuant to Article 3.1.3.3(ii), the details of the two related Cleared Transactions registered in the CDS Clearing System will, in the absence of manifest error, prevail over the details of such Original Transaction registered in the TIW. LCH.Clearnet SA agrees that it will make available to the relevant Clearing Members the details of Cleared Transactions registered in the CDS Clearing System on a real time basis. Further details are set in the Procedures.

Article 3.1.3.8

On each Clearing Day on which no Original Transaction (which has been submitted by Clearing Members for clearing by LCH.Clearnet SA) is novated in accordance with Article 3.1.1.5, as a result of a Novation Postponement Event, LCH.Clearnet SA will, promptly following the Recalculated Margin Time, deliver a notice in writing to each Clearing Member which has submitted Original Transactions for clearing by LCH.Clearnet SA on such Clearing Day informing each such Clearing Member that no novation will take place on such Clearing Day.

Article 3.1.3.9

The CDS Clearing System used for the purposes of this CDS Clearing Rule Book is not a real-time monitoring of transactions process. Registration of Cleared Transactions in the Account Structure of the relevant Clearing Members will depend upon the effective receipt by LCH.Clearnet SA of appropriate information from the Approved Matching Provider, and will be processed during Clearing Days as set out in the Procedures.

LCH.Clearnet SA shall not be in breach of the CDS Clearing Documentation by reason of late provision of any report or information by the Approved Matching Provider.

Article 3.1.3.10

Cleared Transactions are registered in Trade Accounts on a trade by trade basis. LCH.Clearnet SA will not perform compression or netting at the Trade Account level otherwise than pursuant to TITLE III, Chapter 3.

Article 3.1.3.11

The process as described in Article 3.1.3.3 to Article 3.1.3.5 above will apply, *mutatis mutandis*, in all other circumstances where termination and creation messages relating to Cleared Transactions of a Clearing Member are to be exchanged between the Approved Matching Provider, LCH.Clearnet SA and such Clearing Member, including, without limitation, in connection with:

- (i) compression;
- (ii) creation of Restructuring Matched Pairs or Settlement Matched Pairs (where applicable);
and
- (iii) transfer of Cleared Transactions.

Article 3.1.3.12

Upon the occurrence of specific events where LCH.Clearnet SA manually undertakes, with respect to any Cleared Transactions, automatic processes that are usually provided by the TIW in accordance with Section 5 of the Procedures, LCH.Clearnet SA will charge the relevant Clearing Member fees for undertaking such manual procedure, specified in a fee grid published from time to time by LCH.Clearnet SA on its Website.

CHAPTER 2 - ACCOUNT STRUCTURE

Section 3.2.1 Trade Account

Article 3.2.1.1

LCH.Clearnet SA shall open one Trade Account per Clearing Member in which each Cleared Transaction corresponding to an Original Transaction will be registered.

Article 3.2.1.2

Registration of Cleared Transactions in a Trade Account shall initially be made by LCH.Clearnet SA on the basis of the Transaction Data with respect to the relevant Original Transaction and amended to reflect any compression of Cleared Transactions pursuant TITLE III, Chapter 3.

Section 3.2.2 Margin Account

Article 3.2.2.1

LCH.Clearnet SA shall open one Margin Account per Clearing Member for the purposes of risk calculation, as described in TITLE IV to reflect the Clearing Member's Open Positions.

Article 3.2.2.2

The Cleared Transactions registered in the Trade Account of a Clearing Member will be allocated to the Margin Account of the Clearing Member. Allocation of Cleared Transactions to the Margin Account shall be made by LCH.Clearnet SA on the basis of the data set out in the Trade Account and for the purposes of the determination of a Clearing Member's Open Positions only.

Article 3.2.2.3

LCH.Clearnet SA shall calculate a Clearing Member's Open Positions by netting the Cleared Transactions which are allocated to the Margin Account and are of the same CDS Type. A Clearing Member's Open Positions will be registered in the relevant Margin Account.

Section 3.2.3 Financial Account

Article 3.2.3.1

Cash Collateral provided by Clearing Members will be an outright transfer and will be held by LCH.Clearnet SA in accordance with the Procedures.

Article 3.2.3.2

At the option of each Clearing Member and in accordance with Section 3 of the Procedures, Collateral (other than Cash Collateral) shall be transferred by the relevant Clearing Member to LCH.Clearnet SA either on a full transfer title basis pursuant to Article L. 440-7 of the French Monetary and Financial Code, or through a Belgian law security interest with no title transfer pursuant to Article L. 211-38 of the French Monetary and Financial Code and the applicable provisions of Belgian law.

Article 3.2.3.3

LCH.Clearnet SA shall open one Financial Account for each Clearing Member for the purposes of identifying Collateral provided by such Clearing Member.

CHAPTER 3 - COMPRESSION

Section 3.3.1

Article 3.3.1.1

Subject to Article 3.3.1.2, there will be no compression of Cleared Transactions unless otherwise elected by a Clearing Member in accordance with this Section 3.3.1. Two methods are available to Clearing Members, further details of which are set in Section 5 of the Procedures:

- ad hoc compression; or
- systematic compression.

Article 3.3.1.2

As set out in the Procedures following a Credit Event in respect of any Cleared Transactions, other than a Restructuring Credit Event, LCH.Clearnet SA may compress Cleared Transactions to result in one or more Cleared Transactions per CDS Type.

As set out in the Procedures following a Restructuring Credit Event in respect of any Cleared Transactions, LCH.Clearnet SA may compress Restructuring Cleared Transactions to result in one or more Cleared Transactions per CDS Type.

As set out in the Procedures following a DC Credit Event Announcement, if the Fallback Settlement Method applies in respect of any Cleared Transactions, LCH.Clearnet SA may compress Physically Settled Cleared Transactions to result in one or more Cleared Transactions per CDS Type.

Following an Event of Default, TITLE IV, CHAPTER 3 of the CDS Clearing Rule Book shall prevail and apply in relation to all matters concerning aggregation, compression, set off, closing out and termination of Cleared Transactions.

Article 3.3.1.3

In the event that a Clearing Member does elect for the compression of some or all of its Cleared Transactions in accordance with this Section, such compression shall take place through termination of the relevant existing Cleared Transaction or Cleared Transactions of the same CDS Type in consideration for entry into of a new replacement single Cleared Transaction. The process and conditions for compression are set out in Section 5 of the Procedures.

Article 3.3.1.4

Neither Article 3.3.1.1 nor Article 3.3.1.2 affects the definition or calculation of the Open Position of a Clearing Member or any Margin Requirement or Contribution Requirement applicable to a Clearing Member which shall at all times be based upon the Clearing Member's Open Positions.

Article 3.3.1.5

LCH.Clearnet SA and the relevant Clearing Member will reflect each compression in the records of the TIW in accordance with Section 5 of the Procedures.

If the records of trades in the TIW do not reflect the Cleared Transactions to which a Clearing Member and LCH.Clearnet SA are party following compression, then the Clearing Member and LCH.Clearnet SA will together correct the records of the TIW accordingly.

Article 3.3.1.6

Where compression has taken place in respect of any Cleared Transactions, the accrued Fixed Amounts for the relevant Cleared Transactions shall be netted and the Fixed Amount for the Cleared Transaction resulting from the compression shall be determined by reference to the Cleared Transactions which were compressed.

TITLE IV

RISK MANAGEMENT

CHAPTER 1 - GENERAL PROVISIONS

Article 4.1.1.1

LCH.Clearnet SA shall calculate the Margin Requirement on a per Margin Account basis on the basis of the Open Positions in such Margin Account.

Article 4.1.1.2

Once a Cleared Transaction is terminated or duly settled in accordance with its terms, such Cleared Transaction will no longer be taken into account for the purposes of calculating a Clearing Member's Margin Requirement.

CHAPTER 2 - MARGIN

Section 4.2.1 Margin Requirement

Article 4.2.1.1

In order to manage its risk exposure, LCH.Clearnet SA shall require each Clearing Member to transfer to LCH.Clearnet SA such Collateral as is necessary to satisfy its Margin Requirement. The Margin Requirement for each Clearing Member shall be calculated by LCH.Clearnet SA as the aggregate of each of the components of Margin set out in Section 2 of the Procedures.

Article 4.2.1.2

LCH.Clearnet SA shall be entitled, in consultation with the Risk Committee where reasonably possible, at any time to impose, amend or withdraw additional requirements in relation to the calculation of Margin payable by all Clearing Members or to require Extraordinary Margin to be paid by a particular Clearing Member. Where advance consultation with the Risk Committee is not practicable, LCH.Clearnet SA shall be required to seek the advice of the Risk Committee at its next meeting as regards the continued applicability of any such amended Margin calculations and shall seek ratification of the decision to amend its Margin calculations at the next meeting of the LCH.Clearnet SA board of directors.

Section 4.2.2 Margin Calls and Margin Call Reports

Article 4.2.2.1

On each Clearing Day, for each Margin Account of each Clearing Member, LCH.Clearnet SA shall calculate:

- (i) the Margin Requirement;
- (ii) the Margin Balance; and
- (iii) on the basis of such calculations, whether there is a Margin Shortfall or a Margin Excess.

LCH.Clearnet SA shall perform these calculations at the time and in the manner set out in Section 3 of the Procedures.

Article 4.2.2.2

Following this calculation, LCH.Clearnet SA shall inform each Clearing Member of the Margin Requirement, the Margin Balance and, as the case may be, of any Margin Shortfall or Margin Excess by 07:45 each Clearing Day through the Margin Call Report as part of the clearing procedures set out in TITLE III.

The failure by LCH.Clearnet SA to provide a Margin Call Report shall not invalidate its ability to debit a Clearing Member's TARGET2 Account, using the Power of Attorney issued in its favour in accordance with Article 2.2.1.1(xiii)(a), to cover any Margin Shortfall.

Article 4.2.2.3

If, further to a calculation of the Margin Requirement and the Margin Balance, there is a Margin Shortfall, the Clearing Member shall transfer to LCH.Clearnet SA additional Collateral so that the Margin Balance has a value at least equal to the Margin Requirement. Each Clearing Member shall transfer such Collateral in such form and by such times as set out in Section 3 of the Procedures or as may otherwise be prescribed by LCH.Clearnet SA from time to time.

Article 4.2.2.4

If, further to a calculation of the Margin Requirement and the Margin Balance, there is a Margin Excess, the Clearing Member may request a return of Collateral be made by LCH.Clearnet SA, in which case LCH.Clearnet SA shall return such Collateral according to the conditions and timetable set forth in Section 3 of the Procedures. Excess Cash Collateral will be returned in accordance with Section 3 of the Procedures.

Article 4.2.2.5

LCH.Clearnet SA shall, at any time during a Clearing Day, have the right to calculate and make an intra-day call on a Clearing Member to transfer to LCH.Clearnet SA such additional Collateral as LCH.Clearnet SA deems necessary to contain its exposure. Intra-day Collateral calls can be made by LCH.Clearnet SA on a Clearing Member if:

- (i) LCH.Clearnet SA deems it necessary pursuant to LCH.Clearnet SA's assessment of that Clearing Member's financial situation;
- (ii) there is an Intra-Day Margin Shortfall; or
- (iii) LCH.Clearnet SA deems that the characteristics of the Open Positions registered in the Margin Account give rise to a material exposure in respect of that Clearing Member.

Article 4.2.2.6

LCH.Clearnet SA shall notify any intra-day call for Collateral to the relevant Clearing Member by means of an Intra-Day Margin Notice. The failure by LCH.Clearnet SA to provide an Intra-Day Margin Notice shall not invalidate its ability to debit a Clearing Member's TARGET2 Account, using the Power of Attorney issued in its favour in accordance with Article 2.2.1.1(xiii)(a), to cover any such Collateral requirement. Each Clearing Member required to transfer Collateral pursuant to an Intra-Day Margin Notice shall transfer such Collateral in such form and by such times as set out in Section 3 of the Procedures or as may otherwise be prescribed by LCH.Clearnet SA from time to time.

Section 4.2.3 Variation Margin

Article 4.2.3.1

In order to manage the risk of price fluctuations occurring in respect of a Clearing Member's Open Positions, LCH.Clearnet SA shall require each Clearing Member to transfer Cash Collateral by way of a Variation Margin payment.

Article 4.2.3.2

The calculation of a Clearing Member's Variation Margin Requirement shall be performed by LCH.Clearnet SA in accordance with Section 2 of the Procedures.

Article 4.2.3.3

Each Clearing Member required to transfer Cash Collateral to satisfy its Variation Margin Requirement shall transfer such Cash Collateral in such form and by such times as set out in Section 3 of the Procedures.

Section 4.2.4 Collateral

Article 4.2.4.1

The list of Eligible Currencies and Eligible Collateral is set out in Section 3 of the Procedures. LCH.Clearnet SA may notify Clearing Members of any change to what constitutes Eligible Currencies or Eligible Collateral by publication of a Clearing Notice.

Article 4.2.4.2

On the specific written request of a Clearing Member, LCH.Clearnet SA shall ensure that the Risk Committee is consulted on the acceptance of any type of currency, security or other type of asset as an Eligible Currency or as Eligible Collateral as the case may be, provided that Applicable Law permits a clearing house to accept such currency, security or other asset as collateral. If Applicable Law no longer permits any currency, security or other asset to be accepted by a clearing house as collateral, LCH.Clearnet SA shall amend the list of Eligible Currencies and Eligible Collateral in accordance with Article 1.2.2.4(ii)(a).

Article 4.2.4.3

A Clearing Member shall post Cash Collateral and/or Eligible Collateral to satisfy its Margin Requirement. In calculating the Margin Balance for any Clearing Member, LCH.Clearnet SA may apply such haircuts to Eligible Collateral as set out in Section 3 of the Procedures and such FX adjustments to Cash Collateral as set out on the Website.

Article 4.2.4.4

A Clearing Member shall be permitted either to transfer excess Collateral to LCH.Clearnet SA or to maintain Collateral with LCH.Clearnet SA such that the Margin Balance exceeds the Clearing Member's Margin Requirement. Any Margin Excess will be treated as Collateral and the Clearing Member may, subject to the provisions set out in Section 3 of the Procedures, withdraw any Margin Excess on request to LCH.Clearnet SA.

Article 4.2.4.5

Cash Collateral transferred to LCH.Clearnet SA shall be held by LCH.Clearnet SA in accordance with the Procedures.

Article 4.2.4.6

Eligible Collateral transferred to LCH.Clearnet SA shall be held by LCH.Clearnet SA in accordance with Section 3 of the Procedures.

Article 4.2.4.7

All Collateral shall be provided by a Clearing Member as principal and not as agent. In providing any Eligible Collateral to LCH.Clearnet SA, a Clearing Member shall represent and warrant that:

- (i) the Clearing Member is the sole and beneficial owner of the assets making up such Eligible Collateral;
- (ii) none of the assets making up the Eligible Collateral are subject to any security interest, encumbrance or other third party interest (other than a lien routinely imposed on all Securities in a clearing system in which any such Eligible Collateral may be held); and
- (iii) the use or application of the Eligible Collateral by LCH.Clearnet SA will not breach Applicable Law or any obligations owed by such Clearing Member to any third party.

Section 4.2.5 Valuation of Open Positions

Article 4.2.5.1

For the purposes of calculating and valuing a Clearing Member's Open Positions and calculating its Margin Requirement and Variation Margin Requirement, LCH.Clearnet SA will use the End of Day Contributed Prices provided by the Index Publisher in accordance with the conditions specified by LCH.Clearnet SA in the Procedures. If, for any reason whatsoever, such End of Day Contributed Prices are not available to LCH.Clearnet SA in accordance with the conditions set out in Section 5 of the Procedures, LCH.Clearnet SA will use composite prices/spreads provided by the Index Publisher or such other prices/spreads as determined by the Risk Committee.

Article 4.2.5.2

Each Clearing Member shall be permitted to use End of Day Contributed Price information or composite prices/spreads provided by the Index Publisher, in accordance with Article 4.2.5.1, for the purposes of validating its Margin Requirement and calculating and valuing its Open Positions for the purposes of its own internal books and records.

Article 4.2.5.3

Each Clearing Member agrees not to distribute End of Day Contributed Price information other than distribution to such Clearing Member's clients and TIW Participants whose trades form the open interest in LCH.Clearnet SA's clearing system for the purposes of clearing Cleared Transactions.

Article 4.2.5.4

Should a Clearing Member breach the provisions of this Section 4.2.5, it shall indemnify LCH.Clearnet SA for any losses, costs, or expenses incurred by LCH.Clearnet SA as a result of that breach.

Article 4.2.5.5

Each Clearing Member agrees that neither the Index Publisher nor any other person makes any representation or warranty related to the End of Day Contributed Price nor shall the Index Publisher have any liability, duty or obligation for or relating to the End of Day Contributed Price, any errors, inaccuracies, omissions or delays in content, or for any actions taken in reliance thereon. In no event shall the Index Publisher be liable for damages including, without limitation, damages resulting from lost data or lost profits or revenue, the costs of recovering such data, claims by third parties or for similar costs, or any special, incidental or consequential damages arising out of the use of the End of Day Contributed Price.

Article 4.2.5.6

Each Clearing Member accepts that the Index Publisher disclaims all warranties, expressed or implied, as to the accuracy of any End of Day Contributed Price including, without limitation, liability for quality, performance and fitness for a particular purpose arising out of the use, or inability to use, the End of Day Contributed Price.

CHAPTER 3 - EVENTS OF DEFAULT

Section 4.3.1 Events of Default

Article 4.3.1.1

Where any of the following events occurs and is continuing with respect to a Clearing Member, LCH.Clearnet SA shall, subject to Article 4.3.1.2, be entitled to determine that the relevant Event constitutes an Event of Default in respect of such Clearing Member:

- (i) that Clearing Member or its Guarantor fails to perform its obligations in accordance with, or is in breach of, the CDS Clearing Documentation or the Pledge Agreement;
- (ii) that Clearing Member or its Guarantor is declared to be in default by or is expelled from membership of another clearing house;
- (iii) that Clearing Member or its Guarantor is suspended by, or expelled from membership of, any Regulatory Body;
- (iv) that Clearing Member or its Guarantor commits a Payment Failure;
- (v) that Clearing Member or its Guarantor is subject to Insolvency Proceedings;
- (vi) that in LCH.Clearnet SA's opinion, that Clearing Member or its Guarantor is likely to become subject to Insolvency Proceeding;
- (vii) that Clearing Member or its Guarantor is subject to an event of default in connection with any other clearing service provided to the Clearing Member by LCH.Clearnet SA and/or;
- (viii) that Clearing Member or its Guarantor is likely to commit a Payment Failure.

Article 4.3.1.2

Before LCH.Clearnet SA is entitled to determine that the event in question constitutes an Event of Default, LCH.Clearnet SA must:

- (i) attempt to notify (and, in the circumstances set out Article 4.3.1.1(i), (ii), (iii) and (vi), consult or attempt to consult with) the relevant Clearing Member regarding the Event, further to which LCH.Clearnet SA may (without prejudice to any other rights under this Section 4.3.1) agree a grace period within which the Clearing Member may remedy the Event in question or institute Disciplinary Proceedings in respect of the Clearing Member;
- (ii) ensure that a decision to determine that the Event in question is an Event of Default has been approved by the CEO of LCH.Clearnet SA or by appropriately senior personnel of LCH.Clearnet SA; and
- (iii) where the Event in question is neither a Payment Failure nor Insolvency Proceedings occurring in respect of it, or in respect of any Parent or Guarantor, consider whether:
 - (a) failing to determine that the relevant Event constitutes an Event of Default would materially adversely impact the ongoing financial soundness or the proper performance of the CDS Clearing Service, or impact the solvency of LCH.Clearnet SA; and

- (b) determining that the Event in question constitutes an Event of Default would be proportionate in the given circumstances. In considering what constitutes “proportionate” action, LCH.Clearnet SA should have particular regard to whether another sanction could be imposed or alternative action taken by LCH.Clearnet SA in respect of the relevant Clearing Member pursuant to the CDS Clearing Documentation.

Article 4.3.1.3

As soon as possible after LCH.Clearnet SA has determined that an Event should constitute an Event of Default in accordance with Article 4.3.1.2 or LCH.Clearnet SA has made an Automatic Early Termination Event Stipulation, it shall:

- (i) issue a Default Notice;
- (ii) publish a Clearing Notice on the Website specifying the name of the Defaulting Clearing Member; and
- (iii) notify DTCC and the Approved Matching Provider.

Section 4.3.2 Measures in case of an Event of Default

Article 4.3.2.1

Following a determination that a particular Event should constitute an Event of Default and the issuance of a Default Notice, LCH.Clearnet SA may, in co-ordination with the relevant Regulatory Body(ies), as the case may be, take any measure it deems necessary in order to contain its exposure and to mitigate overall market effects, whether or not these measures are set out in the CDS Clearing Documentation.

Article 4.3.2.2

LCH.Clearnet SA shall manage the impact of an Event of Default on Clearing Members and the CDS Clearing Service in accordance with the CDS Default Management Process and LCH.Clearnet SA, in taking any action pursuant to that process, shall consult with and consider guidance and advice from the CDS Default Management Group. The CDS Default Management Process and any procedures issued thereunder will be agreed by LCH.Clearnet SA in consultation with the CDS Default Management Committee.

Article 4.3.2.3

Following the declaration of an Event of Default or the making of an Automatic Early Termination Event Stipulation and the issuance of a Default Notice, LCH.Clearnet SA may take any of the following measures or any other measures that it deems necessary or useful in respect of the Defaulting Clearing Member, taking into account the Event which has occurred, the need to act promptly in the manner LCH.Clearnet SA thinks best to contain its exposure and the actions to be taken in accordance with the CDS Default Management Process:

- (i) terminate the Defaulting Clearing Member’s membership of the CDS Clearing Service in accordance with Article 2.4.2.1;
- (ii) enter into and register any new Original Transaction in the name of and on behalf of the Defaulting Clearing Member;
- (iii) suspend the Defaulting Clearing Member’s ability to submit any new Original Transactions for clearing by LCH.Clearnet SA or those Original Transactions that

- LCH.Clearnet SA does not consider as contributing to reducing the risks of the Defaulting Clearing Member;
- (iv) impose an increased Margin Requirement on the Defaulting Clearing Member in order to secure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;
 - (v) call for Collateral equal to the value of any shortfall in the Defaulting Clearing Member's Contribution, arising from the Event of Default, and the Additional Contribution Amount to be transferred to LCH.Clearnet SA;
 - (vi) in the event that the Defaulting Clearing Member was a Matched Buyer for the purposes of Physical Settlement of a Cleared Transaction which was the subject of a Matched Pair, call for Collateral equal to the value of any claim by the corresponding Matched Seller under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the ISDA Credit Derivatives Definitions, in accordance with Section 6.15 of the CDS Clearing Supplement, to be transferred to LCH.Clearnet SA;
 - (vii) declare any Cleared Transaction of the Defaulting Clearing Member to be terminated, declare one or more of the obligations of the Defaulting Clearing Member to be due and payable immediately, convert the delivery obligations of the Defaulting Clearing Member or LCH.Clearnet SA into payment obligations and/or set off all the reciprocal payment obligations of the Defaulting Clearing Member and LCH.Clearnet SA, so that these payment obligations will be deemed satisfied, in whole or in part, to the extent of the set-off;
 - (viii) execute, for LCH.Clearnet SA's own account, hedging transactions including, without limitation, the purchase, exercise, sale or grant of Cleared Transactions;
 - (ix) compress and/or liquidate the Cleared Transactions registered in the Account Structure of the Defaulting Clearing Member (and any hedging transactions executed in accordance with Article 4.3.2.3(viii)), in consultation with the CDS Default Management Group and in accordance with the CDS Default Management Process;
 - (x) obtain any advice or assistance from the Defaulting Clearing Member and/or any third party, as LCH.Clearnet SA may deem necessary for any matter arising out of or in connection with an Event of Default and at the expense of the Defaulting Clearing Member;
 - (xi) liquidate the Collateral posted by the Defaulting Clearing Member to ensure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;
 - (xii) act in lieu of the Defaulting Clearing Member for performing its payment and/or delivery obligations under Cleared Transactions;
 - (xiii) impose upon the Defaulting Clearing Member a penalty for late delivery or payment, in the circumstances and at a rate set out by LCH.Clearnet SA;
 - (xiv) claim from the Defaulting Clearing Member Damages incurred in relation to the occurrence of an Event of Default or the processing of the Event of Default in accordance with this Article 4.3.2.3 or the CDS Default Management Process; and/or
 - (xv) enforce the security interest referred to in Article 3.2.3.2.

Notwithstanding the foregoing, where an Automatic Early Termination Event Stipulation has been made by LCH.Clearnet SA in respect of a Clearing Member, the Defaulting Clearing Member Termination Date shall arise immediately prior to the Insolvency Proceedings in respect of such Clearing Member without the need for any other or prior notice.

Article 4.3.2.4

Measures taken by LCH.Clearnet SA pursuant to Article 4.3.2.3 or the CDS Default Management Process following the declaration of an Event of Default and issuance of a Default Notice by LCH.Clearnet SA shall be notified by LCH.Clearnet SA to the Defaulting Clearing Member and as LCH.Clearnet SA may deem necessary to any appropriate third parties.

Section 4.3.3 Recourse following an Event of Default

Article 4.3.3.1

Any Damage incurred by LCH.Clearnet SA following, and in relation to, the declaration of an Event of Default shall be reduced or covered in descending priority:

- (i) by applying any Collateral transferred or granted to LCH.Clearnet SA by the Defaulting Clearing Member to meet its Margin Requirement;
- (ii) by applying any Collateral transferred or granted to LCH.Clearnet SA by the Defaulting Clearing Member as a Contribution or Additional Contribution Amount;
- (iii) by applying any Collateral Excess or surplus assets transferred or granted to LCH.Clearnet SA or identified in its Financial Account by the Defaulting Clearing Member or letter(s) of credit issued by, or with regard to, the Defaulting Clearing Member in favour of LCH.Clearnet SA, if applicable;
- (iv) by applying a percentage of the Collateral deposited by each Non Bidder as a Contribution equal to its Non Bidder Bid Size;
- (v) by applying the LCH.Clearnet SA Contribution;
- (vi) by applying (a) the Collateral deposited by each Non Bidder as a Contribution to the extent this has not been applied in accordance with sub-paragraph (iv); and (b) any Collateral deposited by each other Clearing Member (other than Non Bidders) as a Contribution;
- (vii) by applying the Collateral deposited by each other Clearing Member as an Additional Contribution Amount (to the extent called, including where called from another Defaulting Clearing Member); and
- (viii) by following the Loss Distribution Process.

Article 4.3.3.2

A Defaulting Clearing Member shall be liable for all costs and expenses incurred by LCH.Clearnet SA, including any amounts payable by LCH.Clearnet SA in respect of the liquidation or hedging of the Defaulting Clearing Member's Cleared Transactions which arise out of or in connection with an Event of Default or where an Automatic Early Termination Event Stipulation has been made by LCH.Clearnet SA, as applicable. The Defaulting Clearing Member shall immediately, and in any event no later than the close of business on the Business Day following demand by LCH.Clearnet SA, make up any shortfall in its Contribution arising from the Event of Default. Any positive values arising from the liquidation of the Defaulting Clearing Member's Cleared Transactions shall be for

the account of the Defaulting Clearing Member (subject to the determination of amounts due from the Defaulting Clearing Member to LCH.Clearnet SA pursuant to Article 4.3.3.3).

Article 4.3.3.3

Following the liquidation of all of the Defaulting Clearing Member's Cleared Transactions in accordance with the CDS Default Management Process, LCH.Clearnet SA shall determine whether any amount is due to or from the Defaulting Clearing Member, taking into account:

- (i) all costs and expenses for which the Defaulting Clearing Member is liable pursuant to this CDS Clearing Rule Book and the CDS Clearing Documentation;
- (ii) any liability that LCH.Clearnet SA has to make payments to a Matched Seller (where the Defaulting Clearing Member was a corresponding Matched Buyer in respect of Physical Settlement of Cleared Transactions) in respect of any claim under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the ISDA Credit Derivatives Definitions in accordance with Section 6.15 of the CDS Clearing Supplement;
- (iii) any liability that LCH.Clearnet SA has to make payments to the Defaulting Clearing Member as a Matched Seller in respect of any claim by the Defaulting Clearing Member under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the ISDA Credit Derivatives Definitions in accordance with Section 6.15 of the CDS Clearing Supplement; and
- (iv) the right of the Defaulting Clearing Member to a return or repayment of any Collateral and/or any other sums due to it pursuant to this CDS Clearing Rule Book and the CDS Clearing Documentation.

LCH.Clearnet SA shall notify the Defaulting Clearing Member of the amount which LCH.Clearnet SA owes to the Defaulting Clearing Member or the amount that the Defaulting Clearing Member owes to LCH.Clearnet SA, as the case may be, and any payments shall be due and payable on the Defaulting Clearing Member Termination Date.

In the event that LCH.Clearnet SA retains amounts to cover any liability arising in connection with Section 6.15 of the CDS Clearing Supplement, in accordance with sub-paragraph (ii) above, LCH.Clearnet SA shall notify the corresponding Matched Seller and shall pay such amounts to the Matched Seller as soon as possible following the Defaulting Clearing Member Termination Date.

Article 4.3.3.4

To the extent that liquidation of the Defaulting Clearing Member's Cleared Transactions pursuant to the CDS Default Management Process requires new Cleared Transactions to be created in the TIW reflecting another Clearing Member as counterparty to the Cleared Transaction, such other Clearing Member (or LCH.Clearnet SA, if it has been duly authorised by such other Clearing Member to submit new Cleared Transactions to DTCC on its behalf pursuant to Article 3.1.3.5) will have to submit these Cleared Transactions to DTCC in accordance with Article 3.1.3.4 (or Article 3.1.3.5, as the case may be).

CHAPTER 4 - CDS DEFAULT FUND

Section 4.4.1 Purpose of the CDS Default Fund and Relevant Calculations

Article 4.4.1.1

The CDS Default Fund is established for the CDS Clearing Service only and is a default fund solely for Cleared Transactions and separate from the default fund(s) for LCH.Clearnet SA's other clearing services. Contributions shall only be applied by LCH.Clearnet SA in accordance with Article 4.3.3.1 following its determination of an Event of Default with respect to a Clearing Member pursuant to Article 4.3.1.2 or the making of an Automatic Early Termination Event Stipulation and where the resources listed in Article 4.3.3.1(i), (ii) and (iii) are insufficient to cover the losses incurred by LCH.Clearnet SA as a result of such Event of Default. Contributions shall not be used for any other purpose or in any other circumstances.

Article 4.4.1.2

The funded portion of the CDS Default Fund shall be equal to the sum of the theoretical losses caused by an Event of Default occurring in respect of the Clearing Members that are responsible for the two highest Uncovered Risks, calculated in accordance with the Procedures or such other methodology as may be determined by LCH.Clearnet SA after consultation with the Risk Committee.

Notwithstanding the above, the funded portion of the CDS Default Fund may be capped at a specific amount, as set out in Section 6 of the Procedures, and shall not be less than the floor amount established in Section 6 of the Procedures. The method for calculating the Uncovered Risk of a Clearing Member is set forth in Section 6 of the Procedures.

Article 4.4.1.3

Subject to Section 6 of the Procedures, a Clearing Member's Contribution shall be equal to the greater of:

- (i) such Clearing Member's proportionate share of the CDS Default Fund Amount, each Clearing Member's proportionate share being based on the 60-day trailing average of its Uncovered Risk (or, in either case, such other shorter time interval determined by the Risk Committee) in both cases plus three standard deviations; and
- (ii) a minimum contribution of EUR10,000,000.

Further detail regarding the method for calculating each Clearing Member's Contribution is set out in Section 6 of the Procedures.

For each Clearing Member where the initial calculation of its Contribution yields an amount greater than the minimum contribution amount set out in sub-paragraph (ii) above, LCH.Clearnet SA shall recalculate the Contribution Requirement of such Clearing Member such that each Clearing Member's Contribution Requirement is a proportionate share of the CDS Default Fund Calculation Amount.

Article 4.4.1.4

Each Clearing Member has an unconditional obligation during any CDS Post-Default Period to pay a single Additional Contribution Amount to the CDS Default Fund if required to do so by LCH.Clearnet SA, calculated as of the date LCH.Clearnet SA makes a call on the CDS Default Fund in accordance with Section 6 of the Procedures. Each Clearing Member will pay such Additional Contribution Amount by such time specified in Section 6 of the Procedures. The

Additional Contribution Amount may be called by LCH.Clearnet SA during any CDS Post-Default Period in one or more drawdowns, subject that the aggregate amount paid by a Clearing Member shall not exceed that Clearing Member's Additional Contribution Amount during such CDS Post-Default Period.

Article 4.4.1.5

LCH.Clearnet SA shall calculate the CDS Default Fund Amount and each Clearing Member's Contribution Requirement on:

- (i) the fourth Clearing Day of each month; and
- (ii) any day (not necessarily a Clearing Day) should the largest two losses on that day described in Article 4.4.1.2 above change by more than 5% from the calculation date,

in each case other than during a CDS Post-Default Period.

Article 4.4.1.6

LCH.Clearnet SA shall also recalculate the CDS Default Fund Amount and each Clearing Member's Contribution Requirement on the first Business Day following either:

- (i) the final calendar day of a CDS Post-Default Period; or
- (ii) a Clearing Member Termination Date which is other than in a CDS Post-Default Period.

Article 4.4.1.7

Following any recalculation of the CDS Default Fund Amount, LCH.Clearnet SA shall, within one Business Day, provide a notice to each Clearing Member detailing its revised Contribution Requirement. The notice shall specify the amount of any Contribution Shortfall or any Contribution Excess that is to be returned. Where there is a Contribution Shortfall, a Clearing Member shall transfer to LCH.Clearnet SA additional Cash Collateral within two Business Days after delivery of such notice so that the Contribution Balance has a value at least equal to the revised Contribution Requirement. Where there is a Contribution Excess, the Clearing Member may request that a return of Cash Collateral be made by LCH.Clearnet SA, in which case LCH.Clearnet SA shall return such Cash Collateral according to the conditions and timetable set forth in Section 6 of the Procedures.

Article 4.4.1.8

If a Clearing Member is subject to a material change in its business such that the Clearing Member's Margin Requirement is increased by 10% or more in accordance with Section 4.2.1 LCH.Clearnet SA may recalculate the Contribution Requirement of such Clearing Member. In such circumstances, LCH.Clearnet SA may calculate the CDS Default Fund Amount and that Clearing Member's Contribution Requirement on the day such Clearing Member's Margin Requirement is increased and, if the Clearing Member's Contribution Requirement has increased since the last calculation performed by LCH.Clearnet SA, LCH.Clearnet SA may notify such Clearing Member of its increased Contribution Requirement, and the Clearing Member shall transfer to LCH.Clearnet SA additional Collateral within two Business Days after delivery of such notice so that the Contribution Requirement is at least met.

Nothing in the foregoing shall permit LCH.Clearnet SA to increase the Contribution Requirement of a Clearing Member whose Margin Requirement has not increased (or whose Margin Requirement has been increased solely as a result of Extraordinary Margin being called pursuant to Article 4.2.1.2) other than pursuant to Article 4.4.1.3 to Article 4.4.1.7.

Article 4.4.1.9

If, during a CDS Post-Default Period, LCH.Clearnet SA determines that an increased Contribution Requirement is required pursuant to Article 4.4.1.8, the Clearing Member may elect to treat LCH.Clearnet SA's notification of an increased Contribution Requirement and Contribution Shortfall as notice of an increased Margin Requirement and Margin Shortfall. In such case, the Clearing Member shall transfer to LCH.Clearnet SA Collateral equal to the value of the Margin Shortfall for the remainder of the CDS Post-Default Period, subject that, on the first Business Day following the end of the CDS Post-Default Period, such Collateral shall be transferred to LCH.Clearnet SA to satisfy its increased Contribution Requirement.

For the avoidance of doubt:

- (i) if the Clearing Member elects to transfer Collateral equal to the value of the Margin Shortfall, such Collateral shall only be available to cover losses incurred by LCH.Clearnet SA following the occurrence of an Event of Default in respect of such Clearing Member and there shall be no effect on such Clearing Member's Contribution during the CDS Post-Default Period; and
- (ii) the Clearing Member's Contribution Requirement shall be recalculated on the first Business Day following the final calendar day of the CDS Post-Default Period, as described in Article 4.4.1.6.

Article 4.4.1.10

Following delivery of a notice by LCH.Clearnet SA in accordance with Article 4.4.1.7 or Article 4.4.1.8, the Additional Contribution Amount shall be revised to be an unfunded amount equal to the amount of such Clearing Member's increased Contribution Requirement, regardless of whether such Clearing Member has elected to transfer to LCH.Clearnet SA Collateral equal to the value of the Margin Shortfall until the end of the CDS Post-Default Period, pursuant to Article 4.4.1.8.

Article 4.4.1.11

In the event that the board of directors of LCH.Clearnet SA makes one or more changes to the methodology for calculating the CDS Default Fund that collectively result in the CDS Default Fund Amount increasing by 20% or more in a period of not more than 30 calendar days, such changes to the methodology shall collectively be effective on the earlier of:

- (i) the 20th Business Day following the date LCH.Clearnet SA delivers notice of such changes to the Clearing Members; and
- (ii) if such changes are due to Applicable Law and a shorter period is necessary to comply with such Applicable Law, the date reasonably determined by LCH.Clearnet SA in consultation with the Risk Committee (which shall be no less than two Business Days following delivery of notice of such changes to the Clearing Members).

Clearing Members shall transfer to LCH.Clearnet SA any Collateral equal to the value of the Contribution Shortfall on or prior to the date such changes are effective.

Article 4.4.1.12

Upon receipt of notice, pursuant to Article 4.4.1.11, a Clearing Member may deliver a Membership Termination Notice to LCH.Clearnet SA in accordance with Article 2.4.2.2(ii).

In the event such Membership Termination Notice is delivered to LCH.Clearnet SA prior to the effectiveness of the changes to the methodology for calculating the CDS Default Fund, as

determined in accordance with Article 4.4.1.11, the Clearing Member's Contribution Requirement shall remain at the level determined prior to when the changes to the methodology were made for the duration of the Membership Termination Notice Period. If, however, the Clearing Member Termination Date does not arise within 25 Business Days following the date on which such Clearing Member delivered its Membership Termination Notice or the Membership Termination Notice is withdrawn pursuant to Article 2.4.2.5, then such Clearing Member will be required to satisfy its Contribution Requirement in full, calculated based on the then-current methodology.

Article 4.4.1.13

For the avoidance of doubt, nothing in Article 4.4.1.11 or Article 4.4.1.12 shall apply to any increase to the CDS Default Fund resulting from periodic calculations of the CDS Default Fund, pursuant to Article 4.4.1.5 or Article 4.4.1.6, or any increase in a Clearing Member's Contribution pursuant to Article 4.4.1.7 or Article 4.4.1.8, or increase in a Clearing Member's Additional Contribution Amount, pursuant to Article 4.4.1.9.

Section 4.4.2 Contribution to the CDS Default Fund

Article 4.4.2.1

A Clearing Member is obliged to make its Contribution by transferring Cash Collateral to LCH.Clearnet SA. A Clearing Member must make its Contribution in accordance with Section 6 of the Procedures.

Article 4.4.2.2

A Clearing Member's initial Contribution to the CDS Default Fund shall be made on the later of:

- (i) the Clearing Day on or immediately following the calendar day on which the CDS Admission Agreement is executed by LCH.Clearnet SA and the Clearing Member; and
- (ii) the Clearing Day preceding the day of the submission by a Clearing Member of its first Original Transaction.

Article 4.4.2.3

The list of Eligible Currencies is set out in Section 6 of the Procedures. LCH.Clearnet SA may notify Clearing Members of any change to what constitutes Eligible Currencies by publication of a Clearing Notice.

Article 4.4.2.4

On the specific written request of a Clearing Member, LCH.Clearnet SA shall ensure that the Risk Committee is consulted on the acceptance of any type of currency as Eligible Collateral where Applicable Law permits a clearing house to accept such currency. If Applicable Law no longer permits any currency, to be accepted by a clearing house, LCH.Clearnet SA shall amend the list of Eligible Currencies in accordance with Article 1.2.2.4(ii)(a).

The Collateral transferred to LCH.Clearnet SA for the purposes of a Clearing Member's Contribution Requirement shall be identified in the relevant Financial Account held by LCH.Clearnet SA and segregated from any Collateral that has been delivered to LCH.Clearnet SA to satisfy a Clearing Member's Margin Requirement.

Section 4.4.3 Application of the CDS Default Fund, Replenishment and Multiple Defaults

Article 4.4.3.1

Clearing Members' Contributions may be applied by LCH.Clearnet SA, pursuant to Article 4.3.3.1, in order to mitigate any Damage to LCH.Clearnet SA arising out of or in connection with an Event of Default. If LCH.Clearnet SA declares an Event of Default in respect of more than one Clearing Member simultaneously or in close sequence, LCH.Clearnet SA may, if it so chooses, manage each Event of Default separately under TITLE IV, CHAPTER 3 and TITLE IV, CHAPTER 4 to the extent permitted under Applicable Law.

Article 4.4.3.2

In the event the CDS Default Fund is applied by LCH.Clearnet SA pursuant to Article 4.3.3.1, each Clearing Member's Contribution or Additional Contribution Amount, as applicable, shall be applied on a pro rata basis by reference to the ratio such Clearing Member's Contribution bears to the aggregate CDS Default Fund.

Article 4.4.3.3

Upon the occurrence of an Event of Default with respect to a Clearing Member, a CDS Post-Default Period shall commence and shall last for the period from and including the issuance of the Default Notice to and including the day 25 Business Days thereafter. If any Default Notice is issued by LCH.Clearnet SA at any point during a CDS Post-Default Period, the end of the relevant CDS Post-Default Period shall be extended to the 25th Business Day following the issuance of the last Default Notice issued during such period (as may be extended pursuant to this Article 4.4.3.3).

Article 4.4.3.4

During a CDS Post-Default Period, regardless of the number of Default Notices that are issued by LCH.Clearnet SA, LCH.Clearnet SA shall not be permitted to require a Clearing Member to transfer Collateral to LCH.Clearnet SA to meet any Contribution Requirement (including, for the avoidance of doubt, owing to any recalculation of the size of the CDS Default Fund or the Clearing Member's proportionate share of the CDS Default Fund or a replenishment of the Clearing Member's Contribution) other than to the extent that such Clearing Member is requested to pay its Additional Contribution Amount, calculated in accordance with Article 4.4.1.4, subject to amendments pursuant to Article 4.4.1.9, as the case may be.

Article 4.4.3.5

Following the expiration of a CDS Post-Default Period, LCH.Clearnet SA shall notify each Clearing Member of the amount of its Contribution and Additional Contribution Amount, as may be revised pursuant to Article 4.4.1.5. Prior to the expiration of a CDS Post-Default Period, and where the resources referred to in Article 4.3.3.1(vii) have been applied to reduce the Damage referred to in Article 4.3.3.1, LCH.Clearnet SA may agree with some or all Clearing Members that such Clearing Members shall contribute additional funds to the CDS Default Fund prior to the expiration of the CDS Post-Default Period.

For the avoidance of doubt, nothing in this Article 4.4.3.5 shall oblige a Clearing Member to contribute additional funds prior to the expiration of the CDS Post-Default Period.

Article 4.4.3.6

The LCH.Clearnet SA Contribution shall be deposited with an EEA Credit Institution or the Banque de France and shall only be applied pursuant to the waterfall process as described in the CDS

Clearing Documentation. In the event it becomes necessary to apply all or part of the LCH.Clearnet SA Contribution pursuant to Article 4.3.3.1(v), LCH.Clearnet SA shall be required to restore its LCH.Clearnet SA Contribution to an amount of Euro 20 million within one Business Day following the final calendar day of the expiration of the related CDS Post-Default Period.

The LCH.Clearnet SA Contribution shall be limited to an aggregate maximum of Euro 20 million during a CDS Post-Default Period regardless of the number of Default Notices that are issued during such CDS Post-Default Period.

Article 4.4.3.7

LCH.Clearnet SA will promptly report to each Clearing Member, and account for, any withdrawals made from the CDS Default Fund.

Article 4.4.3.8

If the CDS Default Fund has been applied by LCH.Clearnet SA in accordance with Article 4.3.3.1, LCH.Clearnet SA shall reimburse the Clearing Members (irrespective of whether they remain Clearing Members at the time of the recovery) and LCH.Clearnet SA in reverse order of the resources listed at Article 4.3.3.1 as applied and, in relation to the Contributions and/or Additional Contribution Amounts of Clearing Members in proportion to each Clearing Member's Contribution and/or Additional Contribution Amount so applied, in respect of:

- (i) any amounts received from the Defaulting Clearing Member as a result of LCH.Clearnet SA being a creditor of the Defaulting Clearing Member in the context of Insolvency Proceedings or otherwise, other than in respect of sums due to LCH.Clearnet SA; or
- (ii) any other amounts howsoever obtained or recovered in the course of LCH.Clearnet SA's operation of the CDS Default Management Process or which are otherwise referable to the Defaulting Clearing Member,

in each case net of any related expenses incurred by LCH.Clearnet SA or other sums owing to LCH.Clearnet SA by the Defaulting Clearing Member in connection with the CDS Clearing Service. For the avoidance of doubt, nothing in this Article 4.4.3.8 shall oblige LCH.Clearnet SA to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of LCH.Clearnet SA has also been applied as a result of the Defaulting Clearing Member's default, any amounts recovered shall be applied *pari passu* as between the relevant default funds

APPENDIX 1 CDS DEFAULT MANAGEMENT PROCESS

1 Interpretation

Capitalised terms used in this Appendix 1, which sets out the CDS Default Management Process, and not otherwise defined in Clause 1.1, shall have the meaning given in Section 1.1.1 of the CDS Clearing Rule Book, as may be amended from time to time.

1.1 Definitions

“Adjusted Loss Distribution Cap Amount” means, in respect of any Non-Defaulting Clearing Member, such amount as agreed between that Non-Defaulting Clearing Member and LCH.Clearnet SA pursuant to Clause 6.3.

“Auction Package” means a portfolio of Auction Transactions reflecting one or more Cleared Transactions registered in the name of the Defaulting Clearing Member, together with any connected hedging trades that have been concluded by LCH.Clearnet SA through Hedging;

“Auction Participant” means each Non-Defaulting Clearing Member;

“Auction Portfolio” means all the Cleared Transactions which are registered in the Trade Accounts within the Account Structure of a Defaulting Clearing Member, together with any connected hedging trades that have been concluded by LCH.Clearnet SA through Hedging;

“Auction Transactions” means the transactions making up an Auction Package;

“Available CDS Funds” means the amount of resources available to LCH.Clearnet SA as calculated in accordance with Clause 7.3;

“Available Resources” means, in respect of any Loss Distribution Period, the amounts available to LCH.Clearnet SA for application in meeting any Damage suffered or incurred by LCH.Clearnet SA in accordance with sub-paragraphs (i) to (vii) (inclusive) of Article 4.3.3.1 of the CDS Clearing Rule Book as at the relevant Last Call prior to Default.

“Bid” means a bid submitted to LCH.Clearnet SA by an Auction Participant as part of Competitive Bidding;

“Bid Credit” has the meaning set out in Clause 4.9(i);

“Bid Deadline” means the time by which Bids must be submitted in any Competitive Bidding;

“Bid Price” means the price submitted to LCH.Clearnet SA by an Auction Participant representing the nominal price that an Auction Participant would either:

- (i) pay to LCH.Clearnet SA; or
- (ii) require LCH.Clearnet SA to pay to it,

in each case in order to accept the registration of the Auction Transactions reflecting the Auction Package;

“Bid Size” means, for any Bid, the specified percentage of the Auction Package or the Residual Auction Package, as the case may be, as set out by an Auction Participant;

"Cash Gain" means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of positive Cumulative Hypothetical Gains, Losses and Realised Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day.

"Cash Gainer" means each Margin Account in respect of which the Cumulative Hypothetical Gains, Losses and Realised Cash Flows in respect of such Loss Distribution Day is greater than zero.

"Cash Gainer Adjustment" has the meaning set out in Clause 6.1.1.

"Cash Loser" means each Margin Account in respect of which the Cumulative Hypothetical Gains, Losses and Realised Cash Flows in respect of such Loss Distribution Day is equal to or less than zero.

"Cash Loser Adjustment" has the meaning set out in Clause 6.1.2.

"CDS Default Management Guidance Manual" means the detailed guidance manual developed by LCH.Clearnet SA, in consultation with the CDS Default Management Committee, setting out guidance for the CDS Default Management Group on the conduct of the Default Management Process in accordance with the principles set out in this CDS Default Management Process;

"CDS Repayment Amount" means the Negative CDS Repayment Amounts and the Positive CDS Repayment Amounts;

"Clearing Member Adjustment Amount" means, in respect of the Margin Account(s) of any Non-Defaulting Clearing Member (excluding any Margin Accounts which are not proprietary accounts of such Clearing Member) and any Loss Distribution Day, an amount equal to the sum of the Cumulative Hypothetical Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Clearing Member less the sum of the Cumulative Actual Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

"Competitive Bidding" means the competitive auction process in which Auction Participants submit Bids for Auction Package(s), described in Clause 4 of this CDS Default Management Process, as may be supplemented, from time to time, by the CDS Default Management Guidance Manual;

"Confidential Material" means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to a Clearing Member, its associated companies and advisers, or to which a Clearing Member obtains or otherwise has access as a result of participation in the Default Management Process as a member of the CDS Default Management Group (which, for the avoidance of doubt, does not include any information, data, or documents provided to LCH.Clearnet SA by the Clearing Member);

"Cumulative Actual Gains, Losses and Realised Cash Flows" means, in respect of each Margin Account of each Non-Defaulting Clearing Member and any Clearing Day, the aggregate amount, if any, paid by LCH.Clearnet SA to such Clearing Member (expressed as a positive number) or by such Clearing Member to LCH.Clearnet SA (expressed as a negative number) in respect of such Margin Account by way of Product Cash Payments, Variation Margin and Margin Account Adjustment from but excluding the relevant Last Call prior to Default to and including such Clearing Day.

"Cumulative Hypothetical Gains, Losses and Realised Cash Flows" means, in respect of each Margin Account of each Non-Defaulting Clearing Member and any Clearing Day, the sum of the Pre Haircut Gains, Losses and Realised Cash Flows for such Margin Account for each day from but excluding the relevant Last Call prior to Default to and including such Clearing Day.

"Cumulative LCH Transfer Cost" means, on any Clearing Day during any Loss Distribution Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call prior to Default to and including such Clearing Day.

"Discounted CDS Repayment Amount" means the amount determined in relation to a Positive CDS Repayment Amount in accordance with Clause 7.3;

"Distribution Haircut" or **"DH"** means, on each Loss Distribution Day, the fraction determined by LCH.Clearnet SA in accordance with the following formula:

$$DH_{(t)} = LUL_{(t)} / TCH_{(t)}$$

where:

"LUL" means the LCH Uncovered Loss; and

"TCH" means the Total Cumulative Hypothetical Gains, Losses and Realised Cash Flows.

"DMG Member" means a Clearing Member representative within the CDS Default Management Group;

"DMG Representatives" has the meaning set out in Clause 10.2.2 ;

"DMG Rotation Plan" has the meaning set out in Clause 10.2.2;

"DMG Term" has the meaning set out in Clause 10.2.2;

"Early Termination Trigger Date" means the date specified in Clause 7.1;

"Hedging" means the process of reducing the market risk associated with a Defaulting Clearing Member's obligations to LCH.Clearnet SA under Cleared Transactions by reducing the exposure prior to Competitive Bidding, as described in Clause 2.1.1 below;

"Information Barrier" means an information barrier established within the different divisions of a Clearing Member to avoid any conflict of interest;

"Initial Allocation Price" means the price at which the entire Auction Package (subject to adjustment pursuant to Clause 4.6.3(i)) is allocated in accordance with Clauses 4.6.2 and 4.8.1;

"Initial Transfer Payable" means the amount an Auction Participant or a Non Bidder, as appropriate, must pay to LCH.Clearnet SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Initial Winning Bid(s), as determined in accordance with Clause 4.6.1(iii) or 4.6.3(iii), as the case may be;

"Initial Transfer Receivable" means the amount an Auction Participant or a Non Bidder, as appropriate, must receive from LCH.Clearnet SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Initial Winning Bid(s), as determined in accordance with Clause 4.6.1(iii) or 4.6.3(iii), as the case may be;

"Initial Winning Bid" means a Bid (or part thereof) which has been allocated against the Auction Package at the Initial Allocation Price or at the Non Bidder Allocation Price pursuant to Clause 4.6.1 or 4.6.3, as may be amended in accordance with Clause 4.8.1 if appropriate;

"Initial Winning Bidder" means an Auction Participant or Non Bidder, as the case may be, holding an Initial Winning Bid who is notified of this pursuant to Clause 4.6.4;

"Invoice Back" means the process by which a Cleared Transaction of the same CDS Type is created by LCH.Clearnet SA with the role of CDS Buyer and CDS Seller reversed and, at LCH.Clearnet SA's discretion, a different price or premium and other terms as are determined by LCH.Clearnet SA applied. The term **"Invoicing Back"** and other similar expressions shall be construed accordingly;

"Last Call prior to Default" means the most recent Clearing Day on which payments of Margin required to be made by Clearing Members were made in full.

"LCH Repayment Amount" means the amount payable to LCH.Clearnet SA by a Clearing Member or by a Clearing Member to LCH.Clearnet SA in accordance with Clause 7.5;

"LCH Transfer Cost" means the cost to LCH.Clearnet SA of registering all Auction Transactions making up the Auction Package within the Account Structure of one or more Auction Participants following the conclusion of Competitive Bidding;

"LCH Transfer Receipt" means the amount to be received by LCH.Clearnet SA for registering all Auction Transactions making up the Auction Package within the Account Structure of one or more Auction Participants following the conclusion of Competitive Bidding;

"LCH Uncovered Loss" means, in respect of LCH.Clearnet SA on any Clearing Day in any Loss Distribution Period, the amount calculated in accordance with the following formula:

$$\text{LCH Uncovered Loss}_{(t)} = \text{Max} (0, (\text{TCPH}_{(t)} + \text{CLC}_{(t)} - \text{AR}))$$

where:

"TCPH" means the Total Cumulative Pre Haircut Gains, Losses and Realised Cash Flows;

"CLC" means the Cumulative LCH Transfer Cost;

"AR" means the Available Resources; and

the LCH Uncovered Loss as at the Last Call prior to Default shall be zero.

"Loss Distribution Cap Amount" means, in respect of any Non-Defaulting Clearing Member and any Loss Distribution Period, an amount equal to:

(i) the higher of (A) EUR 100,000,000; (B) the product of (1) 100 per cent. and (2) the Contribution Requirement of such Non-Defaulting Clearing Member as at the last revaluation date prior to the declaration of the Event of Default at the beginning of that Loss Distribution Period in accordance with Article 4.4.1.5 and Article 4.4.1.6 and ignoring any increase pursuant to Article 4.4.1.8; and (C) its Adjusted Loss Distribution Cap Amount; minus

(ii) the net amount of any Margin Account Adjustment paid and/or received by such Clearing Member to LCH.Clearnet SA with respect to each Margin Account of such Clearing Member (excluding any Margin Accounts which are not proprietary accounts of such Clearing Member) as a result of the application of the Loss Distribution Process in any previous Loss Distribution Period the first day of which falls within the same CDS Post-Default Period as such Loss Distribution Period (but, for the avoidance of doubt, excluding any Loss Distribution Period the first day of which falls within a different CDS Post-Default Period),

or such other cap as may be agreed from time to time between LCH.Clearnet SA and the Risk Committee provided that the relevant percentage specified in (i)(B)(1) above shall not be greater than 100% and further provided that no such amendment to the definition of the Loss Distribution Cap Amount shall be made during any CDS Post-Default Period relating to such Loss Distribution Period.

“Loss Distribution Day” means any Clearing Day in a Loss Distribution Period on which LCH.Clearnet SA, in consultation with the CDS Default Management Group, prior to calling for Collateral in respect of each Clearing Member’s Margin Requirement in accordance with the provisions of Section 3 of the Procedures on such Clearing Day, determines that the LCH Uncovered Loss for that Clearing Day is greater than zero.

“Loss Distribution Period” means the period from, but excluding, the day on which an Event of Default is declared with respect to any Clearing Member pursuant to Article 4.3.1.2 to but excluding the earlier of (i) the Clearing Day on which the Transfer Positions relating to any Auction Package(s) in connection with that Defaulting Clearing Member, or, if any Event of Default is declared pursuant to Article 4.3.1.2 with respect to any other Clearing Member prior to the end of a Loss Distribution Period, any subsequent Defaulting Clearing Member, have been registered in the Account Structure of the relevant Auction Participants and all payments required to be made by such Auction Participants and/or LCH.Clearnet SA have been made in full; (ii) any Loss Distribution Day in respect of which LCH.Clearnet SA determines that the Clearing Member Adjustment Amount for any Clearing Member would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day; or (iii) the Clearing Day on which LCH.Clearnet SA determines that it does not have sufficient financial resources available to make all payments required pursuant to Clause 4.10.

“Margin Account Adjustment” means, in respect of each Margin Account and any Clearing Day, any Cash Gainer Adjustment or Cash Loser Adjustment as the case may be payable in connection with such Margin Account on such Clearing Day.

“Margin Repayment Amount” has the meaning set out in Clause 7.5;

“Market Bid” means any Bid which satisfies the Market Bid Metric and any other Bid which LCH.Clearnet SA has determined not to be a Non Market Bid;

“Market Bid Metric” is satisfied by a Bid where:

- (a) in respect of a Bid for an Auction Package for which there will be an LCH Transfer Cost, the Bid Price is equal to or less than the aggregate of: (i) the Relevant Pro Rata Share of the Initial Allocation Price or Residual Allocation Price, as the case may be, and (ii) the Relevant Pro Rata Share of two times the Initial Margin calculated for the Auction Package on the basis of the Initial Allocation Price or Residual Allocation Price, as the case may be; and

- (b) in respect of a Bid for an Auction Package for which there will be an LCH Transfer Receipt, the Bid Price is equal to or more than the difference between: (i) the Relevant Pro Rata Share of the Initial Allocation Price or Residual Allocation Price, as the case may be, and (ii) the Relevant Pro Rata Share of two times the Initial Margin calculated for the Auction Package on the basis of the Initial Allocation Price or Residual Allocation Price, as the case may be,

where "**Relevant Pro Rata Share**" means the percentage of the Bid Size for that Bid compared to Bid Size of the Auction Package as a whole;

"**Minimum Bid Size**" has the meaning set out in Clause 4.4.4;

"**Minimum Bid Size Denominator**" means 1.25 or such other amount as may be determined by LCH.Clearnet SA, in consultation with the CDS Default Management Group;

"**Negative CDS Repayment Amounts**" means the negative single net sum determined in respect of a Clearing Member's Margin Account in accordance with Clause 7.2;

"**Nominated Representative**" means an LCH.Clearnet SA representative who is nominated by the CDS Default Management Group to receive Bid in Competitive Bidding, subject that if no one individual is nominated, any of the LCH.Clearnet SA representatives on the CDS Default Management Group;

"**Non Bidder**" means an Auction Participant who does not submit Market Bid(s) in an amount equal to its Minimum Bid Size by the Bid Deadline (and the expiration of any grace period granted by LCH.Clearnet SA, in consultation with the CDS Default Management Group, pursuant to Clause 4.4.3);

"**Non Bidder Allocation Price**" means the price at which Auction Transactions are allocated to Non Bidders in accordance with Clauses 4.6.3 and 4.8.1;

"**Non Bidder Bid Size**" means the Non Bidder's Minimum Bid Size minus the aggregate Bid Size of the Market Bids submitted by the Non Bidder;

"**Non-Defaulting Clearing Member**" means, at any time, each Clearing Member who is not a Defaulting Clearing Member;

"**Non Market Bid**" means a Bid which LCH.Clearnet SA, having consulted with the CDS Default Management Group, has determined, in its sole discretion, has been submitted at a Bid Price which does not satisfy the Market Bid Metric (unless LCH.Clearnet SA determines otherwise in accordance with Clause 4.4.8) in respect of the relevant Auction Package subject that, if an Auction Participant has submitted Market Bid(s) in respect of an Auction Package which, in aggregate, equal or are in excess of its Minimum Bid Size, LCH.Clearnet SA shall not be entitled to classify such Auction Participant as a Non Bidder in respect of other Bid(s) submitted for the same Auction Package which could otherwise be classified as Non Market Bid(s);

"**Permitted Purpose**" means the proper fulfilment by the Clearing Member of its duties under this CDS Default Management Process and includes, after the completion of Competitive Bidding, the use by the Clearing Member, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to Transfer Positions allocated to it by LCH.Clearnet SA, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements;

"Positive CDS Repayment Amounts" means the positive single net sum determined in respect of a Clearing Member's Margin Account in accordance with Clause 7.2;

"Pre Haircut Gains, Losses and Realised Cash Flows" means, in respect of each Margin Account of each Non-Defaulting Clearing Member and any Clearing Day, the amount which would be paid by LCH.Clearnet SA to such Clearing Member (expressed as a positive number) or by such Clearing Member to LCH.Clearnet SA (expressed as a negative number) by way of Product Cash Payments or Variation Margin in respect of such Margin Account on such Clearing Day in the absence of the application of the Distribution Haircut.

"Product Cash Payments" means, in respect of each Margin Account and any Clearing Day, any Fixed Amounts, Initial Payment Amounts, Auction Settlement Amounts or any Cash Settlement Amounts (as defined for the purpose of the applicable Cleared Transaction) connected to such Margin Account on such Clearing Day.

"Recalculated Minimum Bid Size" means, for each Auction Participant, the minimum percentage of the Residual Auction Portfolio, calculated in accordance with Clause 4.9.1, for which an Auction Participant is required to submit Bid(s);

"Reduced Auction Package" means the portion of the Auction Package that is not the Residual Auction Package;

"Residual Allocation Price" means the Bid Price of the Bid(s) at which the Residual Auction Package is allocated in accordance with Clause 4.6.2, pursuant to Clause 4.9;

"Residual Auction Package" means the portion of the Auction Package that LCH.Clearnet SA, in consultation with the CDS Default Management Group, determines should be the subject of a second round of Competitive Bidding in accordance with Clause 4.7.1;

"Residual Transfer Payable" means the amount an Auction Participant or Non Bidder, as appropriate, must pay to LCH.Clearnet SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Residual Winning Bid(s), as determined in accordance with Clause 4.6.1(iii) or 4.6.3(iii), as the case may be, pursuant to Clause 4.9;

"Residual Transfer Receivable" means the amount an Auction Participant or Non Bidder, as appropriate, must receive from LCH.Clearnet SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Residual Winning Bid(s), as determined in accordance with Clause 4.6.1(iii) or 4.6.3(iii), as the case may be, pursuant to Clause 4.9;

"Residual Winning Bid" means a Bid (or part thereof) which has been allocated against the Residual Auction Package at the Residual Allocation Price or at the Non Bidder Allocation Price pursuant to Clause 4.6.1 or 4.6.3, pursuant to Clause 4.9;

"Residual Winning Bidder" means an Auction Participant or Non Bidder, as the case may be, holding a Residual Winning Bid who is notified of this pursuant to Clause 4.9.3;

"t" means, in respect of any determination made in relation to a Clearing Day, such Clearing Day.

"t-1" means, in respect of any determination made in relation to a Clearing Day, the Clearing Day immediately prior to such Clearing Day.

"Total Cumulative Hypothetical Gains, Losses and Realised Cash Flows" means, in respect of any Clearing Day, the sum of the Cash Gain in respect of all Cash Gainers on such Clearing Day.

"Total Pre Haircut Gains, Losses and Realised Cash Flows" means, in respect of any Clearing Day, the sum of the Pre Haircut Gains, Losses and Realised Cash Flows in respect of all Margin Accounts of all Non-Defaulting Clearing Members on such Clearing Day.

"Total Cumulative Pre Haircut Gains, Losses and Realised Cash Flows" means, in respect of any Clearing Day, the sum of the Total Pre Haircut Gains, Losses and Realised Cash Flows for each Clearing Day from but excluding the relevant Last Call prior to Default to and including such Clearing Day.

"Transaction Categories" mean the different categories of Cleared Transaction, being:

- (i) Index Cleared Transactions together with the relevant off-setting Cleared Transactions referencing a single Reference Entity;
- (ii) residual Index Cleared Transactions; and
- (iii) residual Cleared Transactions referencing a single Reference Entity;

"Transfer Positions" means the positions allocated to an Auction Participant pursuant to Clauses 4.6.2 and 4.8.1, if applicable;

"Winning Bid" means any Initial Winning Bid and/or any Residual Winning Bid; and

"Winning Bidder" means either an Initial Winning Bidder or a Residual Winning Bidder.

1.2 Singular, plural, gender

References to one gender include all genders and references to the singular include the plural and vice versa.

1.3 Headings

Headings shall be ignored in interpreting the CDS Default Management Process.

1.4 Annexes etc.

References to the CDS Default Management Process shall be to this Appendix 1 and shall include any Recitals and Annexes to this Appendix 1 and references to Clauses and Annexes are to Clauses of, and Annexes to, this Appendix 1. References to paragraphs are to paragraphs of the Annexes.

2 CDS Default Management Process

2.1 The CDS Default Management Process

The CDS Default Management Process shall involve the following stages (notwithstanding any other tasks that LCH.Clearnet SA is required to perform following the declaration of an Event of Default), each of which shall be completed to the satisfaction of the CDS Default Management Group. It is intended that these stages will be: (i) commenced as soon as possible after LCH.Clearnet SA has declared an Event of Default to be occurring in respect of a Clearing Member in accordance with Article 4.3.1.2 (which shall ordinarily be within 2 hours); and (ii) completed as soon as possible in the context of the relevant Event of Default and, in any event, no later than 5 days following commencement.

2.1.1 Hedging

LCH.Clearnet SA will, in consultation with and with the assistance of the CDS Default Management Group, reduce the market risk associated with a Defaulting Clearing Member's obligations to LCH.Clearnet SA so far as is reasonably practicable by hedging LCH.Clearnet SA's exposure in respect of the Defaulting Clearing Member's Cleared Transactions. The aim of Hedging will be to reduce market exposure so as to minimise the Initial Margin required, in respect of the Defaulting Clearing Member's Cleared Transactions, as much as possible within the time allotted, once LCH.Clearnet SA has declared an Event of Default in accordance with Article 4.3.1.2.

All Hedging shall be undertaken by LCH.Clearnet SA with Non-Defaulting Clearing Members, on the basis of separate agreements between LCH.Clearnet SA and each such Non-Defaulting Clearing Member. The Non-Defaulting Clearing Members commit to participate in Hedging on a collaborative basis with LCH.Clearnet SA.

2.1.2 Competitive Auction

LCH.Clearnet SA shall then auction the Auction Package(s) to Non-Defaulting Clearing Members through Competitive Bidding. LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall be entitled to prescribe supplementary procedures for conduct of Competitive Bidding within the CDS Default Management Guidance Manual as it considers reasonably appropriate from time to time, but always with the aim of encouraging and rewarding participation in Competitive Bidding in line with the principles laid down in the CDS Default Management Process.

2.1.3 Loss Distribution Process

In the event that LCH.Clearnet SA determines during a Loss Distribution Period that it has an LCH Uncovered Loss, LCH.Clearnet SA shall be permitted to invoke the Loss Distribution Process as set out in Clause 6.

2.1.4 Early Termination

In the event LCH.Clearnet SA determines that it no longer has sufficient resources pursuant to Clause 7.1, the provisions of Clause 7 will apply and LCH.Clearnet SA and each Clearing Member agree to be bound by such provision.

2.1.5 LCH Default

If at any stage during the operation of this CDS Default Management Process, LCH.Clearnet SA is subject to an LCH Default, the provisions of TITLE I, Chapter 3 shall prevail with respect to the Cleared Transactions registered in the Account Structure of the Non-Defaulting Clearing Members.

2.2 Status of the CDS Default Management Process

The CDS Default Management Process is the definitive process for default management in respect of Cleared Transactions and is specified as such in Article 4.3.2.2. In the event of any inconsistency between this CDS Default Management Process and the remainder of the CDS Clearing Documentation, this CDS Default Management Process will prevail.

2.3 LCH.Clearnet SA's financial resources

The financial resources available to LCH.Clearnet SA, and their order of use, are set out in Article 4.3.3.1.

2.4 CDS Default Management Guidance Manual

LCH.Clearnet SA may from time to time supplement the details of the stages set out in Clause 2.1, or any other aspects of the CDS Default Management Process, in consultation with the CDS Default Management Committee either by way of updating the CDS Default Management Guidance Manual or immediately upon notice to Clearing Members on a case-by-case basis where LCH.Clearnet SA deems it appropriate to do so in the circumstances of a particular Event of Default, provided that LCH.Clearnet SA may not take any such action that effects a material change to this CDS Default Management Process unless it complies with the procedures set out in Article 1.2.2.7, as applicable.

3 Obligations and Undertakings

3.1 Continuing obligations

The Clearing Member shall:

- 3.1.1** be bound by and act in accordance with the CDS Default Management Process, to the extent required by LCH.Clearnet SA;
- 3.1.2** enter Bid(s) for Auction Package(s) as part of, and in accordance with the provisions relating to, Competitive Bidding; and
- 3.1.3** take all steps and execute all documents necessary or desirable to comply with its obligations as a Clearing Member arising out of this CDS Default Management Process.

3.2 Sole procedure

LCH.Clearnet SA agrees that:

- 3.2.1** Competitive Bidding, as preceded by Hedging, shall be the only permitted method by which LCH.Clearnet SA shall offload the risk associated with the Defaulting Clearing Member's Cleared Transactions;
- 3.2.2** it shall not, under any circumstances, be permitted to invoke a non-competitive allocation procedure or Invoicing Back in respect of the Defaulting Clearing Member's Cleared Transactions; and
- 3.2.3** notwithstanding the application of the Loss Distribution Process set out in Clause 6, and absent the provisions of Clause 7 applying, it shall not be permitted to pay to Auction Participants an amount less than the Initial Transfer Receivable or the Residual Transfer Receivable for each such Auction Participant.

4 Competitive Bidding

4.1 Principles of Competitive Bidding

LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall ensure that Competitive Bidding is carried out in accordance with the following principles:

- (i) all Non-Defaulting Clearing Members shall be required to participate in Competitive Bidding;

- (ii) all Auction Participants should be encouraged and incentivised to participate in Competitive Bidding; and
- (iii) Competitive Bidding should be structured to ensure that the risk associated with the Defaulting Clearing Member is offloaded by the cancellation of the Defaulting Clearing Member's Cleared Transactions at a price set in a commercially reasonable manner and their replacement with equivalent Cleared Transactions registered within the Account Structure of Non-Defaulting Clearing Member(s).

4.2 Construction of Auction Packages

4.2.1 Determination by LCH.Clearnet SA

LCH.Clearnet SA will determine, in consultation with the CDS Default Management Group, the number of Auction Packages to be subject to Competitive Bidding. In making such determination, LCH.Clearnet SA shall be permitted to have one Auction Package reflective of the Auction Portfolio or multiple Auction Packages, divided either by reference to the different Transaction Categories or within the same Transaction Category. The determination of LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall be made in its discretion depending on the context of the particular Event of Default and the circumstances of the Defaulting Clearing Member.

4.2.2 Off-setting

Where a decision is taken to divide the Auction Portfolio into multiple Auction Packages in accordance with Clause 4.2.1, LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall undertake such division at its discretion in good faith with a view to ensuring that Competitive Bidding is carried out in accordance with the principles set out in Clause 4.1. In exercising its discretion under this Clause 4.2.2, LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall consider, wherever possible, taking into account LCH.Clearnet SA's margining methodology, including within each Auction Package, any Cleared Transactions which have been offset for the purposes of calculating the Defaulting Clearing Member's Margin Requirement under Article 4.2.2.1.

4.3 Competitive Bidding for multiple Auction Packages

In the event that LCH.Clearnet SA, in consultation with the CDS Default Management Group, makes a decision under Clause 4.2.1 above to commence Competitive Bidding for multiple Auction Packages, it shall hold a separate auction for each Auction Package. The principles set out in Clauses 4.4 to 4.9.2 shall govern Competitive Bidding for each Auction Package and shall apply to each Auction Package separately.

4.4 Conduct of Competitive Bidding

4.4.1 Participation in Competitive Bidding

All Auction Participants are required to participate in Competitive Bidding for each Auction Package, notwithstanding that any Auction Participant may not have registered within its Account Structure a Cleared Transaction of the type included in the relevant Transaction Category for an Auction Package.

Where two or more Auction Participants within a Financial Group request LCH.Clearnet SA to treat them as a single Auction Participant for the purpose of requiring participation in Competitive Bidding under this Clause 4.4.1, LCH.Clearnet SA shall consent to such a request.

4.4.2 Bidding Process

Subject to Clause 8 and in accordance with the procedure set out in the CDS Default Management Guidance Manual, LCH.Clearnet SA, in consultation with the CDS Default Management Group shall determine, and notify to each Auction Participant, the following:

- (i) the number of Auction Packages, the size and direction of each Auction Package and such other information as may reasonably be considered necessary for the Auction Participants to receive;
- (ii) the number of Auction Participants, taking into account the treatment of Auction Participants within a Financial Group as a single Auction Participant;
- (iii) the Minimum Bid Size Denominator;
- (iv) in respect of each Auction Package, the Minimum Bid Size for each Auction Participant;
- (v) the identity of the Nominated Representative; and
- (vi) the Bid Deadline.

4.4.3 Bidding

Each Auction Participant is required to submit their Bid(s) in accordance with Clauses 4.4.4 to 4.4.7 below, to the Nominated Representative. Each Bid will specify the Bid Size and the Bid Price. By submitting a Bid, an Auction Participant represents that it will accept the registration of Auction Transactions equivalent to the Bid Size of the Bid at a cost determined in accordance with these provisions.

Auction Participants will be required to submit their Bid(s) by the Bid Deadline. However, in the event that LCH.Clearnet SA provides notification to all Auction Participants in reasonable time prior to the Bid Deadline, a grace period may be granted to all Auction Participants provided that such grace period shall be no longer than one hour, after consultation with the CDS Default Management Group.

Where Bids are received after the Bid Deadline (and the expiration of any grace period granted by LCH.Clearnet SA, pursuant to this Clause 4.4.3), LCH.Clearnet SA may, in its absolute discretion, reject a Bid on the grounds that it would prevent the CDS Default Management Process being completed within the targeted timeframe set out in Clause 2.1.

4.4.4 Minimum Bid Size

For each Auction Package, each Auction Participant shall be required to submit Bid(s) in an amount equal to or greater than its Minimum Bid Size. The Minimum Bid Size (“**MBS**”) shall be calculated by LCH.Clearnet SA in accordance with the following formula and expressed as a percentage:

$$MBS = \left[\frac{A}{B} \right] \times C$$

Where:

A is the amount of the Auction Participant's contribution to the CDS Default Fund as at the last revaluation date prior to the declaration of the relevant Event of Default by LCH.Clearnet SA in accordance with Article 4.4.1.3. For the purposes of this calculation, an Auction Participant's contribution shall be the aggregate of its contribution and the contribution of any other Clearing Member in its Financial Group and with whom it is being treated as a single Auction Participant, pursuant to Clause 4.4.1.

B is the size of the CDS Default Fund as at the last revaluation date prior to the declaration of the relevant Event of Default by LCH.Clearnet SA in accordance with Article 4.4.1.5 and Article 4.4.1.6 minus the Contribution of the Defaulting Clearing Member.

C is the Minimum Bid Size Denominator.

4.4.5 Satisfying the Minimum Bid Size

An Auction Participant can satisfy the requirement set out in Clause 4.4.4 by submitting multiple Bids with differing Bid Prices and Bid Sizes provided that, in aggregate, the Bid Size(s) of the Bids equals or exceeds the Minimum Bid Size. Accordingly, there is no requirement for an Auction Participant to submit a single Bid whose Bid Size equals the Minimum Bid Size, although it is entitled to do so.

4.4.6 Bids in excess of the Minimum Bid Size

An Auction Participant can submit Bid(s) whose Bid Size(s) alone, or in aggregate, exceed the Minimum Bid Size for any Auction Package, subject that an Auction Participant shall be prohibited from submitting Bid(s) whose Bid Size(s), alone or in aggregate, exceed 100 per cent. of the relevant Auction Package.

4.4.7 Bid Price

Auction Participants shall have sole discretion to specify the Bid Price that will apply to the Bid(s) submitted in the course of Competitive Bidding and neither LCH.Clearnet SA nor the CDS Default Management Group is permitted to specify, in advance of Competitive Bidding commencing, a minimum or maximum Bid Price that will apply in respect of a particular Auction Package.

4.4.8 Assessment of Non-Market Bids

Following the Bid Deadline, LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall review the Bid(s) received in the course of Competitive Bidding to determine whether any Non Market Bid(s) have been submitted. LCH.Clearnet SA shall have the discretion to deem any Bid which does not satisfy the Market Bid Metric to be a Market Bid and in determining whether to exercise such discretion, in consultation with the CDS Default Management Group, shall take into account the relevant Auction Participant's Bid(s) as a whole.

4.5 Non Bidders

For the avoidance of doubt, if an Auction Participant has submitted Market Bid(s) in respect of an Auction Package which, in aggregate, equal or are in excess of its Minimum Bid Size,

LCH.Clearnet SA shall not be entitled to deem such Auction Participant to be a Non Bidder in respect of other Bid(s) submitted for the same Auction Package which could otherwise be deemed Non Market Bid(s).

4.6 Allocation of the Auction Package

4.6.1 Calculation of the Initial Allocation Price

Following the earlier of the receipt of final Bids from all Auction Participants and the Bid Deadline (and the expiration of any grace period granted by LCH.Clearnet SA pursuant to Clause 4.4.3), LCH.Clearnet SA, in consultation with the CDS Default Management Group, will determine the Initial Allocation Price, the Initial Transfer Payable and the Initial Transfer Receivable on the following basis:

- (i) it shall rank the Bids from best to worst, such that the Bid with the Bid Price which would ensure the best commercial result for LCH.Clearnet SA shall be regarded as the “best”, and shall repeat such determination until all Bids are ranked according to their Bid Price. For these purposes, the “best commercial result” means the price at which LCH.Clearnet SA would receive the greatest amount or would have to pay the least amount in respect of the Auction Package;
- (ii) it shall determine the Initial Allocation Price as follows:
 - (a) it shall deem the Bid with the best Bid Price to be successful and shall allocate the Bid Size of such Bid against the Auction Package;
 - (b) it shall repeat the process with each successive Bid with the best Bid Price until such time as the Auction Package has been completely allocated, subject to adjustment pursuant to Clause 4.6.3(i);
 - (c) if there is more than one Bid at the same Bid Price at which the entire Auction Package would be allocated, the Bids at that Bid Price shall be deemed allocated *pro rata* the relevant Bid Size of each Bid;
 - (d) each of the Bids (or parts thereof) which are allocated shall be deemed Initial Winning Bids and the worst Bid Price of all the Initial Winning Bids shall be the Initial Allocation Price; and
- (iii) the Initial Transfer Payable or Initial Transfer Receivable shall be determined for each Auction Participant as the product of the aggregate of the Bid Sizes of that Auction Participant's Initial Winning Bids and the Initial Allocation Price.

4.6.2 Process of Allocation

LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall allocate each Auction Package amongst each of the Initial Winning Bids in a fair and consistent manner. Accordingly, an Auction Participant with one or more Initial Winning Bids in respect of an Auction Package shall be allocated a percentage of

each of the Auction Transactions equal to the aggregate of the Bid Size of its Initial Winning Bids.

4.6.3 Non Bidders

Where Non Bidders are identified:

- (i) LCH.Clearnet SA shall adjust the procedure for calculating the Initial Allocation Price, the Initial Transfer Payable and the Initial Transfer Receivable for Auction Participants by conducting the process set out in Clause 4.6.1(ii)(a) but on the basis that $n\%$ of the Auction Package shall be allocated, where “ n ” is equal to 100 minus the aggregate of each Non Bidder’s Non Bidder Bid Size;
- (ii) each Non Bidder shall be deemed to have submitted a single Bid with a Bid Size equal to their Non Bidder Bid Size and a Bid Price equal to the Initial Allocation Price minus EUR 0.01 (where it is due an Initial Transfer Receivable in respect of the Auction Package) or plus EUR 0.01 (where it is required to make an Initial Transfer Payable in respect of the Auction Package) (the “**Non Bidder Allocation Price**”); and
- (iii) the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder shall then be determined as the product of the relevant Non Bidder’s Non Bidder Bid Size and the Non Bidder Allocation Price.

For the avoidance of doubt, an Auction Participant may be deemed to submit Market Bids and Non-Market Bids in respect of the same Auction Package and shall only be deemed to be a Non-Market Bidder in respect of those Bids which are Non Market Bids.

4.6.4 Notification of Initial Allocation Price

Following the calculation of:

- (i) the Initial Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Auction Participant (excluding Non Bidders); and
- (ii) the Non Bidder Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder,

and provided that LCH.Clearnet SA has determined that it has sufficient financial resources in accordance with Clause 4.10 and that it does not need to hold a second round of Competitive Bidding in accordance with Clause 4.7.1, LCH.Clearnet SA will notify all Auction Participants that the Competitive Bidding process for the relevant Auction Package has been concluded and shall additionally notify each Clearing Member with an Initial Winning Bid(s), the details of the Initial Allocation Price or Non Bidder Allocation Prices (as the case may be) and the Initial Transfer Payable or Initial Transfer Receivable. Subject to Clause 5.3.2, an Initial Winning Bidder shall be contractually bound to accept registration of the Transfer Positions within their Account Structure in accordance with Clause 5.1.

4.7 Review of Competitive Bidding

4.7.1 Decision to hold a second round of Competitive Bidding

Where, following the calculation of the Initial Allocation Price and the Non Bidder Allocation Price (as appropriate), the Initial Transfer Payable and the Initial Transfer Receivable in accordance with Clause 4.6.1, LCH.Clearnet SA, in consultation with the CDS Default Management Group, determines that an LCH Transfer Cost arises such as to require recourse to the LCH.Clearnet SA Contribution, in accordance with Article 4.3.3.1, then it shall be permitted to consider holding a second round of Competitive Bidding.

In such circumstance LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall determine in its absolute discretion whether:

- (i) it would be possible, through holding a second round of Competitive Bidding, to generate higher LCH Transfer Receipts (if the Auction Package has a positive mark-to-market) or a lower LCH Transfer Cost (if the Auction Package has a negative mark-to-market); and
- (ii) it would not be unrealistic that, following a second round of Competitive Bidding, the LCH Transfer Receipt or LCH Transfer Cost would be such as to enable LCH.Clearnet SA to register the Winning Bids within the Account Structure of the Non-Defaulting Clearing Member(s), in accordance with Clause 5.1, without exhausting the financial resources available to LCH.Clearnet SA under Article 4.3.3.1.

4.7.2 Participation in a second round of Competitive Bidding

Where LCH.Clearnet SA determines that a lower LCH Transfer Cost or a higher LCH Transfer Receipt, as appropriate, could be generated, it shall require Auction Participants to participate in a second round of Competitive Bidding as soon as is reasonably practicable. LCH.Clearnet SA will consult with the CDS Default Management Group in accordance with the procedure set out in the Default Management Guidance Manual.

LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall determine the percentage of the original Auction Package which will be subject to the second Competitive Bidding (such portion being referred to in the remainder of this Clause 4 as the “**Residual Auction Package**”). However LCH.Clearnet SA shall not be permitted to determine that more than 20 per cent. of the relevant Auction Package shall form the Residual Auction Package, unless a minor increase to such percentage would have, in the reasonable determination of LCH.Clearnet SA and the CDS Default Management Group, a material impact on the LCH Transfer Cost or LCH Transfer Receipt, as applicable, which it is expected will be generated as a result of the second round of Competitive Bidding.

4.8 Recalculated Allocation of the Auction Package and Initial Registration

4.8.1 Recalculation of Initial Allocation Price

In the event that LCH.Clearnet SA determines that a second round of Competitive Bidding shall take place, LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall recalculate the Initial Allocation Price and the Non Bidder Allocation Price, as appropriate, (and, by definition, the Bids thereby treated as Initial Winning Bids) and Initial Transfer Payable or Initial Transfer Receivable by

following the procedure set out in Clause 4.6.1 in respect of the Reduced Auction Package.

4.8.2 Notification of recalculated Initial Allocation Price

Following any recalculation of:

- (i) the Initial Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Auction Participant (excluding Non Bidders); and
- (ii) the Non Bidder Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder,

pursuant to Clause 4.8.1, provided it has determined that it has sufficient financial resources in accordance with Clause 4.10, LCH.Clearnet SA will notify all Auction Participants of the results of the Competitive Bidding process including, for each Clearing Member with an Initial Winning Bid(s), the details of the Initial Allocation Price or Non Bidder Allocation Prices (as the case may be) and the Initial Transfer Payable or Initial Transfer Receivable. Subject to Clause 5.3.2, an Initial Winning Bidder shall be contractually bound to accept registration of the Transfer Positions within their Account Structure in accordance with Clause 5.1.

4.9 Conduct of Competitive Bidding for the Residual Auction Package

Competitive Bidding for the Residual Auction Package should be carried out in accordance with Clauses 4.1 to 4.4, treating the Residual Auction Package as the Auction Package for purposes of interpreting such provisions, but subject to the remainder of this Clause 4.9.

In applying such provisions to Competitive Bidding for the Residual Auction Package:

- (i) the Residual Allocation Price shall be determined on the basis that it were the Initial Allocation Price;
- (ii) the Residual Winning Bids shall be determined on the basis that they were Initial Winning Bids;
- (iii) the Residual Transfer Payable shall be determined on the basis that it were the Initial Transfer Payable;
- (iv) the Residual Transfer Receivable shall be determined on the basis that it were the Initial Transfer Receivable; and
- (v) LCH.Clearnet SA shall allocate the Auction Transactions for the Residual Auction Package in accordance with Clause 4.6.2.

4.9.1 Recalculated Minimum Bid Size

Each Auction Participant's Minimum Bid Size shall be subject to recalculation for the Residual Auction Package depending on the outcome of the first round of Competitive Bidding:

- (i) where the aggregate of the Bid Sizes of an Auction Participant's Initial Winning Bids for the related Auction Package exceeds that Auction Participant's original Minimum Bid Size calculated in accordance with Clause 4.4.4, that Auction Participant will have its Minimum Bid Size for the Residual Auction Package reduced by an amount equal to the Bid Credit. For these purposes, the "**Bid Credit**"

for any Auction Participant shall be the percentage difference between the Minimum Bid Size and the percentage of the aggregate of the Bid Sizes of that Auction Participant's Initial Winning Bids;

- (ii) for each Auction Participant to whom a Bid Credit has not been ascribed, that Auction Participant's Minimum Bid Size shall be increased by a *pro rata* share of the aggregate Bid Credits ascribed in relation to that Residual Auction Package.

4.9.2 Competitive Bidding Process

LCH.Clearnet SA shall not be permitted to review the Competitive Bidding for the Residual Auction Package and shall be required to complete its obligations with respect to registration of the Transfer Positions, arising therefrom.

4.9.3 Notification of Residual Allocation Price

Following the calculation of:

- (i) the Residual Allocation Price and the Residual Transfer Payable or Residual Transfer Receivable for each Auction Participant (excluding Non Bidders); and
- (ii) the Non Bidder Allocation Price and the Residual Transfer Payable or Residual Transfer Receivable for each Non Bidder,

pursuant to 4.9, LCH.Clearnet SA will notify all Auction Participants of the results of the second round of Competitive Bidding including, for each Clearing Member with a Residual Winning Bid(s), the details of the Residual Allocation Price or Non Bidder Allocation Price (as the case may be) and the Residual Transfer Payable or Residual Transfer Receivable. Subject to Clause 5.3.2, a Residual Winning Bidder shall be contractually bound to accept registration of the Transfer Positions within their Account Structure in accordance with Clause 5.1.

4.10 LCH.Clearnet SA determination of financial resources

Following the determination of the Initial Allocation Price pursuant to the first round of Competitive Bidding (or Residual Allocation Price pursuant to the second round of Competitive Bidding, as the case may be), LCH.Clearnet SA shall determine whether it has sufficient financial resources to meet its obligations arising from such Competitive Bidding, including but not limited to the ability to credit a Winning Bidder with an Initial Transfer Receivable or a Residual Transfer Receivable, as the case may be. LCH.Clearnet SA may only notify Winning Bidders in accordance with Clause 4.6.4, Clause 4.8.2 or Clause 4.9.3, as appropriate, and perform its obligations pursuant to Clause 5 in respect of the relevant Transfer Positions if it has reasonably determined that it does have sufficient financial resources. If LCH.Clearnet SA determines that it does not have sufficient financial resources, it shall notify all Auction Participants of the failure of Competitive Bidding and shall call an Early Termination Trigger Date in accordance with Clause 7 and, for the avoidance of doubt, no Auction Participant shall be deemed to have a Winning Bid and LCH.Clearnet SA shall not be permitted to register any Transfer Positions within the Account Structure of any Auction Participant.

In making the determination as to whether it has sufficient financial resources, if the calculation of the Distribution Haircut produces a figure greater than 1, LCH.Clearnet SA shall be required to determine that it does not have sufficient financial resources.

5 Registration of Transfer Positions

5.1 Registration of Winning Bids

LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall register the Transfer Positions within the Account Structure of:

- 5.1.1** an Initial Winning Bidder by no later than 09:15 on the calendar day following conclusion of the first round of Competitive Bidding; and
- 5.1.2** a Residual Winning Bidder by no later than 09:15 on the calendar day following conclusion of the second round of Competitive Bidding.

For the avoidance of doubt, where two rounds of Competitive Bidding have been undertaken on the same calendar day, LCH.Clearnet SA, in consultation with the CDS Default Management Group, shall nevertheless undertake separate registration processes for the Transfer Positions arising from the first round of Competitive Bidding and the Transfer Positions arising from the second round of Competitive Bidding.

5.2 Registration Obligations

In order to effect the registration of the Transfer Positions within a Winning Bidder's Account Structure, as contemplated by Clause 5.1, LCH.Clearnet SA shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. Winning Bidders will be required to comply with such requirements as may be established by LCH.Clearnet SA, after consultation with the CDS Default Management Group, to effect the registration of the Transfer Positions. In particular:

- (i) Winning Bidders will provide LCH.Clearnet SA with Collateral to satisfy an increased Margin Requirement which shall take account of the Transfer Positions;
- (ii) if Competitive Bidding has given rise to an Initial Transfer Receivable or a Residual Transfer Receivable, as the case may be, LCH.Clearnet SA will credit the Winning Bidder with the requisite amount;
- (iii) if Competitive Bidding has given rise to an Initial Transfer Payable or a Residual Transfer Payable, as the case may be, the Winning Bidder will pay the requisite amount to LCH.Clearnet SA; and
- (iv) LCH.Clearnet SA shall ensure that the registration of the Transfer Positions is made in a way that recognises the Variation Margin paid or received, in relation to the Cleared Transactions of the Defaulting Clearing Member representing such Transfer Positions, to date.

5.3 Failed Registration Obligations

5.3.1 Winning Bidder failure

In the event that registration of a Transfer Position in accordance with Clause 5.1 requires the Winning Bidder to pay to LCH.Clearnet SA an amount reflecting an Initial Transfer Payable or a Residual Transfer Payable, as the case may be, any failure by the Winning Bidder to pay such amount or to provide Collateral to LCH.Clearnet SA as Margin in respect of the Transfer Position shall constitute a Payment Failure.

5.3.2 LCH.Clearnet SA failure

- (a) LCH.Clearnet SA shall not be permitted to register any Transfer Position with a Winning Bidder unless it is satisfied that its financial resources are sufficient to credit each Winning Bidder with its Initial Transfer Receivable or Residual Transfer Receivable, as the case may be.
- (b) If LCH.Clearnet SA fails to credit such amount to the relevant Winning Bidder, either:
 - (x) prior to or simultaneously with calling for or returning, as the case may be, any Collateral taking into consideration the Open Positions reflecting such Transfer Positions; or
 - (y) if, in order to credit the required amounts to the Winner Bidder, LCH.Clearnet SA is dependent on Additional Contribution Amounts from Non-Defaulting Clearing Members being received in the same payment window as the payment or receipt of such Collateral, immediately after the payment window in which such Collateral shall be paid or received (as set out in Section 3 of the Procedures),

such registration of the Transfer Position shall be deemed void *ab initio* and unenforceable against the Winning Bidder and:

 - (i) LCH.Clearnet SA shall not take any Open Positions reflecting such Transfer Positions into account for the purpose of calculating that Winning Bidder's Margin Requirement on an ongoing basis; and
 - (ii) to the extent a Margin Notice has already been served upon a Winning Bidder, taking account of Open Positions reflecting such Transfer Positions, and the relevant Winning Bidder has transferred Collateral in satisfaction of its Margin Requirement, the amount of Collateral called in respect of the Open Positions reflecting such Transfer Positions shall be returned to the Winning Bidder in accordance with Section 3 of the Procedures.
- (c) In the event that LCH.Clearnet SA does not receive sufficient available resources in the relevant payment window on account of the failure of one or more Non-Defaulting Clearing Members, LCH.Clearnet SA, in consultation with the CDS Default Management Group, may take such action as is required, including holding a further auction process. In the event that LCH.Clearnet SA reasonably believes, after consultation with the CDS Default Management Group, that it will have sufficient available resources following an additional request for Additional Contribution Amounts from the then Non-Defaulting Clearing Members, LCH.Clearnet SA shall call for such amounts in accordance with Section 6 of the Procedures no later than the first available payment window on the following Business Day and the registration of the Transfer Positions shall not be regarded as void *ab initio* until LCH.Clearnet SA has determined whether it has sufficient available resources following such payment window.

Notwithstanding any discretion provided to LCH.Clearnet SA in this paragraph (c), LCH.Clearnet SA shall be prohibited from determining not to credit each Winning Bidder with the full amount of its Initial Transfer Receivable or Residual Transfer Receivable and if it determines that it does not have, and will not have through the payment of Additional Contribution Amounts, sufficient available resources to credit such amounts, the registration of such Transfer Positions shall be deemed void *ab initio* in accordance with (b) above.

5.4 Off-setting

LCH.Clearnet SA agrees that it shall make provision for set-off by LCH.Clearnet SA of amounts owed by LCH.Clearnet SA to the Winning Bidder as a result of the operation of the CDS Default Management Process against sums owed by the Winning Bidder to LCH.Clearnet SA in respect thereof.

6 Loss Distribution Process

6.1 Adjustment of Variation Margin payments

6.1.1 Cash Gainer

On each Loss Distribution Day for each Margin Account of each Non-Defaulting Clearing Member that is deemed to be a Cash Gainer, the relevant Non-Defaulting Clearing Member shall be required to pay LCH.Clearnet SA an amount equal to any positive amount determined in accordance with the following formula or, as applicable, LCH.Clearnet SA shall be required to pay the relevant Non-Defaulting Clearing Member the absolute value of any negative amount determined in accordance with the following formula (in each case, such amount the “**Cash Gainer Adjustment**”):

$$\text{Cash Gainer Adjustment}_{(t)} = \text{PHG}_{(t)} - (\text{CHG}_{(t)} * \text{Max}(0, 1 - \text{DH}_{(t)}) - \text{CAG}_{(t-1)})$$

where:

“PHG” means the Pre Haircut Gains, Losses and Realised Cash Flows;

“CHG” means the Cumulative Hypothetical Gains, Losses and Realised Cash Flows;

“DH” means the Distribution Haircut; and

“CAG” means the Cumulative Actual Gains, Losses and Realised Cash Flows and where “CAG” as at the Last Call prior to Default shall be zero.

6.1.2 Cash Loser

On each Loss Distribution Day for each Margin Account of each Non-Defaulting Clearing Member that is deemed to be a Cash Loser, LCH.Clearnet SA shall be required to pay the absolute value of an amount (the “Cash Loser Adjustment”) determined in accordance with the following formula:

$$\text{Cash Loser Adjustment}_{(t)} = \text{PHG}_{(t)} - (\text{CHG}_{(t)} - \text{CAG}_{(t-1)})$$

where:

“PHG” means the Pre Haircut Gains, Losses and Realised Cash Flows;

"CHG" means the Cumulative Hypothetical Gains, Losses and Realised Cash Flows; and

"CAG" means the Cumulative Actual Gains, Losses and Realised Cash Flows and where "CAG" as at the Last Call prior to Default shall be zero.

6.1.3 Application of Margin Account Adjustment

On each Loss Distribution Day, LCH.Clearnet SA shall apply the payment or receipt of any Margin Account Adjustment as an offset against any payments from or receivable by the relevant Clearing Member.

6.1.4 Adjustments for Physical Settlement

Where Physical Settlement is applicable to any Cleared Transaction on any Clearing Day during a Loss Distribution Period, LCH.Clearnet SA may, following consultation with the Risk Committee or the CDS Default Management Group, as appropriate, make such adjustments as are necessary to the calculation of Cash Gainer Adjustment or Cash Loser Adjustment to reflect the payment flows arising from such Physical Settlement, keeping in mind the principle that the calculation of Cash Gainer Adjustment and Cash Loser Adjustment is designed to capture all profits and/or losses on positions during the relevant Loss Distribution Period.

6.2 Application of Cash Gainer Adjustment

LCH.Clearnet SA shall apply all Cash Gainer Adjustment it receives solely for the purposes of meeting Damage incurred by LCH.Clearnet SA following, and in relation to, each relevant Event of Default, as contemplated at and in accordance with Article 4.3.3.1 of the CDS Clearing Rule Book.

6.3 Adjustment to Loss Distribution Cap Amount

If, during any Loss Distribution Period, it appears to LCH.Clearnet SA that the Clearing Member Adjustment Amount for any Non-Defaulting Clearing Member is, or is about to be, equal to or greater than the Loss Distribution Cap Amount, LCH.Clearnet SA may request that an adjustment be made to the Loss Distribution Cap Amount for such Non-Defaulting Clearing Member. The relevant Non-Defaulting Clearing Member may, but is not required to, agree to an adjustment to such Loss Distribution Cap Amount. Once a Non-Defaulting Clearing Member has provided agreement to adjust the Loss Distribution Cap Amount in the form and within the timeframe set out in the relevant Clearing Notice referred to in Article 3.1.2.11 of the CDS Clearing Rule Book, such agreement will be considered irrevocable and cannot be withdrawn.

The Adjusted Loss Distribution Cap Amount shall be applicable in accordance with the agreement between the relevant Non-Defaulting Clearing Member and LCH.Clearnet SA and for such period as may be agreed by the relevant Non-Defaulting Clearing Member, but which shall in no event be longer than the applicable Loss Distribution Period.

6.4 No rebate

The payment to LCH.Clearnet SA of any Cash Gainer Adjustment by any Non-Defaulting Clearing Member shall be final and shall not give rise to any obligation of LCH.Clearnet SA to repay any such amount or to pay any interest thereon, unless prior to the end of the Loss Distribution Period, there is an Early Termination Trigger

Date or an LCH Default, in which case any net Cash Gainer Adjustment paid by a Non-Defaulting Clearing Member shall be repayable by LCH.Clearnet SA in respect of the relevant Margin Account pursuant to Clause 7 or TITLE I, Chapter 3 of the CDS Clearing Rule Book, as the case may be.

6.5 Application of any recoveries

Notwithstanding the provisions of Article 4.4.3.8 of the CDS Clearing Rule Book, if the Loss Distribution Process has been invoked by LCH.Clearnet SA in accordance with this Clause 6, LCH.Clearnet SA shall reimburse the Clearing Members (irrespective of whether they remain Clearing Members at the time of the recovery) and LCH.Clearnet SA on a pro rata basis by reference to the resources which have been applied pursuant to Article 4.3.1.1 of the CDS Clearing Rule Book during any CDS Post-Default Period relating to the relevant Defaulting Clearing Member and including the net amount of any Margin Account Adjustment paid by the relevant Clearing Members during such CDS Post-Default Period, the LCH.Clearnet SA Contribution and the Contributions and/or Additional Contribution Amounts of Clearing Members so applied, in respect of:

6.5.1 any amounts received from the Defaulting Clearing Member as a result of LCH.Clearnet SA being a creditor of the Defaulting Clearing Member in the context of Insolvency Proceedings or otherwise, other than in respect of sums due to LCH.Clearnet SA; or

6.5.2 any other amounts howsoever obtained or recovered in the course of LCH.Clearnet SA's operation of the CDS Default Management Process or which are otherwise referable to the Defaulting Clearing Member,

in each case net of any related expenses incurred by LCH.Clearnet SA or other sums owing to LCH.Clearnet SA by the Defaulting Clearing Member in connection with the CDS Clearing Service. For the avoidance of doubt, nothing in Article 4.4.3.8 of the CDS Clearing Rule Book shall oblige LCH.Clearnet SA to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of LCH.Clearnet SA has also been applied as a result of the Defaulting Clearing Member's default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

7 Early Termination

7.1 Early Termination Trigger

If, on any Loss Distribution Day, LCH.Clearnet SA determines either that the Clearing Member Adjustment Amount for any Non-Defaulting Clearing Member would be equal to or greater than the applicable Loss Distribution Cap Amount for such Non-Defaulting Clearing Member (as adjusted pursuant to Clause 6.3, as the case may be) on that Loss Distribution Day or LCH.Clearnet SA does not have sufficient financial resources available to make all payments required pursuant to Clause 4.10 (the "**Early Termination Trigger Date**"), neither LCH.Clearnet SA nor any Non-Defaulting Clearing Member shall be obliged to make any further payments or deliveries under any Cleared Transaction between them which would, but for this Clause 7.1, have fallen due for performance on or after the Early Termination Trigger Date, and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set

off or otherwise) of the Termination Amount and other payment and delivery obligations in relation to any Cleared Transactions and any other obligations pursuant to the CDS Clearing Documentation (including the repayment or redelivery of a Clearing Member's Margin Balance and other Collateral representing a Clearing Member's Contribution Requirement) shall be payable or deliverable on the Early Termination Trigger Date and in accordance with the provisions of this Clause 7.

Upon the occurrence of an Early Termination Trigger Date, LCH.Clearnet SA shall promptly publish a Clearing Notice in accordance with Article 3.1.2.13 of the CDS Clearing Rule Book.

For these purposes, the amounts to be repaid shall include, in respect of each Margin Account for each Non-Defaulting Clearing Members:

- (i) Variation Margin;
- (ii) any Cash Collateral and any other Collateral which is not Redeliverable Eligible Collateral representing the Margin Balance or the Contribution Balance, in each case without applying any haircuts to the valuation of the Collateral;
- (iii) any net Cash Gainer Adjustments which has been paid by the Clearing Member to LCH.Clearnet SA pursuant to Clause 6.1; and
- (iv) any other amounts that may be due to or from either the Clearing Member or LCH.Clearnet SA to or from the other in relation to the CDS Clearing Service pursuant to the CDS Clearing Documentation.

7.2 CDS Repayment Amount

LCH.Clearnet SA shall calculate the CDS Repayment Amount in respect of each Margin Account for each Non-Defaulting Clearing Member in accordance with the following:

- (i) LCH.Clearnet SA shall establish the value of (a) each Cleared Transaction as a result of the termination of each payment or delivery which would otherwise have been required to be made under the relevant Cleared Transaction (assuming satisfaction of each applicable condition precedent and based on its determination of the observable market price to be determined in accordance with Clause 7.3 below) and without application of the Loss Distribution Process, (b) any net Cash Gainer Adjustments to be repaid to the Clearing Member; (c) the Variation Margin to be repaid by the Clearing Member or LCH.Clearnet SA to the other; and (d) any other amounts that may be due to or from LCH.Clearnet SA in relation to Cleared Transactions pursuant to the CDS Clearing Rules, but excluding any repayment or redelivery obligations relating to any relevant Margin Balance; and
- (ii) on the basis of the sums so established, an account shall be taken of the amounts owed by either the Clearing Member or LCH.Clearnet SA to the other and the sums due from one shall be set off against the sums due from the other and only the balance shall be payable by either the Clearing Member or LCH.Clearnet SA to the other.

7.3 Observable Market Price

For the purpose of determining an observable market price for each Cleared Transaction pursuant to Clause 7.2(i) above, LCH.Clearnet SA shall use its best efforts to determine the price of the relevant Cleared Transactions as at the end of the Clearing Day following the Early Termination Trigger Date, using such sources as it believes reasonable to provide the value of such Cleared Transactions. In doing so, LCH.Clearnet SA would be expected to use the following sources in order of descending priority as valuation points:

- (i) the end of day settlement prices published by another reputable clearing house operating in respect of CDS for the relevant valuation day;
- (ii) other objective and observable market prices for the relevant valuation day; and
- (iii) the mean settlement price for the relevant valuation day, calculated on the basis of a broad-based survey of market participants active in trading CDS.

7.4 Available CDS Funds

Following its determination of the CDS Repayment Amount in relation to each Margin Account for each Non-Defaulting Clearing Member, LCH.Clearnet SA shall calculate the Available CDS Funds as the sum equal to the aggregate of the Negative CDS Repayment Amounts in respect of each Non-Defaulting Clearing Member.

Where the Available CDS Funds are less than the aggregate amount of Positive CDS Repayment Amounts, LCH.Clearnet SA shall calculate the Discounted CDS Repayment Amount for each Positive CDS Repayment Amount payable to a Non-Defaulting Clearing Member by multiplying each such Positive CDS Repayment Amount by the fraction determined by dividing A by B, where “A” is the Available CDS Funds and “B” is the aggregate amount of Positive CDS Repayment Amounts.

7.5 LCH Repayment Amount

Following the calculation of each CDS Repayment Amount, or Discounted CDS Repayment Amount as the case may be, pursuant to Clauses 7.1 to 7.3 above, LCH.Clearnet SA shall calculate the LCH Repayment Amount in respect of each Non-Defaulting Clearing Member’s Margin Account as follows.

LCH.Clearnet SA shall calculate the Margin Balance (without applying any haircuts to the valuation of Eligible Collateral) in respect of each Clearing Member’s Margin Accounts and all amounts standing to the credit of the Margin Balance shall become immediately due and payable to the Clearing Member (in respect of each Margin Account, the “**Margin Repayment Amount**”). In determining such amounts, LCH.Clearnet SA shall not separately value, nor take into account, as an amount due to the Clearing Member, any Collateral:

- (i) in respect of which the value has been accounted for in the determination of the value of any Cleared Transaction;
- (ii) which the Clearing Member has transferred to LCH.Clearnet SA other than on a full title transfer basis and which the Clearing Member will otherwise receive back in accordance with the CDS Clearing Rules; or

- (iii) which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 of the CDS Clearing Rule Book and the CDS Default Management Process.

LCH.Clearnet SA shall then, for each Non-Defaulting Clearing Member's Margin Account: (a) aggregate each Positive CDS Repayment Amount, or Discounted CDS Repayment Amount, as the case may be, with the Margin Repayment Amount, or (b) net and set off each Negative CDS Repayment Amount with the Margin Repayment Amount, in each case to produce for each Margin Account the LCH Repayment Amount.

Where the determination in accordance with this Clause 7.5 produces a positive amount, LCH.Clearnet SA shall pay the LCH Repayment Amount to the Clearing Member in accordance with Clause 7.7 and, where it produces a negative amount, the Clearing Member shall pay the LCH Repayment Amount to LCH.Clearnet SA in accordance with Clause 7.7.

7.6 Notification of LCH Repayment Amount

LCH.Clearnet SA shall notify each Clearing Member of the LCH Repayment Amount which it will pay to the relevant Clearing Member, or which the relevant Clearing Member is required to pay to LCH.Clearnet SA, as the case may be. Such notification shall be made promptly and by no later than:

- (i) 15:00 on the Early Termination Trigger Date, where a determination is made by LCH.Clearnet SA prior to 10:00 on the Early Termination Trigger Date, or
- (ii) 15:00 on the first Clearing Day following the Early Termination Trigger Date, where a determination is made by LCH.Clearnet SA after 10:00 on the Early Termination Trigger Date.

This notification shall show in reasonable detail how the LCH Repayment Amount has been calculated by LCH.Clearnet SA.

Prior to making such notification, LCH.Clearnet SA shall determine whether it has sufficient funds in place in order to repay the aggregate of all Margin Repayment Amounts. If LCH.Clearnet SA determines that it is unable to pay the aggregate amount of the Margin Repayment Amounts, LCH.Clearnet SA shall notify the Clearing Members by the times set out in (i) and (ii) by posting such notice on its Website.

7.7 Payment of LCH Repayment Amount and repayment/redelivery of Collateral

Where the LCH Repayment Amount is to be paid to LCH.Clearnet SA by a Clearing Member, it shall be paid in Euro by 15:00 on the Clearing Day following notification in accordance with Clause 7.6.

Where the LCH Repayment Amount is to be paid by LCH.Clearnet SA to a Clearing Member, it shall be paid in Euro by 17:00 on the Clearing Day following notification in accordance with Clause 7.6.

Any Redeliverable Eligible Collateral (other than Redeliverable Eligible Collateral which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) which the Clearing Member has transferred to LCH.Clearnet SA shall be redelivered by LCH.Clearnet

SA to a Clearing Member by 17:00 on the Clearing Day following notification in accordance with Clause 7.6.

7.8 Recalculation of Available CDS Funds

In the event that LCH.Clearnet SA does not receive the aggregate LCH Repayment Amounts due to it from Clearing Members in full by the time specified in Clause 7.7, LCH.Clearnet SA shall reduce each LCH Repayment Amount it is due to pay (which includes a Positive CDS Repayment Amount or Discounted CDS Repayment Amount, as the case may be) by an amount equal to the relevant Clearing Member's *pro rata* share of the shortfall.

7.9 Recovery of LCH Repayment Amounts

If at any time LCH.Clearnet SA recovers amounts in addition to the CDS Available Funds calculated pursuant to Clause 7.3, or receives LCH Repayment Amounts from Clearing Members after the time specified in Clause 7.7 and following the adjustments contemplated by Clause 7.8, it shall promptly make such further payments in respect of any Margin Account for which a discount to the relevant CDS Repayment Amount was applied in accordance with Clause 7.5 *pro rata* the amount of the discounts applied across all such Margin Accounts.

7.10 Conversion

For the purposes of any calculation required to be made under this Clause 7, any sums calculated other than in Euro shall be converted into Euro at the relevant exchange rate as at 17.00 on the Early Termination Trigger Date. The relevant exchange rate shall be determined by the European Central Bank and taken from Reuters or, where not available for the relevant currency, such other provider as is notified in a Clearing Notice.

7.11 No Rebate

Subject to the obligations of LCH.Clearnet SA pursuant to Clause 7.9 above, the payment by LCH.Clearnet SA of any LCH Repayment Amount to a Non-Defaulting Clearing Member shall be final. Any claim by a Clearing Member to recover amounts owed to it as a result of the adjustment of the CDS Repayment Amount pursuant to Clause 7.3 or 7.8 above shall be extinguished and the relevant Clearing Member shall have no further recourse to LCH.Clearnet SA in respect thereof.

7.12 LCH Default

Any failure by LCH.Clearnet SA to pay the LCH Repayment Amount in full to a Clearing Member, other than by operation of Clause 7.8, shall constitute an event falling within Article 1.3.1.1(ii).

8 Information regarding the CDS Default Management Process

8.1 Notifications

Whenever the CDS Default Management Process is implemented by LCH.Clearnet SA in respect of a Defaulting Clearing Member, LCH.Clearnet SA will, with the assistance of the CDS Default Management Group, provide such ongoing information to Clearing Members as LCH.Clearnet SA deems reasonably appropriate in respect of the progress of the CDS Default Management Process.

In particular LCH.Clearnet SA shall notify each Clearing Member:

- 8.1.1** when a Default Notice has been issued in respect of a Clearing Member, in accordance with Article 4.3.1.3
- 8.1.2** in advance of both the first and second round of Competitive Bidding, as the case may be, those items listed in Clause 4.4.2;
- 8.1.3** whether or not a grace period has been granted to Auction Participants as a whole, or a particular Auction Participant, pursuant to Clause 4.4.3;
- 8.1.4** whether or not some or all of their Bid(s) have been deemed to be Market Bid(s) in the course of either the first or second round of Competitive Bidding (if applicable);
- 8.1.5** whether or not they are an Initial Winning Bidder, what the Initial Allocation Price is and what the Initial Transfer Payable or Initial Transfer Receivable, as the case may be, is in accordance with Clause 4.6.4 and/or Clause 4.8.1;
- 8.1.6** whether or not they have been deemed a Non Bidder, what the Non Bidder Allocation Price is and what the Initial Transfer Payable or Initial Transfer Receivable, as the case may be, is in accordance with Clause 4.6.3;
- 8.1.7** which Transfer Positions are to be registered within their Account Structure as a result of being deemed an Initial Winning Bidder or a Non Bidder, as the case may be, in respect of the first round of Competitive Bidding and in respect thereof:
- (i) what the procedure and timeline will be for registration of the Transfer Positions, arising from the first round of Competitive Bidding, within their Account Structure;
 - (ii) prior to registering the Transfer Positions within their Account Structure, what the increase to the Winning Bidder's Margin Requirement will be;
 - (iii) prior to registering the Transfer Positions within their Account Structure, what the Initial Transfer Payable, or the Initial Transfer Receivable, as appropriate, will be
- 8.1.8** whether or not a second round of Competitive Bidding will be held;
- 8.1.9** to the extent a second round of Competitive Bidding is held, whether or not they are the holder of a Residual Winning Bid, what the Residual Allocation Price is and what the Residual Transfer Payable or Residual Transfer Receivable, as the case may be, is;
- 8.1.10** which Transfer Positions are to be registered within their Account Structure as a result of being deemed an Residual Winning Bidder or a Non Bidder, as the case may be, in respect of the second round of Competitive Bidding and in respect thereof:
- (i) what the procedure and timeline will be for registration of the Transfer Positions, arising from the second round of Competitive Bidding, within their Account Structure;

- (ii) prior to registering the Transfer Positions within their Account Structure, what the increase to the Winning Bidder's Margin Requirement will be;
- (iii) prior to registering the Transfer Positions within their Account Structure, what the Residual Transfer Payable or the Residual Transfer Receivable, as appropriate, will be; and

8.1.11 where LCH.Clearnet SA has determined that its financial resources are not sufficient to meet its obligations arising from either the first or second round of Competitive Bidding, as the case may be, in accordance with Clause 4.10, of the failure of Competitive Bidding and the occurrence of an LCH Default.

8.2 Sensitive Information

Nothing in this Clause 8 shall require LCH.Clearnet SA to disclose information in respect of the CDS Default Management Process which, in the reasonable opinion of LCH.Clearnet SA, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in LCH.Clearnet SA's reasonable opinion, inappropriate for disclosure to Clearing Members.

8.3 Competitive Bidding

The Nominated Representative will ensure that the identity of each Auction Participant is not revealed to the Clearing Member representatives on the CDS Default Management Group.

9 Role and Constitution of the CDS Default Management Committee

9.1 Role

The CDS Default Management Committee shall meet at regular intervals (at least quarterly) in order to:

- 9.1.1** determine the provisions of the CDS Default Management Guidance Manual that will supplement the principles set out in this CDS Default Management Process and assist the members of the CDS Default Management Group in implementing the CDS Default Management Process;
- 9.1.2** keep both the CDS Default Management Process and the CDS Default Management Guidance Manual under review and to assist LCH.Clearnet SA in the design, testing and further improvement of the CDS Default Management Process;
- 9.1.3** participate in regular fire drills in relation to the CDS Default Management Process;
- 9.1.4** keep Section 9 of the CDS Clearing Supplement and Section 10, Part 1, VIII of the Procedures under review and assist members of the CDS Default Management Group in implementing the auction procedure to terminate any self-referencing Restructuring Cleared Transactions and enter into equivalent Restructuring Cleared Transactions with other Clearing Members;
- 9.1.5** keep under review the Terms of Reference for both the CDS Default Management Committee and the CDS Default Management Group to ensure they remain appropriate;

- 9.1.6 maintain and keep under review the DMG Rotation Plan, as described at Clause 10.2.2 below;
- 9.1.7 consider appropriate supplements or amendments to the CDS Default Management Process and/or the CDS Default Management Guidance Manual in order to improve the procedures in place;
- 9.1.8 keep under review the manner in which Auction Participants should be encouraged and incentivised to participate in Competitive Bidding and the consequences (if any) for non-participation or non market participation in Competitive Bidding; and
- 9.1.9 consider any other business relevant to the CDS Default Management Process which any member of the CDS Default Management Committee from time to time sees fit to raise at such meetings.

9.2 Composition

The CDS Default Management Committee shall be made up of the following individuals, each to be appointed by LCH.Clearnet SA, in consultation with the Risk Committee:

- 9.2.1 representatives nominated by each of the Clearing Members (including, without limitation, those DMG Representatives that have been appointed, or will be appointed within the next 6 months, on behalf of a Clearing Member to the CDS Default Management Group in accordance with the DMG Rotation Plan) with appropriate skills and expertise who shall participate in the design and testing, etc of the CDS Default Management Process;
- 9.2.2 at least one director (staff member of director grade) of the LCH.Clearnet SA Risk Management department, who shall be appointed as the vice-chairman of the CDS Default Management Committee by the LCH.Clearnet SA chief executive; and
- 9.2.3 such other individuals as the CDS Default Management Committee and/or the Risk Committee considers appropriate from time to time in relation to such meetings.

In making such appointments, LCH.Clearnet SA shall ensure that the composition of the CDS Default Management Committee is such as to provide effective review of the CDS Default Management Process and has suitable expertise and representation of market-making capacity in the event of an Event of Default.

In carrying out each appointment, LCH.Clearnet SA shall require each representative of a Clearing Member mentioned in Clause 9.2.1 and each individual mentioned in Clause 9.2.3 to file a Fitness Self Certification and a CV with LCH.Clearnet SA. LCH.Clearnet SA shall be permitted to undertake reasonable diligence in respect of each of them before appointing them as members of the CDS Default Management Committee, and may require a Clearing Member to nominate alternative representative(s) if it is not reasonably satisfied that the proposed representative(s) comply with the requirements set out in Clause 9.2.1 and/or refuse to appoint any individual mentioned in Clause 9.2.3.

10 Role and Constitution of the CDS Default Management Group

10.1 Role

10.1.1 CDS Default Management Process

The CDS Default Management Group shall meet within one hour, or as soon as reasonably practical, following notification by LCH.Clearnet SA that a Clearing Member is the subject of an Event of Default in accordance with Article 4.3.1.2, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist LCH.Clearnet SA in the implementation of this CDS Default Management Process. Such implementation shall include, without limitation, the provision of default management advice with regard to:

- (i) the ongoing obligations of LCH.Clearnet SA to Non-Defaulting Clearing Members;
- (ii) Hedging and closing-out of Cleared Transactions registered in the name of the Defaulting Clearing Member; and
- (iii) the registration of Transfer Positions in accordance with the CDS Default Management Process.

10.1.2 Auctions in respect of self-referencing Restructuring Cleared Transactions

In the event that LCH.Clearnet SA determines to conduct an auction pursuant to Section 9 of the CDS Clearing Supplement, the CDS Default Management Group shall meet as soon as reasonably practical, following notification by LCH.Clearnet SA that an auction to terminate any self-referencing Restructuring Cleared Transactions and enter into equivalent Restructuring Cleared Transactions with other Clearing Members is required, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist LCH.Clearnet SA in the implementation of the relevant auction procedure.

10.2 Composition

10.2.1 Membership

The CDS Default Management Group shall be made up of the following individuals each to be appointed by LCH.Clearnet SA in consultation with the CDS Default Management Committee and the Risk Committee:

- (i) the chief executive or deputy chief executive of LCH.Clearnet SA, who shall act as chairman;
- (ii) representatives from the trading function of at least five Clearing Members, being senior executives with appropriate skills and expertise, knowledge of the CDS Default Management Process and experience of fire drills undertaken by the CDS Default Management Committee, who shall be nominated by the relevant Clearing Members and appointed in accordance with Clause 10.2.2 below;
- (iii) at least one director (staff member of director grade) of the LCH.Clearnet SA's risk management department; and
- (iv) such other individuals as the CDS Default Management Group considers appropriate from time to time in relation to individual meetings.

In making such appointments, LCH.Clearnet SA shall ensure that the composition of the CDS Default Management Group is such as to provide

effective review of the CDS Default Management Process and has suitable expertise and representation of market-making capacity in the event of an Event of Default.

10.2.2 Appointment of Clearing Member representatives

Each Clearing Member is required to notify LCH.Clearnet SA of at least two representatives that can be called upon to participate, on behalf of that Clearing Member, as a member of the CDS Default Management Group in accordance with a rotational plan maintained by the CDS Default Management Committee in accordance with Clause 9.1.6 above (“**DMG Representatives**”).

In nominating DMG Representatives, each Clearing Member shall identify a representative that shall be its principal DMG Representative and representative(s) that shall be its back-up DMG Representative(s).

Each proposed DMG Representative and each individual mentioned in Clause 10.2.1(iv) shall be required to file a Fitness Self Certification and a CV with LCH.Clearnet SA. LCH.Clearnet SA shall be permitted to undertake reasonable diligence in respect of any proposed DMG Representative before approving such representative’s inclusion, on behalf of the relevant Clearing Member, on the rotational plan (the “**DMG Rotation Plan**”) and may require a Clearing Member to nominate alternative DMG Representative(s) if it is not reasonably satisfied that the nominated representative(s) comply with the requirements set out in Clause 10.2.1(ii). LCH.Clearnet SA shall also be permitted to undertake reasonable diligence in respect of any individual mentioned in Clause 10.2.1(iv) and to refuse to appoint any such individual.

The DMG Rotation Plan will be managed by the CDS Default Management Committee in accordance with the following principles:

- (i) the DMG Rotation Plan will list all DMG Representatives and the Clearing Member that each DMG Representative represents;
- (ii) the DMG Rotation Plan will set out a timetable for the appointment/retirement of Clearing Members to/from the CDS Default Management Group, the timetable being set by the CDS Default Management Committee in its discretion with a view to ensuring that the composition of the CDS Default Management Group at any one time has suitable expertise and representation of market-making capacity in the event of a default;
- (iii) at least five different Clearing Members shall be appointed to the CDS Default Management Group at any one time. For the avoidance of doubt, in the event that the CDS Default Management Group is required to convene in accordance with Clause 10.1.1, a Clearing Member that has been appointed to the CDS Default Management Group shall be permitted to provide any (but not all) of its principal or back up DMG Representatives to assist LCH.Clearnet SA in the management of the relevant Event of Default;
- (iv) the duration of each Clearing Member’s appointment to the CDS Default Management Group shall be for a minimum of 6 months

and a maximum of 5 years (at the discretion of the relevant Clearing Member) (the “**DMG Term**”);

- (v) at the end of a Clearing Member’s DMG Term (save where the expiry of such DMG Term arises in the course of management of an Event of Default, in which case the Clearing Member’s DMG Term shall be extended at the discretion of the CDS Default Management Committee), the DMG Representatives representing such Clearing Member shall retire from the CDS Default Management Group and DMG Representatives (representing a different Clearing Member), as set out in the DMG Rotation Plan, shall be appointed to the CDS Default Management Group simultaneously in his/her place(s);
- (vi) only two Clearing Members may retire from the CDS Default Management Group and be replaced, in accordance with paragraph (v) above, in any 3 month period so as to maintain continuity of participation in the CDS Default Management Group.

10.2.3 Additional members

Following consultation with the CDS Default Management Group, LCH.Clearnet SA may invite the Defaulting Clearing Member to nominate one or more representatives to join the CDS Default Management Group to assist it in carrying out its functions under the CDS Default Management Process for that Defaulting Clearing Member. LCH.Clearnet SA may also request that representatives from other Clearing Members join the CDS Default Management Group, following consultation with the CDS Default Management Group.

In the event of receiving such request, the Defaulting Clearing Member and/or the Clearing Member, as appropriate, will be obliged to provide its CDS Default Management Committee representative, or an alternate with appropriate skills, experience and expertise as if that representative were a member of the CDS Default Management Committee, to participate in the CDS Default Management Group. The CDS Default Management Committee shall be able to request a substitute where it believes the Defaulting Clearing Member and/or the Clearing Member’s nominated representative, as appropriate, does not have the requisite skills or expertise.

10.3 Organisation

10.3.1 Clearing Member undertakings

Each Clearing Member who makes available a DMG Member agrees, and shall procure that to, the extent applicable, its DMG Member agrees:

- (i) to ensure that its DMG Member will be fully available, at any time and for such periods of time as LCH.Clearnet SA may require during the course of an Event of Default, to perform his function as a member of the CDS Default Management Group including attending meetings, considering and advising LCH.Clearnet SA upon aspects of the CDS Default Management Process. The Clearing Member shall ensure that its DMG Member’s other work commitments do not affect his availability for this purpose;

- (ii) to take all steps to respect the confidential capacity in which such a representative receives information through the CDS Default Management Group and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the CDS Default Management Process of any such confidential information by the Clearing Member or its DMG Member. Such procedures shall normally include, without limitation, the establishment of Information Barriers within the Clearing Member; and
- (iii) to be bound by and to ensure that it and any of its executives, directors or employees serving on the CDS Default Management Group complies with the attached Annex covering confidentiality, non-disclosure and other terms.

11 Participation in the CDS Default Management Committee and CDS Default Management Group

11.1 No liability

Each Clearing Member shall accept that representatives of Clearing Members serving on the CDS Default Management Committee and DMG Members are doing so in order to assist LCH.Clearnet SA in ensuring the on-going integrity of the CDS Clearing Service in the interests of Non-Defaulting Clearing Members, and that those representatives/DMG Members or their employers, shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the CDS Default Management Process.

11.2 LCH.Clearnet SA's Actions

LCH.Clearnet SA agrees that, in exercising its rights and obligations in consulting with the CDS Default Management Committee or the CDS Default Management Group, as the case may be, pursuant to this CDS Default Management Process, it will use all reasonable commercial endeavours to agree a common position with the CDS Default Management Committee or the CDS Default Management Group, as appropriate, provided that nothing in this Clause 11.2 shall prevent LCH.Clearnet SA acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing obligations as a clearing house under the supervision of its Competent Authorities.

12 Subsistence of the CDS Default Management Process

12.1 Applications for membership

Every Applicant shall be required to execute the CDS Admission Agreement, a condition of which shall be an undertaking to adhere to this CDS Default Management Process, failing which an application for membership shall not be approved by LCH.Clearnet SA.

12.2 Condition of Continuing Membership

Each Clearing Member shall be required to participate in the CDS Default Management Process as a condition of continuing membership of the CDS Clearing Service.

12.3 Automatic Termination

Save with regard to the provisions of Clause 12.4, the CDS Default Management Process shall cease to bind a Clearing Member immediately upon Membership Termination.

12.4 Survival

Membership Termination shall not affect any accrued rights or liabilities of either LCH.Clearnet SA or the Clearing Member nor shall it affect the coming into force or the continuance in force of any provision of the CDS Default Management Process which is expressly or by implication intended to come into or continue in force on or after that termination, including without limitation the provisions of Clauses 2.3, 10.2, 10.3, 12 and 13.

13 Liability of LCH.Clearnet SA

The liability of LCH.Clearnet SA to Clearing Members shall be as detailed in Section 1.2.10.

14 Governing Law

The CDS Default Management Process shall be governed by and construed in accordance with the laws of France.

Annex
**Confidentiality, non-disclosure and participation in the CDS Default
Management Group**

General obligations of the Clearing Member

1 Confidentiality

- 1.1 The Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of the CDS Default Management Process in respect thereof and, subject to paragraph 1.3, will not disclose it to any person without the prior written permission of the managing director of the LCH.Clearnet SA risk management department, providing always that the Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:
 - 1.1.1 it comes into the public domain other than through a breach by the Clearing Member of the CDS Default Management Process; or
 - 1.1.2 the Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the Clearing Member.
- 1.2 The Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with the CDS Default Management Process might result in the gaining of an unfair commercial advantage by the Clearing Member over other Clearing Members.
- 1.3 Subject to paragraph 1.5, the Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only), provided that the Clearing Member notifies the vice-chairman of the CDS Default Management Committee prior to such disclosure.
- 1.4 The Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Information Barriers) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.
- 1.5 This paragraph and the duties hereunder shall survive the termination of the CDS Default Management Process and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the Clearing Member, without prejudice to confidentiality obligations under any Applicable Law which would prevent the Clearing Member from disclosing

or using any Confidential Material otherwise than pursuant to and in accordance with paragraphs 1.1 to 1.4 above.

2 Secrecy

2.1 Except in accordance with the terms of this Annex, the Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

2.1.1 Confidential Material;

2.1.2 the fact that it has received any Confidential Material;

2.1.3 the existence of any discussions or negotiations between the parties in this matter.

2.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the foregoing. Subject only to the Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 1.1.1 and 1.1.2.

2.2 LCH.Clearnet SA undertakes to ensure that the Clearing Member is fully apprised of information on the CDS Default Management Process that it makes public and which is accordingly of relevance to the Clearing Member's obligations.

3 Property

The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the Clearing Member or any Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the Clearing Member or any Clearing Member unless expressly so agreed by LCH.Clearnet SA in writing.

4 Return of Confidential Material

Upon request by LCH.Clearnet SA, and in any event upon fulfilment of the Permitted Purpose, the Clearing Member shall promptly return to LCH.Clearnet SA by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to LCH.Clearnet SA in writing that it has done so provided that the Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

5 No Representations or Warranties; No Conflict of Interest

5.1 Subject to references made in paragraph 6, the Confidential Material is disclosed by LCH.Clearnet SA without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

5.2 LCH.Clearnet SA acknowledges and agrees that, subject to compliance with the terms of this Annex by the Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Annex, the Clearing Member's participation in the CDS Default Management

Process shall not prevent the Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, LCH.Clearnet SA agrees that it shall not be able to assert that the Clearing Member has a conflict of interest in doing so nor shall LCH.Clearnet SA have a claim or action in respect of the foregoing against the Clearing Member or any of its directors, employees or other representatives.

6 Remedies

Without affecting any other rights or remedies that LCH.Clearnet SA may have, the Clearing Member acknowledges that LCH.Clearnet SA may be irreparably harmed by any breach of the terms of the CDS Default Management Process and that damages alone may not necessarily be an adequate remedy. Accordingly, LCH.Clearnet SA will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce the CDS Default Management Process.

General Terms of Participation in the CDS Default Management Group

7 Conflict of interest

The Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the CDS Default Management Group, he shall promptly report his view to the Chairman of the CDS Default Management Group, who shall act accordingly, taking the advice of other DMG Members as appropriate.

8 Confidentiality

- 8.1 Subject to paragraph 8.3 below, the Clearing Member shall procure that the DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a DMG Member (including, for the avoidance of doubt, the Clearing Member who recommended his appointment to the CDS Default Management Group or his employer (if different) or any other employee, adviser, officer or fellow worker of that Clearing Member or his employer) without the prior written permission of the managing director of LCH.Clearnet SA's risk management department or his properly authorised delegate, providing always that the DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 1.1.1 and 1.1.2.
- 8.2 Subject to paragraph 8.3 below, the Clearing Member shall procure that the DMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a DMG Member.
- 8.3 The parties acknowledge that, where LCH.Clearnet SA has declared an Event of Default in accordance with Article 4.3.1.2, the DMG Member may be required by a Clearing Member and/or his employer (if different) to provide certain services to LCH.Clearnet SA in the management of the default. In such event, and only in such event, the parties acknowledge that the DMG Member shall be entitled to disclose

any part or parts of the Confidential Material as may be agreed by LCH.Clearnet SA, in such manner and form and in accordance with such procedures as may be prescribed by LCH.Clearnet SA and/or the CDS Default Management Group with regard to the management of that default.

- 8.4 Upon request by LCH.Clearnet SA, and in any event upon termination of the membership of the DMG Member of the CDS Default Management Group, the Clearing Member shall procure that the DMG Member shall promptly return to LCH.Clearnet SA by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to LCH.Clearnet SA in writing that it has done so, provided that the DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

9 Warranty and representation

The Clearing Member represents and warrants that it will procure that:

- 9.1 the Clearing Member and the DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of the CDS Default Management Process; and
- 9.2 nothing in the CDS Default Management Process will cause the DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Clearing Member or to his employer, if different, or any other contract counterparty of the DMG Member.