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LCH.Clearnet SA
FCM CDS Clearing Rule Book
[•] 2012

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TITLE I

GENERAL PROVISIONS

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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 FCM Original Transactions in accordance with the FCM 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 FCM Procedures, any person with a legitimate interest can obtain information on LCH.Clearnet SA, the CDS Clearing Service and the FCM CDS Clearing Documentation upon request.

Article 1.0.1.3

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

Article 1.0.1.4

LCH.Clearnet SA provides access to the CDS Clearing Service to both FCM Clearing Members and ECM Clearing Members.

Save where expressly stated to the contrary in the Clearing Documentation, the FCM CDS Clearing Documentation exclusively governs the clearing of CDS by FCM Clearing Members on a proprietary basis or on behalf of FCM Client(s) and/or Affiliate(s) through LCH.Clearnet SA and the ECM CDS Clearing Documentation exclusively governs the clearing of CDS by ECM Clearing Members on a proprietary basis.

CHAPTER 1 - DEFINITIONS AND INTERPRETATION

Section 1.1.1 Terms defined in this FCM CDS Clearing Rule Book

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

Account Assets: All Eligible Collateral and Cash Collateral deposited by an FCM Clearing Member and recorded in its Client Financial Account on behalf of FCM Clients, as cover for and in respect of the clearing of FCM Cleared Transactions for such FCM Clients.

Account Structure: All accounts registered in the CDS Clearing System in the name of an FCM 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 FCM 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 of this FCM CDS Clearing Rule Book or Article 4.4.3.2 of the ECM CDS Clearing Rule Book as applicable, following an application of the CDS Default Fund.

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

Affiliate: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

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

AMP Participant: Any Person that is: (i) a direct participant in the Approved Matching Provider; (ii) authorised to enter into FCM Original Transactions on its own behalf and (iii) a TIW Participant authorised to submit FCM Original Transactions to DTCC with a designation for clearing by LCH.Clearnet SA. Depending upon the context, an FCM Clearing Member or an FCM Client may be an AMP Participant.

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 an FCM Clearing Member.

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

- (i) LCH.Clearnet SA has entered into an agreement regarding the submission of FCM 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.¹

Auction Settlement Amount: In respect of any FCM Cleared Transaction, as defined under the terms of such FCM 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: Adjusted net capital, as defined in CFTC Regulation 1.17.

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

Carrying FCM Clearing Member: An FCM Clearing Member that has FCM Cleared Transactions attributable to a particular FCM Client registered in the relevant Client Trade Account and who may, pursuant to TITLE III, Chapter 4 of this FCM CDS Clearing Rule Book [and Section [5] of the FCM Procedures], transfer some or all of such FCM Cleared Transactions and the related Account Assets to a Receiving FCM Clearing Member.

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

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

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

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

CDS: A credit default swap transaction.

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

CDS Clearing Service: The service provided by LCH.Clearnet SA in respect of clearing CDS in accordance with the ECM CDS Clearing Documentation or the FCM CDS Clearing Documentation, as the context requires.

¹ **Note to CFTC:** It may have to be expanded in the future to cover SEFs. See the Implementation Plan.

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 FCM Cleared Transaction.

CDS Default Fund: The default fund established and maintained pursuant to TITLE IV, Chapter 4 of this FCM CDS Clearing Rule Book and TITLE IV, Chapter 4 of the ECM CDS Clearing Rule Book, as applicable, for Cleared Transactions.

CDS Default Fund Amount: The amount of the CDS Default Fund as required pursuant to Article 4.4.1.2 of this FCM CDS Clearing Rule Book and Article 4.4.1.2 of the ECM CDS Clearing Rule Book.

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 of this FCM CDS Clearing Rule Book and Article 4.4.1.3 of the ECM CDS Clearing Rule Book, as applicable.

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 the ECM CDS Clearing Rule Book or the FCM CDS Clearing Rule Book, as applicable; or
- (ii) a Clearing Member makes a notification to LCH.Clearnet SA pursuant to Article 9 of the ECM CDS Clearing Supplement or Article [9] of the FCM CDS Clearing Supplement, as the case may be, 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.

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 FCM CDS Clearing Supplement.

CEA: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

CFTC: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

CFTC Regulations: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

Cleared Transaction: Either an FCM Cleared Transaction or an ECM Cleared Transaction.

Clearing Agreement: The agreement to be entered into between an FCM Clearing Member and an FCM Client or Affiliate in accordance with Article 2.3.1.2 below.

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

Clearing Documentation: The ECM CDS Clearing Rule Book, the ECM CDS Clearing Supplement, the ECM Procedures, the FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations, the FCM CDS Clearing Supplement, the FCM Procedures, the CDS Dispute Resolution Protocol, the CDS Default Management Process and the Clearing Notices.

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

Clearing Member: Either an ECM Clearing Member or an FCM Clearing Member.

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 Clearing Documentation;
- (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) of the ECM CDS Clearing Rule Book or Article 1.2.11.2(ii) and Article 1.2.11.2(vi) of this FCM CDS Clearing Rule Book, as applicable;
- (iii) notifies all Clearing Members of an LCH Default in accordance with Article 1.3.1.3 of this FCM CDS Clearing Rule Book and Article 1.3.1.3 of the ECM CDS Clearing Rule Book, as applicable;
- (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 4.3.1.4 of this FCM CDS Clearing Rule Book or Article 4.3.1.3 of the ECM CDS Clearing Rule Book, as applicable; or
- (vi) such other Clearing Notices as may be required or contemplated by the Clearing Documentation.

Clearing Submission Day: The Clearing Day on which an FCM Original Transaction is submitted (or deemed submitted) for clearing pursuant to Article 3.1.1.5.

Client Financial Account: A Financial Account opened in the books of LCH.Clearnet SA to record Collateral provided by an FCM Clearing Member to satisfy its Client Margin Requirement.

Client Margin Account: A Margin Account opened separately in respect of each FCM Client, to which FCM Cleared Transactions registered with respect to such FCM Client in the Client Trade Account corresponding to it are allocated and netted and corresponding Open Positions are registered in order to calculate the Client Margin Requirement and Client Variation Margin Requirement of the relevant FCM Clearing Member.

Client Margin Requirement: The aggregate of the Margin components set out in Section 2 of the FCM Procedures other than Variation Margin, calculated by LCH.Clearnet SA on a gross basis for an FCM Clearing Member on the basis of the Open Positions of each individual Client Margin Account(s).

Client Trade Account: A Trade Account opened separately in respect of each FCM Client in the books of LCH.Clearnet SA to register FCM Cleared Transactions cleared by an FCM Clearing Member on behalf of such FCM Client.

Client Variation Margin Requirement: The amount of Variation Margin calculated by LCH.Clearnet SA on a gross basis for an FCM Clearing Member on the basis of the Open Positions of each individual Client Margin Account(s).

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 an FCM Clearing Member to fulfil some of its cash payment obligations under the FCM 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 CFTC, 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 FCM Procedures.

Contribution: With respect to each Clearing Member, an amount calculated by LCH.Clearnet SA in accordance with Article 4.4.1.3 of this FCM CDS Clearing Rule Book or Article 4.4.1.3 of the ECM CDS Clearing Rule Book, as applicable, 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 FCM Procedures and Section 3 of the ECM Procedures, as applicable) 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 FCM Cleared Transaction, as defined under the terms of such FCM 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 FCM Procedures.

Credit Event Notice: In respect of any FCM Cleared Transaction, as defined under the terms of such FCM 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 FCM Cleared Transaction.

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.

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.

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

DF Financial Account: A Financial Account opened in the books of LCH.Clearnet SA to record Collateral provided by an FCM Clearing Member to satisfy its Contribution Requirement.

Disciplinary Proceedings: Proceedings established pursuant to Section 8 of the FCM Procedures, under which LCH.Clearnet SA shall investigate and, where it considers appropriate, take action following any breaches or alleged breaches of the FCM CDS Clearing Documentation.²

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.

Early Termination Trigger Date: The date specified in Clause 7.1 of the CDS Default Management Process.

² **Note to CFTC:** Pursuant to CFTC Rule 39.1(c)(4)(xi), we understand that a DCO's rule enforcement activities and possible sanctions that could be imposed against FCM Clearing Members must be notified to the CFTC within 2 Business Days. This should be addressed in Section 8 of the FCM Procedures (*Disciplinary Proceedings*).

ECM CDS Clearing Documentation: The "CDS Clearing Documentation" as defined in the ECM CDS Clearing Rule Book.

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

ECM CDS Clearing Supplement: The "CDS Clearing Supplement" as defined in the ECM CDS Clearing Rule Book.

ECM Cleared Transaction: A "Cleared Transaction" as defined in the ECM CDS Clearing Rule Book.

ECM Clearing Member: Any legal entity who is designated as a clearing member by LCH.Clearnet SA in accordance with the ECM CDS Clearing Rule Book, and who is not an FCM Clearing Member.

ECM 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 ECM CDS Clearing Rule Book and the ECM CDS Clearing Supplement, or the procedures for application for and regulation of membership of LCH.Clearnet SA as an ECM Clearing Member, as amended from time to time.

EEA: The European Economic Area.

Eligibility Requirements: The requirements described in Section 4 of the FCM Procedures with which FCM 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 Regulation [3] of the FCM CDS Clearing Regulations and Section 3 of the FCM Procedures as being acceptable by LCH.Clearnet SA for the purposes of satisfying an FCM Clearing Member's Margin Requirement.

Eligible Currency: Cash in such currencies as are set out in Section 3 of the FCM 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 of this FCM CDS Clearing Rule Book or Article 4.3.1.1 of the ECM CDS Clearing Rule Book, as applicable, 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 of this FCM CDS Clearing Rule Book or Article 4.3.1.1 and Article 4.3.1.2 of the ECM CDS Clearing Rule Book, as applicable, should constitute an event of default and in respect of which a Default Notice is issued.

Executing Party: Any party to an FCM Original Transaction with respect to which at least one party to such transaction applies to have its Trade Leg registered with LCH.Clearnet SA (through

its FCM Clearing Member or on its own behalf as an FCM Clearing Member, as applicable) as an FCM Cleared Transaction, and the other party to such transaction applies to have its Trade Leg registered with LCH.Clearnet SA either as an FCM Cleared Transaction (through its FCM Clearing Member or on its own behalf as an FCM Clearing Member, as applicable) or as an ECM Cleared Transaction (through its ECM Clearing Member or on its own behalf as an ECM Clearing Member, as applicable), as the case may be.

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

Extraordinary Margin Limit: In respect of any FCM Clearing Member, an amount equal to the FCM Clearing Member's Uncovered Risk minus the FCM 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 FCM 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 ECM CDS Clearing Documentation or the FCM 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 FCM CDS Clearing Supplement.

FCM: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

FCM 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 an FCM Clearing Member.

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

FCM CDS Clearing Documentation: The FCM CDS Admission Agreement, the FCM CDS Clearing Rules, the FCM CDS Clearing Regulations, the FCM 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.

FCM CDS Clearing End-User Notice: The “FCM CDS Clearing End-User Notice” as specified by LCH.Clearnet SA from time to time and as published by LCH.Clearnet SA on its Website or otherwise.

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

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

FCM CDS Clearing Services: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

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

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

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

FCM Cleared Swaps Client Segregated Depository Account: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

FCM Cleared Transaction: A CDS between LCH.Clearnet SA and an FCM Clearing Member as agent on behalf of an FCM Client, registered in the relevant Client Trade Account of such FCM Clearing Member, or as principal for its own account or on behalf of an Affiliate, registered in the House Trade Account of such FCM Clearing Member, and resulting from:

- (i) the novation of an FCM Original Transaction;
- (ii) the creation of a Restructuring Cleared Transaction or a Physically Settled Cleared Transaction (where applicable) pursuant to the FCM CDS Clearing Supplement;
- (iii) the compression of existing FCM Cleared Transactions to a single FCM Cleared Transaction pursuant to TITLE III, Chapter 3;
- (iv) LCH.Clearnet SA entering into hedging transactions with an FCM Clearing Member pursuant to the CDS Default Management Process;
- (v) the transfer of FCM Cleared Transactions or Porting FCM Cleared Transactions in accordance with Section 3.4.1;
- (vi) the Porting of FCM Cleared Transactions in accordance with the CDS Default Management Process; or
- (vii) LCH.Clearnet SA and a Backup Clearing Member entering into a new contract on equivalent terms to a terminated FCM Cleared Transaction as part of Porting pursuant to the CDS Default Management Process.

FCM Cleared Transaction Portfolio Report: The report issued by LCH.Clearnet SA setting out the FCM 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.

FCM Clearing Member: An FCM who is: (i) admitted as an FCM clearing member in accordance with the FCM CDS Clearing Rules; (ii) a party to the FCM CDS Admission Agreement; and (iii) authorised to clear FCM Original Transactions on behalf of one or more FCM Client(s), Affiliate(s) and/or for their own account.

FCM Clearing Member Termination Date: The date on which Membership Termination in respect of an FCM Clearing Member becomes effective in accordance with Article 2.5.2.1 or Article 2.5.2.2.

FCM Client: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

FCM Client Business: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

FCM Original Transaction: A CDS originally entered into between Executing Parties, which is novated to LCH.Clearnet SA for purposes of having at least one Trade Leg registered with LCH.Clearnet SA as an FCM Cleared Transaction, and the other Trade Leg registered with LCH.Clearnet SA as either an FCM Cleared Transaction or an ECM Cleared Transaction, 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.

FCM 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 this FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations and the FCM CDS Clearing Supplement, or the procedures for application for and regulation of membership of LCH.Clearnet SA as an FCM Clearing Member, as amended from time to time.

Final Settlement Notice: The notice delivered by LCH.Clearnet SA to a Defaulting FCM Clearing Member pursuant to Article 4.3.3.5.

Financial Account: With respect to an FCM Clearing Member, its DF Financial Account, its Client Financial Account and/or its House Financial Account, as the context so requires, opened in the books of LCH.Clearnet SA to record Collateral provided by an FCM Clearing Member for reporting purposes only.

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 Clearing Documentation and, in relation to any obligation under the ECM CDS Clearing Supplement or the FCM CDS Clearing Supplement, as applicable, 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 ECM CDS Clearing Supplement or the FCM CDS Clearing Supplement, as applicable), CLS and TARGET2 and Illegality.

Former FCM Clearing Member: A Person who was an FCM 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 Parent of an FCM Clearing Member who has issued an unconditional direct first-demand guarantee in favour of LCH.Clearnet SA pursuant to Article 2.2.2.2.

House Financial Account: A Financial Account opened in the books of LCH.Clearnet SA to record Collateral provided by an FCM Clearing Member to satisfy its House Margin Requirement. For the purpose of the FCM CDS Clearing Regulations, the House Financial Account shall be a Proprietary Account.

House Margin Account: A Margin Account to which FCM Cleared Transactions registered in the House Trade Account are allocated and netted and corresponding Open Positions are registered in order to calculate the House Margin Requirement and House Variation Margin Requirement of the relevant FCM Clearing Member.

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

House Trade Account: A Trade Account opened in the books of LCH.Clearnet SA to register FCM Cleared Transactions cleared by an FCM Clearing Member for its own account or on behalf of its Affiliate(s). For the purpose of the FCM CDS Clearing Regulations, the House Trade Account shall be a Proprietary Account.

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

Illegality: After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the ECM CDS Clearing Supplement or the FCM CDS Clearing Supplement, as applicable, 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 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 Clearing Documentation relating to such Cleared Transaction.

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

Index Cleared Transaction Confirmation: This term shall have the meaning set out in the FCM 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 FCM Procedures.

Initial Margin Floor: An amount, representing the minimum level of Initial Margin, calculated in accordance with Section 2 of the FCM Procedures by LCH.Clearnet SA, payable by FCM Clearing Members in respect of FCM Cleared Transactions and notified to FCM 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 FCM 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 an FCM 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 FCM 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 FCM CDS Clearing Supplement.

iTraxx® Europe Indices: Each of the series and versions of indices set out in Section 4 of the FCM 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 FCM 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 as provided in Article 1.2.5.3.

LCH Default Payment Date: The day 27 Clearing Days after the Termination Date, unless otherwise set out in accordance with Article 1.3.1.11 or amended by LCH.Clearnet SA pursuant to Article 1.3.1.12.

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 as provided in Article 1.2.5.3 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 an FCM Clearing Member in accordance with the terms of this FCM CDS Clearing Rule Book and the FCM Procedures.

Margin Account: With respect to an FCM Clearing Member, its House Margin Account and/or each of its Client Margin Account(s), as the context so requires, opened by LCH.Clearnet SA in the name of such FCM Clearing Member in the CDS Clearing System for risk management purposes.

Margin Balance: (i) With respect to a House Margin Account, the aggregate value of Collateral deposited by an FCM Clearing Member with LCH.Clearnet SA to satisfy its House Margin Requirement with respect to such House Margin Account, and (ii) with respect to its Client Margin Account(s), the aggregate value of Collateral deposited by an FCM Clearing Member with LCH.Clearnet SA to satisfy its Client Margin Requirement with respect to all such Client Margin Account(s).

Margin Call Report: This term has the meaning in Article 3.1.1.7 and, where relevant, Article 3.1.2.4 or Article 3.1.2.11.

Margin Excess: (i) With respect to a House Margin Account, the amount by which the Margin Balance exceeds the House Margin Requirement, if any, with respect to such House Margin Account, and (ii) with respect to its Client Margin Account(s), the amount by which the Margin Balance exceeds the Client Margin Requirement, if any, with respect to all such Client Margin Account(s).

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

Margin Requirement: With respect to an FCM Clearing Member, its House Margin Requirement and/or its Client Margin Requirement, as the context so requires.

Margin Shortfall: (i) With respect to a House Margin Account, the amount by which an FCM Clearing Member's House Margin Requirement exceeds the Margin Balance, if any, with respect to such House Margin Account, and (ii) with respect to its Client Margin Account(s), the amount by

which an FCM Clearing Member's Client Margin Requirement exceeds the Margin Balance, if any, with respect to all such Client Margin Account(s).

Matched Buyer: This term shall have the meaning set out in the FCM CDS Clearing Supplement or the ECM CDS Clearing Supplement, as applicable.

Matched Pair: This term shall have the meaning set out in the FCM CDS Clearing Supplement or the ECM CDS Clearing Supplement, as applicable.

Matched Seller: This term shall have the meaning set out in the FCM CDS Clearing Supplement or the ECM CDS Clearing Supplement, as applicable.

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

Membership Termination: The effective termination of an FCM Clearing Member's membership of the CDS Clearing System and, subject to Article 2.5.2.4, the extinguishment of its liabilities and obligations to LCH.Clearnet SA in respect of FCM Cleared Transactions.

Membership Termination Notice: A notice served by either LCH.Clearnet SA in accordance with Article 2.5.2.2(i) or an FCM Clearing Member in accordance with Article 2.5.2.2(ii).

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

MiFID: Directive 2004/39/EC.

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

NFA: The U.S. National Futures Association and any successor organisation.

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

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

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

Non-Default Unwind: In relation to an FCM Clearing Member, the process by which the FCM Clearing Member unwinds its FCM Cleared Transactions, through a transfer of FCM Cleared Transactions to another FCM Clearing Member or a liquidation, compression or other form of close-out of its FCM Cleared Transactions. A closing out of FCM Cleared Transactions on the termination of an FCM 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 FCM Clearing Member.

Notional Amount: This term shall have the meaning set out in the FCM 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 of this FCM CDS Clearing Rule Book or Article 3.1.2.3 or Article 3.1.2.12 as the case may be of the ECM CDS Clearing Rule Book, as applicable.

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 of this FCM CDS Clearing Rule Book and Article 3.1.2.4, Article 3.1.2.7 and Article 3.1.2.10 of the ECM CDS Clearing Rule Book, as applicable, 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 Clearing Documentation, as initially set out in either the ECM CDS Admission Agreement or the FCM CDS Admission Agreement, as applicable, 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 FCM Cleared Transactions in accordance with Article 3.2.2.3.

Original Transactions: Either an FCM Original Transaction, or an ECM Original Transaction being a CDS originally entered into between AMP Participants and novated to LCH.Clearnet SA to become two ECM Cleared Transactions in accordance with the terms of the ECM CDS Clearing Rule Book.

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 a Clearing Member 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 of the ECM CDS Clearing Rule Book or Article 4.2.1.2 of this FCM CDS Clearing Rule Book, as applicable);
- (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 FCM Cleared Transaction, as defined under the terms of such FCM Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

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

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

Porting FCM Cleared Transactions: This term shall have the meaning set out in Section 3.4.1.

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 of this FCM CDS Clearing Rule Book or Article 3.1.2.2 of the ECM CDS Clearing Rule Book, as applicable.

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 FCM Procedures.

Proprietary Account: This term shall have the meaning set out in the FCM CDS Clearing Regulations.

Recalculated Margin Time: 11:55 or 12:55, as notified to FCM Clearing Members in the Margin Call Report in accordance with Article 3.1.2.4 or such other time as is notified to FCM 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 an FCM Clearing Member's recalculated Margin Requirement (or an ECM Clearing Member's recalculated Margin Requirement as such term is defined in the ECM CDS Clearing Rule Book) is met by 11:55, or 13:10 where an FCM Clearing Member's recalculated Margin Requirement (or an ECM Clearing Member's recalculated Margin Requirement as such term is defined in the ECM CDS Clearing Rule Book) is met by 12:55 or such other time as set out in Article 3.1.2.12.

Receiving FCM Clearing Member: An FCM Clearing Member receiving the transfer of part or all of the FCM Cleared Transactions attributable to a particular FCM Client and the related Account Assets from a Carrying FCM Clearing Member, pursuant to TITLE III, Chapter 4 of this FCM CDS Clearing Rule Book [and in accordance with Section [5] of the FCM Procedures].

Redeliverable Collateral: Collateral transferred by an FCM Clearing Member to LCH.Clearnet SA other than on a full title transfer basis, and "Redeliverable Eligible Collateral" as defined in the ECM CDS Clearing Rule Book.

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 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 an FCM 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 FCM Clearing Member, including without limitation any director, partner and/or any duly authorised officer, executive, employee, agent, FCM Client or Affiliate.

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

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

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

Restructuring Matched Pair: This term has the meaning set out in the FCM 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 advice 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 FCM CDS Clearing Documentation and/or the ECM CDS Clearing Documentation, as the context so requires.

Rules Proposal: A consultation document issued by LCH.Clearnet SA detailing any proposal for a change in the provisions of the FCM CDS Clearing Documentation and/or the ECM CDS Clearing Documentation, as the context so requires.

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

Settlement Finality Directive: Directive 98/26/EEC.

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

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

Short Charge Margin: The amount calculated by LCH.Clearnet SA in accordance with Section 2 of the FCM 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, an FCM 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 an FCM Clearing Member;
- (iii) any provision, whether relating to the CDS Default Management Process or other provisions of the FCM CDS Clearing Documentation, which purports to introduce the creation of, or closing out and valuation of, FCM 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 an FCM Clearing Member is required to take on additional risk at a price or on terms other than as agreed by the FCM 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 FCM Procedures, which govern the size of the CDS Default Fund; and
- (vii) the rights of the FCM 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 an FCM Clearing Member, including hardware and software that is operated and maintained by or on behalf of an FCM Clearing Member to clear FCM 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 an FCM Clearing Member can use to fulfil some or all of its payment or Margin obligations towards LCH.Clearnet SA in accordance with the FCM CDS Clearing Documentation³.

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

³ **Note to CFTC:** Account infrastructure for payment of Margins to be developed and confirmed, as noted in the Implementation Plan. References to TARGET2 for payment of Margins could be impacted.

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 registered in the name of a Clearing Member will be terminated and liquidated in accordance with Article 1.3.1.3 to Article 1.3.1.13 of this FCM CDS Clearing Rule Book or Article 1.3.1.3 to Article 1.3.1.12 of the ECM CDS Clearing Rule Book, as applicable.

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 FCM Original Transactions and FCM Cleared Transactions).

Total Initial Margin: The sum of:

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

Trade Account: With respect to an FCM Clearing Member, its House Trade Account and/or its Client Trade Account(s), as the context so requires.

Trade Leg: In respect of an FCM Original Transaction, all the obligations of an Executing Party which is (i) an FCM Client, (ii) an Affiliate, (iii) an FCM Clearing Member, (iv) an ECM Clearing Member, or (v) none of the parties set out in (i) to (iv), as the case may be.

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

Uncovered Risk: The risk associated with all of the Open Positions that are registered in an FCM Clearing Member's Margin Account(s), 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 FCM Clearing Member in respect of such FCM Clearing Member's House Margin Account on the one hand, and all of its Client Margin Accounts on the other hand.

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

Variation Margin Requirement: With respect to an FCM Clearing Member, the House Variation Margin Requirement and/or the Client Variation Margin Requirement as the context so requires.

Website: www.lchclearnet.com.

Section 1.1.2 Incorporation of defined terms

Article 1.1.2.1

The capitalised terms listed in this FCM CDS Clearing Rule Book as having the meaning set out in the FCM CDS Clearing Regulations, the FCM 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 FCM CDS Clearing Regulations, the FCM 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 FCM CDS Clearing Documentation and not otherwise defined in this FCM 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 FCM 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 FCM 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 FCM CDS Clearing Documentation to a TITLE, Chapter, Section or Article, such reference is to a TITLE, Chapter, Section or Article of this FCM CDS Clearing Rule Book unless otherwise indicated. Appendices to this FCM CDS Clearing Rule Book form part of this FCM CDS Clearing Rule Book.

Article 1.1.3.4

Chapter or Section headings in the FCM 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 FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations and the FCM CDS Clearing Supplement shall be implemented and supplemented by FCM Procedures and interpreted by reference to Clearing Notices. The FCM Procedures shall take effect and shall be binding on FCM Clearing Members as if they formed part of this FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations or the FCM 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 FCM 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, FCM Client or Affiliate, between the Clearing Members themselves or between an FCM Clearing Member and its FCM Clients or Affiliates.

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 the CDS Default Management Process;
- (ii) the FCM CDS Clearing Rule Book;
- (iii) the FCM CDS Clearing Regulations;
- (iv) the FCM CDS Admission Agreement;
- (v) the FCM CDS Clearing Supplement;
- (vi) an Index Cleared Transaction Confirmation or Restructuring Cleared Transaction Confirmation (as applicable);
- (vii) the FCM Procedures; or
- (ix) any Clearing Notices,

the first referenced document shall prevail, except with respect to any conflict arising from the FCM CDS Clearing Rule Book being governed by French law and the FCM 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 FCM Cleared Transactions, in respect of which the FCM 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 FCM CDS Clearing Documentation sets out the principles and general conditions governing the organisation and operation of the CDS Clearing Service provided to FCM Clearing Members.

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 FCM 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 FCM CDS Clearing Documentation shall be binding on all FCM Clearing Members in relation to the CDS Clearing Service provided to them, and FCM Clearing Members shall at all times comply with the requirements set out in the FCM 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 FCM 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 FCM 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 FCM Clearing Members providing at least 14 days for FCM 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 FCM 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 FCM 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 FCM 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; or
 - 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 FCM 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 an FCM 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 an FCM 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 FCM CDS Clearing Documentation that would alter the terms, including, but not limited to, the payment or delivery obligations, of an FCM 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 FCM Cleared Transactions referencing such index or Restructuring Cleared Transactions, as the case may be; or
- (ii) with respect to future FCM 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 FCM CDS Clearing Supplement and the FCM 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 FCM 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 FCM Cleared Transaction or Restructuring Cleared Transaction, as the case may be.

Without prejudice to its right to make other changes to the FCM 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 FCM Cleared Transaction that is or purports to be binding on FCM 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 FCM 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 and Affiliates and FCM Clients to whom FCM Clearing Members provide FCM CDS Clearing Services (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 of this FCM CDS Clearing Rule Book or Article 4.4.1.5 and Article 4.4.1.6 of the ECM CDS Clearing Rule Book, as applicable, 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 FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations, the FCM CDS Clearing Supplement or the FCM 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 FCM CDS Clearing Rules or any FCM Cleared Transaction. For the avoidance of doubt, Clearing Notices shall not be notices contemplated by or to be given under the terms of FCM Cleared Transactions pursuant to the FCM 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 FCM 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 this FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations, the FCM CDS Clearing Supplement and/or the FCM 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 of this FCM CDS Clearing Rule Book and Article 4.4.1.5 and Article 4.4.1.6 of the ECM CDS Clearing Rule Book, agree to adhere, with such modification to be applicable to all existing or future FCM Cleared Transactions of the relevant CDS Type as set forth in such protocol or multilateral agreement process or resolution.

Article 1.2.2.12

Notwithstanding any provision of this Section 1.2.2, LCH.Clearnet SA shall ensure that:

- (i) no modification shall be made to (or in accordance with) the following provisions of this FCM CDS Clearing Rule Book or the FCM CDS Clearing Supplement, in accordance with this Section 1.2.2, unless the same modifications (or equivalent modifications with differences strictly limited to account for the specificities of the ECM CDS Clearing Documentation) are made to (or in accordance with) the equivalent provisions of the ECM CDS Clearing Rule Book and/or the ECM CDS Clearing Supplement, as applicable, in accordance with its terms:
- any of the provisions listed in the definition of Specific Matter
 - Article 1.2.2.11;
 - TITLE II, Chapter 5;
 - TITLE III, Chapter 1; and
 - TITLE IV, Chapters 3 and 4,

- save in circumstances where LCH.Clearnet SA: (i) acting reasonably and in consultation with the Risk Committee, believes that it is necessary and appropriate for the provision of the CDS Clearing Service to FCM Clearing Members that a modification to these provisions of this FCM CDS Clearing Rule Book or the FCM CDS Clearing Supplement should be made without making the same or equivalent modifications to the equivalent provisions of the ECM CDS Clearing Rule Book and/or the ECM CDS Clearing Supplement; or (ii) is obliged to modify the provisions of the FCM CDS Clearing Rule Book or the FCM CDS Clearing Supplement to ensure compliance with Applicable Law but is prevented from making the same (or equivalent) modifications in the ECM CDS Clearing Rule Book and/or the ECM CDS Clearing Supplement, in which case such modification to the FCM CDS Clearing Rule Book or the FCM CDS Clearing Supplement may be made to the extent that such amendment would not cause LCH.Clearnet SA to be in breach of any other Applicable Law,
- (ii) where a modification is proposed in respect of any provision (other than those listed in subparagraph (i) above), in accordance with this Section 1.2.2, LCH.Clearnet SA will consider whether the ECM CDS Clearing Rule Book or any other Clearing Document needs to be amended to ensure consistency across the Clearing Documentation.

Article 1.2.2.13

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 FCM Cleared Transaction that will be affected by any such proposed modification and any amount that shall be payable to an FCM Clearing Member by LCH.Clearnet SA or from an FCM 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 an FCM Cleared Transaction and any payment due in respect thereof, promptly notify each relevant FCM Clearing Member of the same and the date on which such amount shall be due and payable by LCH.Clearnet SA or the FCM Clearing Member as applicable.

Section 1.2.3 Publication

Article 1.2.3.1

LCH.Clearnet SA shall ensure that the FCM 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 FCM Clearing Members and/or any relevant decisions in relation to the CDS Clearing Service provided by LCH.Clearnet SA to FCM Clearing Members are posted on its Website and notified to FCM Clearing Members individually in accordance with the FCM 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 FCM Clearing Members, LCH.Clearnet SA shall ensure that the relevant FCM 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 FCM Procedures periodically to incorporate guidance issued by way of Clearing Notice in relation to the CDS Clearing Service provided by

LCH.Clearnet SA to FCM Clearing Members, pursuant to Article 1.2.2.8, and shall post such updated FCM Procedures on the Website.

Section 1.2.4 Extension or waiver

Article 1.2.4.1

The time fixed by the FCM CDS Clearing Documentation for the doing of any acts by an FCM 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 FCM 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 FCM 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 FCM CDS Clearing Documentation, LCH.Clearnet SA shall deliver any notice, order or communication which is required to be given to FCM Clearing Members pursuant to the FCM 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 an FCM Clearing Member in the FCM CDS Admission Agreement, as updated from time to time, except that a copy of any Default Notice delivered pursuant to Article 4.3.1.4, Final Settlement Notice delivered pursuant to Article 4.3.3.5 and/or Membership Termination Notice delivered pursuant to Article 2.5.2.2 must additionally be delivered to an FCM Clearing Member by hand, post or courier.

Article 1.2.5.2

FCM 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 FCM CDS Clearing Documentation in writing unless otherwise specified in the FCM 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 FCM CDS Clearing Documentation, any notice provided by LCH.Clearnet SA or an FCM Clearing Member (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 FCM 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, an FCM 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 FCM Clearing Member or an FCM Client or Affiliate or with the authority of the FCM Clearing Member or an FCM Client or Affiliate.

Section 1.2.6 Fees

Article 1.2.6.1

The fees payable by FCM 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 FCM 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 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 FCM Procedures and the ECM 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 of this FCM CDS Clearing Rule Book and Article 1.2.2.2 of the ECM CDS Clearing Rule

Book, 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 FCM Cleared Transaction;
- (ii) for the payment of any amount relating to any early termination in respect of such FCM 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 FCM 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 FCM 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 FCM CDS Clearing Documentation to a time or deadline, it shall be understood to mean Central European Time (CET), unless otherwise stipulated in the FCM CDS Clearing Documentation.

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

Article 1.2.9.1

In accordance with Article 3 of the Settlement Finality Directive, upon novation, FCM 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 as principal to each FCM Clearing Member on the basis of the FCM Cleared Transactions registered in its Account Structure, in accordance with the FCM CDS Clearing Documentation.

Article 1.2.9.2

Where an FCM Clearing Member, in respect of an obligation relating to or in connection with an FCM Cleared Transaction or FCM Original Transaction, is subject to a Payment Failure, LCH.Clearnet SA may (without prejudice to any other rights it may have against the FCM Clearing Member) withhold any payments it would otherwise be obliged to make under the FCM CDS Clearing Documentation to such FCM 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 each FCM Clearing Member with respect to FCM Cleared Transactions and as detailed in the relevant provisions of the FCM CDS Clearing Documentation after novation has occurred include, without limitation:

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

These obligations of LCH.Clearnet SA to each FCM Clearing Member shall be determined after giving effect to netting as set out in Section 2.2.6.

Article 1.2.9.3

FCM Clearing Members are fully liable to LCH.Clearnet SA for the performance of all obligations arising in connection with FCM Cleared Transactions, regardless of whether such FCM Cleared Transactions are cleared for their own account or on behalf of their Affiliates, or as agent and guarantor for their respective FCM Client(s) (as set out in Article 3.1.1.9).

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, an FCM Clearing Member shall be liable for any direct Damage incurred or suffered by LCH.Clearnet SA as a consequence of such FCM Clearing Member's breach of any of its obligations under the FCM CDS Clearing Documentation or the terms of an FCM Cleared Transaction.

Article 1.2.10.2

An FCM 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, in each case, than its FCM Clients and members of its Financial Group, including without limitation its Affiliates).

Article 1.2.10.3

Unless expressly stated otherwise in the FCM CDS Clearing Documentation, LCH.Clearnet SA will under no circumstances be liable for any Damage to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client, Affiliate, third party AMP Participant or Executing Party), including that arising out of or in connection with any of the following:

- (i) in respect of a claim for Damages by an FCM Clearing Member, following a total or partial failure by such FCM Clearing Member to perform or comply with the FCM CDS Clearing Documentation;
- (ii) any act or omission of an FCM 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 an FCM Clearing Member has entered into with a third party in connection with its activities under the FCM CDS Clearing Documentation and/or its FCM Client Business (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) any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to FCM Clearing Members with regard to Eligible Collateral arising from causes beyond the control of LCH.Clearnet SA, including but not limited to the failure (in whole or in part), interruption or suspension of any depository or custodian that LCH.Clearnet SA is using, the termination or suspension of LCH.Clearnet SA's membership or use of any such depository or custodian and/or any variation of any such depository or custodian's operational timetable, whether or not occasioned by action of the depository or custodian operator or other party (provided that any such termination or suspension of LCH.Clearnet SA's membership or use of any such depository or custodian for cause directly and exclusively attributable to LCH.Clearnet SA shall not be deemed as beyond the control of LCH.Clearnet SA);
- (vi) reliance by LCH.Clearnet SA on any data provided to it by an FCM Clearing Member or as may otherwise be provided to it in accordance with this FCM CDS Clearing Rule Book, including the End of Day Contributed Prices;

- (vii) excepting any dispute arising under the CDS Dispute Resolution Protocol which may relate to whether an FCM Original Transaction has been novated pursuant to Section 3.1.1 of this FCM CDS Clearing Rule Book, any dispute arising from or in relation to any FCM Original Transaction, including, but not limited to, any dispute as to the validity or otherwise of the FCM Original Transaction, the terms of the FCM Original Transaction or whether any alleged agreement or arrangement constitutes an FCM Original Transaction;
- (viii) any failure to pre-register, or the improper pre-registration of, Trade Leg(s) in the CDS Clearing System corresponding to an FCM 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;
- (ix) registration of FCM Cleared Transactions in an FCM Clearing Member's Trade Account and/or allocation of such FCM Cleared Transactions in an FCM Clearing Member's Margin Account where it does so on the basis of the Transaction Data with respect to the relevant FCM Original Transaction;
- (x) the quality, fitness for purpose, completeness or accuracy of End of Day Contributed Prices or composite prices/spreads;
- (xi) in respect of a claim for Damages by a Defaulting FCM Clearing Member or its FCM Client(s) or Affiliate(s), any decision by LCH.Clearnet SA to proceed with a liquidation or Porting of its FCM Cleared Transactions or the taking of any other action pursuant to Article 4.3.2.3 or the CDS Default Management Process;
- (xii) the exercise, or failure to exercise, by LCH.Clearnet SA of any discretion or right conferred upon it by the 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;
- (xiii) any statement, representation or warranty by LCH.Clearnet SA or any of its officers or representatives other than as expressly set out in the FCM CDS Clearing Documentation or the FCM CDS Admission Agreement;
- (xiv) any special, indirect or consequential Damage, including loss of custom, profit or revenues;
- (xv) rejection of any application to become an FCM Clearing Member;
- (xvi) 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 FCM Original Transaction details by that Approved Matching Provider to LCH.Clearnet SA;
- (xvii) any error within or corruption of any data sent by an Approved Matching Provider directly or indirectly to LCH.Clearnet SA or to an FCM Clearing Member, FCM Client or Affiliate or any delay in or failure of the transmission of such data to LCH.Clearnet SA;
- (xviii) the registration of an FCM Cleared Transaction on the basis of incorrect or corrupted data sent to it by an Approved Matching Provider;
- (xix) any decision of any ISDA Credit Derivatives Determinations Committee or any failure of any such committee to take any decision;

- (xx) any breach by an FCM Clearing Member of its obligations, under any Applicable Law or otherwise resulting from the FCM CDS Clearing Services, vis-à-vis its FCM Clients, Affiliates or LCH.Clearnet SA (including, without limitation, any breach of its obligations under the FCM CDS Clearing Regulations regarding segregation or any agreement or arrangement to which it is a party);
- (xxi) any action or inaction on the part of any FCM Clearing Member or third party which would prevent, impair, limit, restrict or delay the transfer or porting of FCM Cleared Transactions or the conditions under which FCM Cleared Transaction may be or are transferred or ported (whether in the context of an Event of Default or otherwise);
- (xxii) any default of an FCM Client or Affiliate (including, without limitation, a breach by an FCM Client or Affiliate of its obligations under any Applicable Law, FCM Cleared Transaction or Clearing Agreement);
- (xxiii) the transfer of FCM Cleared Transactions or Porting FCM Cleared Transactions pursuant to Section 3.4.1 where it does so on the basis of the instructions of and information provided by the relevant FCM Clearing Member(s) and FCM Client(s).

[Note: other restrictions on liability of LCH to be discussed, in particular on the basis of the revised DMPP]

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 FCM 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 FCM Clearing Member pursuant to Section 1.2.9 (to the extent that no Event of Default has occurred with respect to such FCM 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 provided in respect of an FCM Clearing Member's House Margin Requirement to such FCM 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 FCM Clearing Member); or
- (vi) its obligation, pursuant to Article 2.5.2.11, to repay to an FCM Clearing Member who voluntarily terminates its membership in accordance with Article 2.5.2.2 an amount equal to the sum of its Margin Balances calculated separately in respect of its House Margin Account on the one hand, and all of its Client Margin Accounts on the other hand (save that LCH.Clearnet SA shall be entitled to retain any Collateral in accordance with Regulation [6] of the FCM CDS Clearing Regulations to the extent a default has occurred in respect of an FCM Client), 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 FCM 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 FCM 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 an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the FCM 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 FCM Clearing Member (as the case may be).

Article 1.2.11.2

On the occurrence of a Force Majeure Event:

- (i) if applicable to an FCM Clearing Member, such FCM 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 an FCM 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 FCM 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 FCM 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 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 an 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 an FCM Clearing Member (including, but not limited to, information concerning FCM Cleared Transactions and Open Positions registered in the FCM Clearing Member's Trade Account(s) and Margin Account(s), its Margin Requirement, the Collateral transferred to LCH.Clearnet SA by such FCM Clearing Member, deliveries and payments made by or to such FCM Clearing Member, as well as any financial statements and other documents filed with LCH.Clearnet SA by any FCM Clearing Member, information provided to LCH.Clearnet SA pursuant to Article 2.4.1.8 and any information concerning the identity, Positions and related collateral of FCM Clients and Affiliates) 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 FCM Clearing Member, FCM Client or Affiliate;
- (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 FCM Clearing Member, FCM Client or Affiliate;
- (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 FCM Clearing Member of its obligations under the FCM CDS Clearing Documentation;
- (iv) as expressly permitted by the FCM CDS Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the transfer of FCM Cleared Transactions or Porting FCM Cleared Transactions pursuant to Section 3.4.1, the proper management of an Event of Default and the implementation by LCH.Clearnet SA and Clearing Members of physical settlement of the FCM 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 FCM 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 FCM 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 an FCM 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 an FCM 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 an FCM Clearing Member owes a duty of confidentiality to LCH.Clearnet SA under the FCM CDS Clearing Documentation, that FCM Clearing Member is released from that duty to the extent that such disclosure is required under Applicable Law or by the FCM 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 FCM 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 FCM Clearing Members, FCM Clients or Affiliates 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, including in countries outside the EEA which do not provide a sufficient level of protection of personal data.

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 FCM 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, or, if not an individual, have agreed to make such notification to the extent necessary.

Article 1.2.13.5

LCH.Clearnet SA and each FCM 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 FCM 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 FCM CDS Clearing Rules and the FCM 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 FCM CDS Clearing Regulations (and any related definitions or Clearing Notices issued in respect of the FCM CDS Clearing Regulations) shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and the laws of the United States of America, in accordance with the terms of the FCM CDS Clearing Regulations.

Article 1.2.14.3

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

Article 1.2.14.4

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 FCM CDS Clearing Documentation, or any FCM Cleared Transaction, shall be governed by and construed in accordance with either French or English substantive law or the laws of the State of New York and the laws of the United States of America, as determined by this Article 1.2.14.4. 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 FCM CDS Clearing Rules (save the CDS Dispute Resolution Protocol and the FCM CDS Clearing Regulations) or the FCM CDS Admission Agreement;
- (ii) English law, where the non-contractual obligation is more closely connected to the FCM CDS Clearing Supplement, the ISDA Credit Derivatives Definitions, the CDS Dispute Resolution Protocol and/or any FCM Cleared Transactions (and/or to any related definitions or Clearing Notices issued in respect of the FCM CDS Clearing Supplement,

the ISDA Credit Derivatives Definitions, the CDS Dispute Resolution Protocol or any FCM Cleared Transactions); or

- (iii) the laws of the State of New York and the laws of the United States of America where the non-contractual obligation is more closely connected to the FCM CDS Clearing Regulations (and/or to any related definitions or Clearing Notices issued in respect of the FCM CDS Clearing Regulations).

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 FCM Procedures.

Section 1.2.16 Default Interest

Article 1.2.16.1

If either LCH.Clearnet SA or an FCM 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 FCM 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 FCM CDS Admission Agreement.

Section 1.2.17 Tax

[Subject to review by US tax lawyers]

Article 1.2.17.1

All payments under the FCM CDS Clearing Documentation or any FCM 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 an FCM Clearing Member is so required to deduct or withhold, then LCH.Clearnet SA or the FCM 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 an FCM Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the FCM 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 FCM CDS Clearing Documentation and FCM 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 an FCM Clearing Member to LCH.Clearnet SA under the FCM CDS Clearing Documentation or any FCM 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 FCM 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 FCM CDS Clearing Documentation or any FCM 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 FCM 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, an FCM 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 FCM Clearing Member such forms and documents as required under Article 1.2.17.5 or the FCM CDS Admission Agreement, provided that this clause (i) shall apply only if (A) the relevant FCM 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 FCM CDS Admission Agreement between LCH.Clearnet SA and the FCM 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 FCM CDS Admission Agreement) or (B) a Change in Tax Law, that in each case occurs after LCH.Clearnet SA and the FCM Clearing Member enter into the relevant FCM CDS Admission Agreement (or, if applicable, the date that LCH.Clearnet SA and the FCM Clearing Member amend such FCM 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 FCM Clearing Member a new representation (to the extent that it is appropriate) for the purpose of Section 10 of the relevant FCM CDS Admission Agreement between LCH.Clearnet SA and the FCM 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).

An FCM 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) an FCM 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 FCM CDS Clearing Documentation or any FCM Cleared Transaction for or on account of any Tax, in respect of which the FCM Clearing Member would be required to pay an Additional Amount to LCH.Clearnet SA under Article 1.2.17.2; (ii) the FCM 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 FCM Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the FCM 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 an FCM Clearing Member under the FCM CDS Clearing Documentation or any FCM 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 FCM Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the FCM 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 FCM Clearing Member (i) the tax forms and documents specified in Section 10 of the FCM CDS Admission Agreement between LCH.Clearnet SA and the FCM Clearing Member and (ii) any other form or document reasonably requested in writing by the FCM Clearing Member in order to allow the FCM Clearing Member to make a payment under the FCM CDS Clearing Documentation or any FCM 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 FCM Clearing Member: (i) the tax forms and documents specified in Section 10 of the FCM CDS Admission Agreement between LCH.Clearnet SA and the FCM Clearing Member and (ii) any other form or document reasonably requested in order to allow LCH.Clearnet SA to make a payment under the FCM CDS Clearing Documentation or any FCM 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 an FCM Clearing Member under the FCM CDS Clearing Documentation or any FCM 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 FCM Clearing Member’s expense, use commercially reasonable efforts to cooperate with an FCM 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 FCM 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 FCM 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 FCM CDS Clearing Documentation. Any payment required to be made by an FCM 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 FCM Clearing Member shall promptly notify LCH.Clearnet SA in writing upon learning that any payment made by LCH.Clearnet SA to the FCM Clearing Member or by the FCM Clearing Member to LCH.Clearnet SA under the FCM CDS Clearing Documentation is subject to any Tax, other than any Tax imposed or levied based on the net income of the FCM Clearing Member or LCH.Clearnet SA, as applicable.

Article 1.2.17.9

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

Article 1.2.17.10

LCH.Clearnet SA shall provide such representations and documentation as are required and requested by each FCM Clearing Member such that each FCM 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 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 of this FCM CDS Clearing Rule Book or Article 1.2.9.2 of the ECM CDS Clearing Rule Book, as applicable) 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 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 Prudentiel.

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 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 1.3.1.13, 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 FCM Cleared Transactions;
- (ii) neither LCH.Clearnet SA nor any FCM Clearing Member shall be obliged to make any further payments or deliveries under the relevant FCM 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 the FCM Clearing Member, including an FCM 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 FCM Cleared Transactions and any other obligations pursuant to the CDS Clearing Documentation (including the repayment or redelivery of a FCM Clearing Member's Margin Balance and other Collateral representing a FCM 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 FCM 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 FCM 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 (provided that in accordance with the FCM CDS Clearing Regulations, including without limitation Regulation [6] of the FCM CDS Clearing Regulations, an FCM Clearing Member's obligations to LCH.Clearnet SA (other than solely in respect of the obligations of its FCM Clients) may never be set off with amounts in the Client Financial Account) pursuant to the FCM 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 an FCM Clearing Member of the value of each FCM 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 FCM 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 FCM 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 FCM Clearing Member shall calculate the value of:

- (i) the repayment by the FCM 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 FCM 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 FCM Clearing Member or LCH.Clearnet SA to or from the other in relation to the CDS Clearing Service pursuant to the FCM CDS Clearing Documentation.

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

- (i) which is Redeliverable Collateral and which the FCM Clearing Member (or, depending on the circumstances and in LCH.Clearnet SA's absolute discretion, its FCM Client(s) or

Affiliate(s), as the case may be) will otherwise receive back in accordance with the FCM CDS Clearing Rules;

- (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; or
- (iii) which LCH. Clearnet SA shall be entitled to retain in accordance with Regulation [6] of the FCM CDS Clearing Regulations to the extent a default has occurred in respect of an FCM Client.

Article 1.3.1.7

Where the LCH Default arises because of the circumstance set out in Article 1.3.1.1(iii), each FCM 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 FCM 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 FCM 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

An FCM Clearing Member shall aggregate all positive amounts and all negative amounts that it has determined apply and shall produce one net Termination Amount, provided that, where an FCM Clearing Member has a House Trade Account and one or more Client Trade Account(s):

- (i) the FCM Clearing Member shall determine two net amounts under Article 1.3.1.8 and Article 1.3.1.9: one net amount in respect of gains and losses arising on FCM Cleared Transactions registered in the FCM Clearing Member's Client Trade Account(s) and a second net amount in respect of gains and losses arising on all other FCM Cleared Transactions registered in the FCM Clearing Member's House Trade Account; and
- (ii) the two net amounts determined under paragraph (i) shall constitute separate Termination Amounts.

Article 1.3.1.11

If a Termination Amount is a positive amount, LCH.Clearnet SA shall pay it to the FCM Clearing Member and, if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to LCH.Clearnet SA, in accordance with Article 1.3.1.12 below.

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

If for any reason one or more FCM Clearing Member(s) fail(s) to determine and notify each such 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 FCM Clearing Member(s) within the 25 Clearing Days following the Notification Limit Date, and shall notify the relevant FCM 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 FCM 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 FCM 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 1.3.1.12

Each Termination Amount calculated pursuant to this Chapter 3 shall be paid by LCH.Clearnet SA or the FCM 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 1.3.1.11 from all FCM 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 Collateral (other than Redeliverable 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 1.3.1.13

The FCM 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 FCM Clearing Member may have.

This Chapter 3 shall be without prejudice to the rights that LCH.Clearnet SA may have pursuant to the FCM CDS Clearing Rules against any FCM 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 with respect to its CDS Clearing Service, being the Clearing Members. It does not have any indirect participants.

Article 2.1.1.2

Without prejudice to the membership requirements set out in the FCM CDS Clearing Rules and Applicable Law, FCMs are eligible to become FCM Clearing Members.

Article 2.1.1.3

An Applicant shall be required to evidence its ability to comply with the obligations set out in Title II, Chapter 2 as if it were an FCM Clearing Member. LCH.Clearnet SA may refuse to admit an Applicant as an FCM 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 an FCM Clearing Member, or if it considers that admission of such Applicant as an FCM Clearing Member may adversely affect the operation of the CDS Clearing System or the provision of the CDS Clearing Service or FCM CDS Clearing Services.

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.

CHAPTER 2 - LEGAL OBLIGATIONS

Section 2.2.0 FCM Clearing Member status

Article 2.2.0.1

An FCM Clearing Member may provide FCM CDS Clearing Services in connection with FCM Original Transactions and/or FCM Cleared Transactions to FCM Client(s) and/or Affiliate(s). Such FCM Clearing Services shall be provided in the manner set forth in this FCM CDS Clearing Rule Book.

Article 2.2.0.2

Notwithstanding any other provision of the FCM CDS Clearing Documentation, with respect to FCM Original Transactions involving an FCM Client cleared by an FCM Clearing Member as an FCM Cleared Transaction, such FCM Clearing Member shall act solely as agent of its FCM Client in connection with the clearing of such FCM Cleared Transaction, provided that each FCM Clearing Member shall remain fully liable for all obligations to LCH.Clearnet SA arising in connection with such FCM Cleared Transactions.

Article 2.2.0.3

FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status (including but not limited to ECM Clearing Member status) with LCH.Clearnet SA.

Section 2.2.1 Continuing obligations

Article 2.2.1.1

Each FCM Clearing Member must at all times:

- (i) be validly incorporated and existing or otherwise organised under the laws of a State within the United States and (if relevant in such State) be in good standing;
- (ii) be a party to the FCM CDS Admission Agreement;
- (iii) be the subject of supervision by its Competent Authorities;
- (iv) comply with the FCM CDS Clearing Documentation;
- (v) comply with all Applicable Law relating to its status as an FCM Clearing Member, the performance of its obligations pursuant to the FCM CDS Clearing Documentation and the performance of its obligations vis-à-vis its FCM Client(s) and Affiliate(s) in respect of the FCM CDS Clearing Services;
- (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 FCM CDS Clearing Rule Book, taking into account notably the indicators mentioned in Article 2.4.2.1;
- (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 an FCM Clearing Member and that its risk management policy is adequate;

- (ix) participate in the implementation of the CDS Default Management Process, and participate in (and satisfy LCH.Clearnet SA's requirements with respect to the carrying out of) regular fire drills run by LCH.Clearnet SA from time to time, in accordance with this FCM CDS Clearing Rule Book; **[Note: the ability of an FCM Clearing Member to outsource its participation to the CDS Default Management Process to an affiliate or qualified third party is being considered]**
- (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 FCM Procedures; **[Note: details on how FCM Clearing Members will participate in the submission of prices/spreads to be put in the FCM Procedures]**
- (xi) have nominated and notified to LCH.Clearnet SA:
 - (a) a Person, having director, general partner, trustee or officer status at the FCM Clearing Member (or a Person occupying a similar status or performing similar functions) who is both responsible for the clearing operations of the FCM Clearing Member and authorised to act on behalf of the FCM 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 FCM 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 FCM 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 Account⁴ 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;**[Note: other connections may be required depending upon how collateral denominated into USD will be posted, i.e. using a US settlement system]**
- (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 an FCM 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;

⁴ **Note to CFTC:** Account infrastructure for payment of Margins to be developed and confirmed, as noted in the Implementation Plan.

- (xv) have operational competence in CDS substantially similar to FCM Original Transactions eligible for clearing by LCH.Clearnet SA;
- (xvi) be a TIW Participant for the purposes of maintaining FCM Original Transactions and FCM Cleared Transactions in the TIW;
- (xvii) be an AMP Participant for the purpose of submitting FCM 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 FCM 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 FCM Cleared Transactions to DTCC on its behalf pursuant to Article 3.1.3.5),

and ensure that its FCM Clients or Affiliates to the extent they are acting as AMP Participants have duly executed the same documentation and provided LCH.Clearnet SA with a copy of these executed documents;
- (xx) be an eligible contract participant, as defined in Section 1a(18) of the CEA (other than paragraph (C) thereof) and as may be further defined by CFTC Regulations;
- (xxi) be registered with the CFTC as an FCM and a member in good standing of the NFA;
- (xxii) satisfy LCH.Clearnet SA that it has entered into necessary arrangements to allow FCM Cleared Transactions and related Collateral to be registered by LCH.Clearnet SA in accordance with TITLE III, Chapter 2 and the FCM CDS Clearing Regulations; and
- (xxiii) satisfy any additional membership requirements as set out in Section 1 of the FCM Procedures, including without limitation any limit set out by LCH.Clearnet SA from time to time as regards the notional amount of Open Positions that can be allocated to the FCM Clearing Member's Margin Accounts at any one time **[Note: Section 1 of the FCM Procedures may need to be amended to provide for specific membership requirements for client clearing, or various adjustments to account for thinly capitalised FCM Clearing Members]**.

Section 2.2.2 Capital requirements

Article 2.2.2.1

- (i) Subject to paragraph (ii) below, each FCM Clearing Member must, unless otherwise permitted by the provisions of this Section 2.2.2, have and maintain Capital of at least USD 50 million at all times.
- (ii) Additional Capital requirements in excess of USD 50 million can be required by LCH.Clearnet SA from any FCM Clearing Member at any time such that the Capital of such FCM Clearing Member is proportionate to the scale of risk posed by the Open Positions allocated to its Margin Accounts. Such additional Capital requirement will be

based on the provisions of Section 1 of the FCM Procedures, and any other such requirement which LCH.Clearnet SA may deem necessary in order to manage its risk.

- (iii) LCH.Clearnet SA shall be entitled to set out limits from time to time as regards the notional amount of Open Positions that can be allocated to the Margin Accounts of any FCM Clearing Member, the nature or the number of the FCM Original Transactions that can be submitted by any FCM Clearing Member for clearing by LCH.Clearnet SA at any one time, if it deems necessary to do so in order to mitigate its risk, depending upon, among others, the amount of Capital of such FCM Clearing Member, in accordance with Section 1 of the FCM Procedures.

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, an FCM Clearing Member has and maintains Capital of at least USD 25 million (or half of such higher capital requirement as may be applicable to the FCM Clearing Member) 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 USD 25 million (or half of such higher capital requirement as may be applicable to the FCM Clearing Member) from its Parent covering the amount by which an FCM Clearing Member's Capital requirement of USD 50 million (or such higher capital requirement as may be applicable to the FCM Clearing Member) 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 or FCM Clearing Member acting as Guarantor pursuant to Article 2.2.2.2 for the benefit of another Clearing Member or FCM Clearing Member shall reduce the Capital of the Guarantor *pro tanto*.

Section 2.2.3 Corporate organisation

Article 2.2.3.1

An FCM 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 FCM 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, an FCM Clearing Member may outsource the performance of all or part of its clearing activities, subject that the FCM Clearing Member shall remain responsible to LCH.Clearnet SA for the performance of all such activities pursuant to the FCM CDS Clearing Documentation. In respect of any such outsourcing, the FCM 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 FCM Clearing Member under this FCM CDS Clearing Rule Book.

Article 2.2.3.3

An FCM 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 FCM 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

FCM Clearing Members must be members of or participants in (as the case may be) **[Note: FCM procedures will have to be clear, when designating the relevant industry organisations or systems, on the status of member vs. participant]** 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 an FCM 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 FCM CDS Clearing Supplement.

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

[Note: If such accounts are used to settle client transactions, they may have to be segregated accounts]

Article 2.2.5.2

An FCM 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 FCM 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 FCM Clearing Member to perform its obligations under the FCM 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 FCM Clearing Member of its obligations under the FCM CDS Clearing Documentation.

Provisions related to TARGET2 Payment Agents

Article 2.2.5.4

FCM 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 FCM Clearing Member must provide LCH.Clearnet SA with a Power of Attorney enabling it to directly debit or credit an FCM Clearing Member's TARGET2 Account or the cash account(s) of the TARGET2 Payment Agent being used to satisfy an FCM Clearing Member's obligations under Article 2.2.5.2.⁵

[Note: using other payment/settlement systems for the payment of Margin denominated in USD is being considered]

Provisions related to Securities Settlement Agents

Article 2.2.5.6

Each FCM 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

[Note: At a later stage, CLS will be decommissioned for client clearing with respect to Euro cash payments, but may well stay in place for other currencies]

Article 2.2.5.7

FCM 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 FCM 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 FCM 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.

⁵ **Note to CFTC:** Account infrastructure for payment of Margins to be developed and confirmed, as noted in the Implementation Plan.

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

FCM 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 FCM Clearing Members and DTCC and the Approved Matching Provider.

Section 2.2.6 Processing

Article 2.2.6.1

Each FCM 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 an FCM 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 FCM CDS Clearing Rule Book, LCH.Clearnet SA shall debit the net amount due from the FCM 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.

Article 2.2.6.2

All netting in respect of a portfolio of FCM Cleared Transactions pursuant to Article 2.2.6.1 above shall be calculated separately with respect to FCM Cleared Transactions registered in an FCM Clearing Member's House Trade Account on the one hand, and those registered in each of its Client Trade Account(s) on the other hand.

Section 2.2.7 Test processing

Article 2.2.7.1

Each FCM 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 and FCM CDS Clearing Services.

CHAPTER 3 – FCM CDS CLEARING SERVICES

Section 2.3.1

Article 2.3.1.1

FCM CDS Clearing Services may be provided by an FCM Clearing Member to its FCM Clients and Affiliates on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client or Affiliate, as applicable, subject to the provisions of this Section 2.3.1.

Article 2.3.1.2

Before providing FCM CDS Clearing Services to its FCM Clients and Affiliates, each FCM Clearing Member shall ensure that:

- (i) it has entered into a Clearing Agreement with each of its FCM Client(s) and/or Affiliate(s) which binds each of its FCM Client(s) and/or Affiliate(s) to the applicable provisions of the FCM CDS Clearing Rules by direct reference to the FCM CDS Clearing Rules or otherwise, and any such other provisions as shall be agreed from time to time between LCH.Clearnet SA and FCM Clearing Members, or as may be prescribed by LCH.Clearnet SA; and
- (ii) each of its FCM Client(s) and/or Affiliate(s) has been provided with or has been directed to a copy of the FCM CDS Clearing End-User Notice and that the FCM Clearing Member confirms to LCH.Clearnet SA in writing that it has done so.

Article 2.3.1.3

Each FCM Client and Affiliate, by participating in FCM Original Transactions and entering FCM Cleared Transactions through its respective FCM Clearing Member(s), shall be deemed to understand, acknowledge and agree that:

- (i) the receipt of FCM CDS Clearing Services from the FCM Clearing Member which result in the registration of FCM Cleared Transactions within such FCM Clearing Member's Client Trade Account(s) or House Trade Account, as the case may be, will be governed by the FCM CDS Clearing Documentation;
- (ii) it shall be bound by the FCM CDS Clearing Documentation in respect of any FCM Cleared Transactions which are attributable to it;
- (iii) at the time an FCM Cleared Transaction is registered in the FCM Clearing Member's Client Trade Account(s) or House Trade Account, as the case may be, on its behalf, the FCM Client or Affiliate, as applicable, will be deemed to be bound by the relevant FCM Cleared Transaction on the terms entered into between the FCM Clearing Member and LCH.Clearnet SA and such FCM Client or Affiliate agrees to be bound automatically and without further action by the FCM Clearing Member or the FCM Client or Affiliate;
- (iv) it shall not act so as to cause, whether directly or indirectly, a breach of the FCM CDS Clearing Documentation;
- (v) the provisions of the FCM CDS Clearing Documentation referring to FCM Clients or Affiliates, for the benefit of LCH.Clearnet SA, including without limitation Section 1.2.10 of this FCM CDS Clearing Rule Book, are enforceable against such FCM Clients or

Affiliates as if they had been entered into by each FCM Client or Affiliate directly with LCH.Clearnet SA;

- (vi) LCH.Clearnet SA deals only with FCM Clearing Members; and the FCM Client or Affiliate will have no right or authority to deal directly with LCH.Clearnet SA, including but not limited to in connection with the matters described in this Title II, Chapter 3;
- (vii) it will deal only with its FCM Clearing Member in connection with all FCM Cleared Transactions that are cleared on its behalf by such FCM Clearing Member through LCH.Clearnet SA;
- (viii) upon an Event of Default occurring in relation to an FCM Clearing Member, if LCH.Clearnet SA is required to do so by any Competent Authority or Regulatory Body or Applicable Law, cannot for any reason proceed with a Porting of the FCM Cleared Transactions registered in an FCM Clearing Member's Account Structure and attributable to an FCM Client or determines in its discretion that it is necessary for its protection, LCH.Clearnet SA may close out and terminate the FCM Cleared Transactions registered in an FCM Clearing Member's Account Structure and attributable to an FCM Client or Affiliate, regardless of whether such FCM Client or Affiliate had itself defaulted, and in certain circumstances LCH.Clearnet SA will not transfer or otherwise re-establish such positions;
- (ix) except as provided by TITLE III, Chapter 4, it will not be entitled to instruct LCH.Clearnet SA to act or omit to act in any manner at any time prior to an Event of Default in relation to the relevant FCM Clearing Member;
- (x) it will not be entitled to receive any information from LCH.Clearnet SA in respect of any Margin Balance that is recorded in either the House Financial Account or the Client Financial Account of an FCM Clearing Member;
- (xi) LCH.Clearnet SA will not hold any assets transferred to it on behalf of any such individual FCM Client or Affiliate;
- (xii) it shall only be permitted to use End of Day Contributed Price information, received from an FCM Clearing Member in accordance with Article 4.2.5.3, in connection with the provision of FCM CDS Clearing Services to it; **[Note: LCH considering whether this is consistent with its agreement with Markit]**
- (xiii) where Collateral is deposited by the FCM Clearing Member in satisfaction of the House Margin Requirement or the Client Margin Requirement (as applicable), it shall not be entitled to assert any equitable or other claim to the Collateral in circumstances where the assertion of such a claim would delay or inhibit the disposal of such Collateral by LCH.Clearnet SA and/or the application of the proceeds of sale of such Collateral in accordance with the provisions of the FCM CDS Clearing Rules;
- (xiv) the FCM Clearing Member has its unconditional consent to furnish or deposit Collateral with LCH.Clearnet SA in satisfaction of the Client Margin Requirement which is attributable to the FCM Cleared Transactions cleared on its behalf, in accordance with the FCM CDS Clearing Rule Book and the FCM CDS Clearing Regulations, and to re-pledge such property to LCH.Clearnet SA;
- (xv) LCH.Clearnet SA is authorised to make disclosure of information in accordance with the provisions of the FCM CDS Clearing Documentation; and

- (xvi) its Clearing Agreement is consistent with the FCM CDS Clearing Documentation and Applicable Law.

CHAPTER 4 - INFORMATION OBLIGATIONS, MONITORING AND AUDIT

Section 2.4.1 Information and financial reporting

Article 2.4.1.1

Each FCM 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 FCM Clearing Member, any Parent or its Guarantor;
- (viii) an Event which could permit LCH.Clearnet SA to declare an Event of Default against that FCM Clearing Member;
- (ix) of any material breach of Applicable Law which relates to its status and performance as an FCM and an FCM Clearing Member under the FCM 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 FCM CDS Clearing Documentation;
- (xii) of anything relating solely to the FCM 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 2.4.1.1, 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); and
- (xiii) of any matter, circumstance, change or occurrence, of which the FCM Clearing Member is aware, relating to any of its FCM Clients or Affiliates which would cause any information supplied by the FCM Clearing Member with respect to its FCM Clients or Affiliates to be inaccurate, incomplete or superseded in a material way, and of any default of which the FCM Clearing Member is aware by any of its FCM Clients or Affiliates in connection with the provision of FCM CDS Clearing Services (including

without limitation, any failure by such FCM Client or Affiliate to make a payment to the FCM Clearing Member pursuant to a Clearing Agreement or otherwise in connection with the provision of FCM CDS Clearing Services).

Article 2.4.1.2

Each FCM 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 FCM 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 2.4.1.2, as may be requested by LCH.Clearnet SA at its reasonable discretion from time to time.

Article 2.4.1.3

On request from LCH.Clearnet SA on an annual basis, an FCM 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 FCM 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 2.4.1.4

An FCM 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 2.4.1.5

An FCM 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 FCM Clearing Member or by the refusal of an FCM Client to provide the required information to the FCM Clearing Member (but only to the extent the FCM Clearing Member has undertaken reasonable due diligence and the FCM Clearing Member provides LCH.Clearnet SA with duly documented proof of its incapacity despite such due diligence). Where, as a result of such failure to provide relevant information relating to the FCM Clearing Member or any of its FCM Clients or Affiliates, LCH.Clearnet SA deems it necessary, LCH.Clearnet SA shall have discretion to take any measure

to reduce its risk such as requiring the relevant FCM Clearing Member to pay Extraordinary Margin in accordance with Article 4.2.1.2.

Article 2.4.1.6

The FCM Clearing Member shall respond to all reasonable requests for information from LCH.Clearnet SA concerning the provision of FCM CDS Clearing Services, the clearing of FCM Original Transactions on its own behalf and its exposure to general and financial risks, including, in respect of its FCM Cleared Transactions, the Open Positions allocated to either its House Margin Account or each of its Client Margin Account(s), and the risk of default by an FCM Client(s) or Affiliate(s).

Article 2.4.1.7

FCM 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 FCM Clearing Member to perform its obligations under the FCM CDS Clearing Documentation, the exercise of its duties and/or the orderly conduct of its activities as an FCM Clearing Member.

Article 2.4.1.8

On request from LCH.Clearnet SA, where and to the extent necessary for the proper performance by LCH.Clearnet SA of its risk management functions and legal and regulatory obligations, an FCM Clearing Member shall (to the extent permitted by Applicable Law) identify the FCM Client(s) and/or Affiliate(s) to whom it provides FCM CDS Clearing Services and provide LCH.Clearnet SA with details of:

- the identity of such FCM Client(s) and/or Affiliate(s);
- any agreement relating to the provision of FCM CDS Clearing Services by the FCM Clearing Member to its FCM Clients and Affiliates (including the Clearing Agreements);
- any document reflecting the recording of the FCM Cleared Transactions in the different accounts held by the FCM Clearing Member per Clearing Day, the details of such FCM Cleared Transactions and the cover held in respect of such FCM Cleared Transactions; and
- the FCM Clearing Member's written anti-money laundering procedures and written risk management policies and procedures, and practices, addressing the risks that such FCM Clearing Member may pose to LCH.Clearnet SA including, but not limited to, information and documents relating to the liquidity of such FCM Clearing Member's financial resources and settlement procedures..

Article 2.4.1.9

An FCM Clearing Member shall answer any reasonable requests that LCH.Clearnet SA may deem necessary in relation to any matter arising out of or in connection with any default by an FCM Client or Affiliate in connection with the provision of FCM CDS Clearing Services and shall cooperate with LCH.Clearnet SA in order to process such default.

Section 2.4.2 Monitoring

Article 2.4.2.1

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 an FCM Clearing Member, its Parent, or other members of its Financial Group;
- (ii) the long-term credit rating(s) of an FCM Clearing Member, its Parent or other member of its Financial Group, as applicable; and
- (iii) equity returns for an FCM 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 an FCM Clearing Member as set out in Article 2.5.1.1, to reject the guarantee provided by the FCM 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.

Article 2.4.2.2

[LCH considering what/whether specific monitoring / risk assessment procedures are to be implemented by LCH.Clearnet SA for thinly capitalised FCM Clearing Members]

Section 2.4.3 Audit and inspection

Article 2.4.3.1

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

Article 2.4.3.2

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

Article 2.4.3.3

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

Article 2.4.3.4

Each FCM 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 2.4.3.5

Each FCM 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 FCM Procedures.

Article 2.4.3.6

If, upon the completion of an audit under this Section 2.4.3, LCH.Clearnet SA believes that any modifications are necessary to the FCM Clearing Member's Systems and Operations or to any other part of the FCM Clearing Member's business activities (including the manner in which FCM CDS Clearing Services are provided), the FCM 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 FCM Clearing Member will make such modifications to its arrangements on a forward looking and a best efforts basis.

Section 2.4.4 Record keeping

Article 2.4.4.1

Each FCM Clearing Member is required to keep all data relating to each FCM Cleared Transaction for at least six years following the termination of each such FCM Cleared Transaction and must make the data available to LCH.Clearnet SA upon demand, subject to any mandatory provisions of Applicable Law to which an FCM Clearing Member is subject, throughout that period.

Article 2.4.4.2

Both LCH.Clearnet SA and each FCM Clearing Member will maintain books and records which comply with Regulation [6(i)] of the FCM CDS Clearing Regulations and otherwise as required by Applicable Law.

CHAPTER 5 - SUSPENSION AND TERMINATION OF MEMBERSHIP

Section 2.5.1 Suspension

Article 2.5.1.1

LCH.Clearnet SA shall be entitled, subject to Article 2.5.1.3, to suspend an FCM Clearing Member's ability to submit all new FCM Original Transactions, or, alternatively, those FCM Original Transactions which LCH.Clearnet SA does not consider as contributing to reducing the risks of the FCM Clearing Member, for clearing by LCH.Clearnet SA:

- (i) upon any unremedied breach by the FCM Clearing Member of the FCM 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 FCM Clearing Member following its monitoring pursuant to Article 2.4.2.1;
- (iii) upon suspension or termination (other than a voluntary termination) of the FCM 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 FCM Clearing Member and LCH.Clearnet SA's Competent Authority;
- (iv) as a result of Disciplinary Proceedings brought against an FCM Clearing Member; or
- (v) upon the occurrence of an Event in respect of the FCM Clearing Member that could materially impact the ability of that FCM Clearing Member to perform its obligations under the FCM CDS Clearing Documentation.

Article 2.5.1.2

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

Article 2.5.1.3

Before suspending an FCM Clearing Member under Article 2.5.1.1, and without limiting its rights under Section 4.3.1, LCH.Clearnet SA must consult with the relevant FCM 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 FCM Clearing Member may remedy the event in question or institute Disciplinary Proceedings in respect of the FCM Clearing Member without limitation to any right to declare an Event of Default.

Article 2.5.1.4

LCH.Clearnet SA shall be entitled, at any time and at its discretion, to revoke the suspension imposed on an FCM Clearing Member under Article 2.5.1.1 above.

Article 2.5.1.5

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

Article 2.5.1.6

Suspension of membership shall be immediately notified by the relevant FCM Clearing Member to its FCM Client(s) and Affiliate(s).

Section 2.5.2 Membership Termination

Article 2.5.2.1

Membership Termination shall become effective, in the case of an FCM 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 2.5.2.2

Subject to Article 2.5.2.1, the membership of an FCM Clearing Member may be terminated:

- (i) by LCH.Clearnet SA serving a Membership Termination Notice to the relevant FCM 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 FCM Clearing Member in which case the termination date may be any date stated by LCH.Clearnet SA; or
- (ii) by an FCM 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 FCM Clearing Member.

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

Article 2.5.2.3

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

However, if an FCM Clearing Member fails to effect a Non-Default Unwind of all of its FCM Cleared Transactions prior to the Scheduled Membership Termination Date, LCH.Clearnet SA shall consult with the relevant FCM Clearing Member to agree a grace period (to be no longer than 10 Business Days) for the FCM Clearing Member to effect the Non-Default Unwind of all of its FCM 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 FCM Clearing Member has not effected a Non-Default Unwind of all of its FCM 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 FCM Clearing Member and such FCM Clearing Member was a Defaulting FCM Clearing Member.

Any FCM Clearing Member who serves a Membership Termination Notice shall contemporaneously inform each of its FCM Clients and any Affiliate on whose behalf the FCM Clearing Member clears FCM Cleared Transactions and notify each of the foregoing of the need to close out and/or transfer their FCM Cleared Transactions. For the purposes of the FCM Clearing Member's Client Trade Accounts, if any FCM Client has not taken steps to close-out or transfer the FCM Cleared Transactions registered in its Client Trade Account within [●] Business Days of the date the FCM Clearing Member delivered its Membership Termination Notice, then such FCM Clearing Member shall be permitted to take such actions as it considers reasonably necessary to close-out or transfer any remaining FCM Cleared Transactions.

Article 2.5.2.4

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 2.5.2.5):

- (i) if the Membership Termination Notice is delivered during a CDS Post-Default Period:
 - (a) if such FCM Clearing Member has concluded a Non-Default Unwind of all of its FCM 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 FCM Clearing Member has not concluded a Non-Default Unwind of all of its FCM 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 FCM Clearing Member has concluded its Non-Default Unwind of all of its FCM Cleared Transactions, provided that if an Event of Default in relation to another Clearing Member occurs prior to such date of effective withdrawal, the FCM 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 FCM 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 FCM Clearing Member has concluded a Non-Default Unwind of all of its FCM Cleared Transactions on or prior to the Scheduled Membership Termination Date, on such Scheduled Membership Termination Date; or
 - (b) if such FCM Clearing Member has not concluded a Non-Default Unwind of all of its FCM Cleared Transactions on or prior to the Scheduled Membership Termination Date, on the 10th calendar day following the first date as of which such FCM Clearing Member has concluded a Non-Default Unwind of all of its FCM 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 2.5.2.5

An FCM Clearing Member or LCH.Clearnet SA, as the case may be, shall be entitled to withdraw its Membership Termination Notice served pursuant to Article 2.5.2.2 at any time prior to Membership Termination.

Article 2.5.2.6

In the event that, during a Membership Termination Notice Period for an FCM Clearing Member, an LCH Default occurs or a Default Notice is served in respect of that FCM 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 an FCM Clearing Member, in relation to an LCH Default, shall prevail.

Article 2.5.2.7

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 an FCM Clearing Member may be applied in accordance with Article 4.3.3.1.

Article 2.5.2.8

Subject to the application of TITLE I, Chapter 3 during any Membership Termination Notice Period, the relevant FCM 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 FCM Cleared Transactions registered in its Account Structure in accordance with this FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations, the FCM CDS Clearing Supplement and the terms of the relevant FCM 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 FCM CDS Admission Agreement.

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

Article 2.5.2.9

Following Membership Termination, LCH.Clearnet SA and any Former FCM 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 FCM CDS Clearing Documentation which relate in whole or in part to any acts or omissions of LCH.Clearnet SA or the Former FCM Clearing Member while it was an FCM 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 FCM Cleared Transactions, amounts due to LCH.Clearnet SA or the Former FCM Clearing Member as a result of its FCM Cleared Transactions and any other liabilities accrued prior to

Membership Termination, including in particular, the payment of any Termination Amount pursuant to Article 1.3.1.12 or any amounts due pursuant to Article 4.3.3.5 or the payment of any LCH Repayment Amount pursuant to Clause 7.7 of the CDS Default Management Process.

Article 2.5.2.10

Promptly following Membership Termination, pursuant to Non-Default Termination, LCH.Clearnet SA shall issue a Clearing Notice specifying the name of the Former FCM Clearing Member and, where appropriate, that they have opted to voluntarily terminate their membership pursuant to Article 2.5.2.2(ii).

Article 2.5.2.11

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

- (i) its Margin Balance(s) (save that LCH.Clearnet SA shall be entitled to retain any Collateral in accordance with Regulation [6] of the FCM CDS Clearing Regulations to the extent a default has occurred in respect of an FCM Client); 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 FCM CDS Clearing Rules; less
- (iii) any amounts owing by the Former FCM Clearing Member to LCH.Clearnet SA.

and redeliver to the Former FCM Clearing Member any Redeliverable Collateral (other than Redeliverable 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 FCM Clearing Member has transferred to LCH.Clearnet SA.

For the purposes of this Article 2.5.2.11, LCH.Clearnet SA shall calculate the amounts that are to be repaid to a Former FCM Clearing Member in respect of FCM Cleared Transactions which are attributable to FCM Client(s) separately from any amounts in respect of FCM Cleared Transactions which have been registered in its House Trade Account, in accordance with Regulation [6] of the FCM CDS Clearing Regulations.

Repayment shall be made as soon as reasonably possible after LCH.Clearnet SA has determined that the Former FCM Clearing Member has no outstanding sums owing to LCH.Clearnet SA in respect of FCM Cleared Transactions registered in either its House Trade Account or each of its Client Trade Account(s), as the case may be.

Article 2.5.2.12

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

Article 2.5.2.13

Termination of membership shall be immediately notified by the relevant FCM Clearing Member to its FCM Client(s) and Affiliate(s).

TITLE III

CLEARING OPERATIONS

CHAPTER 1 - NOVATION AND REGISTRATION

Section 3.1.1 Novation principles

Article 3.1.1.1

An FCM 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

An FCM Original Transaction may be submitted by an AMP Participant to an Approved Matching Provider with a designation for clearing by LCH.Clearnet SA as follows:

- (i) in the case where one Executing Party clears its Trade Leg of such FCM Original Transaction as an ECM Clearing Member and the other Executing Party clears its Trade Leg of such FCM Original Transaction as or through an FCM Clearing Member, subject to Article 3.1.1.5 and Article 3.1.1.6 and provided that no Novation Postponement Event has occurred, as one ECM Cleared Transaction pursuant to the ECM CDS Clearing Documentation and one FCM Cleared Transaction pursuant to the FCM CDS Clearing Documentation, where the FCM Cleared Transaction shall be registered between the FCM Clearing Member as CDS Seller and LCH.Clearnet SA as CDS Buyer and the ECM Cleared Transaction shall be registered between the ECM Clearing Member as CDS Buyer and LCH.Clearnet SA as CDS Seller (or vice versa); and
- (ii) in the case where each Executing Party clears its Trade Leg of such FCM Original Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, subject to Article 3.1.1.5 and Article 3.1.1.6 and provided that no Novation Postponement Event has occurred), as two FCM Cleared Transactions pursuant to the FCM CDS Clearing Documentation, where each FCM Cleared Transaction is registered between the relevant FCM Clearing Member and LCH.Clearnet SA, with one FCM Clearing Member as the CDS Seller and LCH.Clearnet SA as the CDS Buyer and the other FCM Clearing Member as the CDS Buyer and LCH.Clearnet SA as the CDS Seller.

Article 3.1.1.3

[In order for an AMP Participant to submit an FCM Original Transaction to an Approved Matching Provider for clearing and registration as an FCM Cleared Transaction, in accordance with this TITLE III, Chapter 1, such AMP Participant must be approved as an FCM Clearing Member.] The Executing Parties to an FCM Original Transaction shall be responsible for any give-up or other agreement mutually agreed to among the Executing Parties with respect to such FCM Original Transaction, as applicable, and LCH.Clearnet SA shall be entitled to assume that the FCM Clearing Member has the requisite authority to register the relevant Trade Leg of such FCM Original Transaction in its Account Structure on behalf of an FCM Client or Affiliate, as the case may be.

Article 3.1.1.4

Submission by an AMP Participant to an Approved Matching Provider of an FCM 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) the relevant Trade Leg of such FCM Original Transaction is intended to be novated to LCH.Clearnet SA pursuant to and in accordance with the terms of this FCM CDS Clearing Rule Book or the ECM CDS Clearing Rule Book, as the case may be; and
- (iii) the terms of the FCM Original Transaction will not be amended prior to novation (unless such FCM Original Transaction is rejected for clearing by LCH.Clearnet SA).

Article 3.1.1.5

Upon receipt by LCH.Clearnet SA from an Approved Matching Provider of Transaction Data relating to an FCM 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 FCM Clearing Members to process the Transaction Data and novate the FCM Original Transaction pursuant to and in accordance with this FCM CDS Clearing Rule Book and the FCM 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 FCM Original Transaction match; and
- (iv) determine whether such FCM Original Transaction meets the Eligibility Requirements.

Where one of the Trade Legs of an FCM Original Transaction is submitted for clearing by an AMP Participant that is an ECM Clearing Member, LCH.Clearnet SA will undertake the same checks in respect of that Trade Leg in accordance with Article 3.1.1.3 of the ECM CDS Clearing Rule Book.

Article 3.1.1.6

LCH.Clearnet SA may reject any FCM Original Transaction if: (a) the Trade Leg(s) entered into with an FCM Clearing Member, an FCM Client or an Affiliate does not comply with the FCM CDS Clearing Rule Book, the FCM CDS Clearing Regulations, the FCM 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 FCM Clearing Member, and/or (b) the Trade Leg (if any) entered into with an Executing Party who is neither an FCM Clearing Member, an FCM Client nor an Affiliate, does not comply with the ECM CDS Clearing Rule Book, the ECM Procedures or the Eligibility Requirements, as defined in the ECM CDS Clearing Rule Book, or where an Event of Default, as defined in the ECM CDS Clearing Rule Book, has occurred or, in LCH.Clearnet SA's reasonable opinion, is likely to occur, in relation to the relevant ECM Clearing Member.

Article 3.1.1.7

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

Article 3.1.1.8

Provided that a Novation Postponement Event has not occurred pursuant to either this FCM CDS Clearing Rule Book or the ECM CDS Clearing Rule Book, LCH.Clearnet SA will novate all the relevant Trade Legs of the FCM Original Transactions submitted to it pursuant to Article 3.1.1.1 that meet all of the eligibility checks in Article 3.1.1.5 in accordance with Article 3.1.1.9.

It is a condition for novation of an FCM Original Transaction that LCH.Clearnet SA has accepted both Trade Leg(s) of the FCM Original Transaction for clearing in accordance with the provisions of

the FCM CDS Clearing Rule Book, and the provisions of the ECM CDS Clearing Rule Book if applicable.

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

Each FCM Clearing Member will be responsible for any reporting to its FCM Clients and Affiliates.

Article 3.1.1.9

Provided that a Novation Postponement Event has not occurred, pursuant to either this FCM CDS Clearing Rule Book or the ECM CDS Clearing Rule Book, at or prior to the Novation Time, then, in respect of each relevant Trade Leg of the FCM Original Transactions novated pursuant to Article 3.1.1.8 and with effect from the Novation Time:

- (i) the Executing Parties to each such FCM Original Transaction shall be automatically and immediately released and discharged from all their obligations to each other under such FCM 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 Executing Party to the other pursuant to the terms of such FCM 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 Executing Parties to such FCM Original Transaction and in accordance with the terms of such FCM Original Transaction pursuant to the FCM CDS Clearing Supplement, and the ECM CDS Clearing Supplement if applicable;
- (ii) each such FCM Original Transaction will be replaced by: (a) an ECM Cleared Transaction and an FCM Cleared Transaction; or (b) two FCM Cleared Transactions as described in Article 3.1.1.2 above. In each case:
 - (a) to the extent an FCM Cleared Transaction has been entered into by an FCM Clearing Member on behalf of an FCM Client, each FCM Clearing Member will be the agent of its FCM Client but will nevertheless remain fully liable to LCH.Clearnet SA for any and all amounts due to LCH.Clearnet SA in connection with such FCM Cleared Transaction cleared on behalf of its FCM Client (which, for the avoidance of doubt, is without prejudice to such FCM Client remaining fully liable in respect of any of such FCM Client's principal obligations in relation to FCM Cleared Transactions entered into by an FCM Clearing Member on its behalf);
 - (b) to the extent an FCM Cleared Transaction has been entered into by an FCM Clearing Member for its own account or on behalf of any of its Affiliates, each FCM Clearing Member will be bound as principal as regards the performance of all obligations arising in connection with such FCM Cleared Transaction; and
 - (c) LCH.Clearnet SA and each ECM Clearing Member will be bound as principal as regards the performance of all obligations arising in connection with its FCM Cleared Transactions and/or ECM Cleared Transactions, as the case may be, and

- (iii) each such FCM 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 an Executing Party to perform its obligations under such FCM Original Transaction shall not affect the liability of any such Executing Party to LCH.Clearnet SA following the novation of such FCM Original Transaction.

Article 3.1.1.10

LCH.Clearnet SA will be entitled to assume and will assume that no Credit Event Notice or Notice of Physical Settlement under an FCM Original Transaction submitted for clearing by LCH.Clearnet SA in accordance with Article 3.1.1.1 of this FCM CDS Clearing Rule Book or Article 3.1.1.1 of the ECM CDS Clearing Rule Book, as applicable, has been delivered by either Executing Party to the other prior to the Novation Time for that FCM Original Transaction (other than any deemed delivery of a Credit Event Notice pursuant to a DC Credit Event Announcement). Each AMP Participant upon submitting to an Approved Matching Provider an FCM Original Transaction with a designation 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 FCM Original Transaction which is accepted for clearing by LCH.Clearnet SA in accordance with Article 3.1.1.8 of this FCM CDS Clearing Rule Book or Article 3.1.1.5 of the ECM CDS Clearing Rule Book, as applicable, shall be deemed, at the Novation Time, never to have been delivered.

Article 3.1.1.11

Subject to Article 3.1.1.9 above, each FCM Cleared Transaction shall be on identical terms as the FCM Original Transaction replaced by such FCM Cleared Transaction, and otherwise subject to the provisions of the FCM CDS Clearing Documentation. With effect from the Novation Time, the terms of the FCM Cleared Transaction shall be definitive, regardless of whether any FCM Cleared Transaction is based on any FCM Original Transaction and regardless of any error or the validity of any FCM Original Transactions.

Article 3.1.1.12

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 FCM Original Transaction details by that Approved Matching Provider to LCH.Clearnet SA. The ability of AMP Participants to submit FCM Original Transactions through a particular Approved Matching Provider may be suspended from time to time provided that any such suspension applies to all AMP Participants and, where reasonably practicable, LCH.Clearnet SA gives at least 2 Business Days notice of such suspension.

Article 3.1.1.13

In the event that LCH.Clearnet SA registers FCM Cleared Transactions on the basis of incorrect or corrupted data sent to it by an Approved Matching Provider, an AMP Participant, the FCM Client and/or Affiliate concerned shall be bound by the terms of such FCM Cleared Transactions. LCH.Clearnet SA may agree to use its reasonable endeavours to assist the relevant ECM Clearing Members (as applicable) and FCM Clearing Members acting for their own account, on behalf of an Affiliate or as agent on behalf of the FCM Client(s), 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 ECM

Clearing Members (as applicable), FCM Clearing Members, FCM Clients and/or Affiliate, or anyone else with regard to the registration of such FCM 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 FCM 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 3.1.1.5, promptly pre-register the Trade Legs corresponding to such FCM Original Transaction in the Account Structure of the relevant FCM Clearing Member(s) and ECM Clearing Member(s) (as applicable), as if novation of such FCM Original Transaction had occurred pursuant to Article 3.1.1.8 and such Trade Legs were FCM Cleared Transactions, in accordance with TITLE III, Chapter 2.

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

Article 3.1.2.2

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

For the avoidance of doubt, LCH.Clearnet SA shall calculate and call the Margin Requirement (as such term is defined in the ECM CDS Clearing Rule Book) applicable to each ECM Clearing Member in accordance with the ECM CDS Clearing Rule Book.

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 (as such terms are defined in either this FCM CDS Clearing Rule Book or the ECM CDS Clearing Rule Book as applicable) set out in the Margin Call Report in respect of such Clearing Day (a "**Novation Postponement Event**"), the novation of all FCM Original Transactions submitted to LCH.Clearnet SA for clearing on such Clearing Day (including FCM 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 AMP Participants who have submitted FCM 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 FCM 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 in respect of which a Postponing Clearing Member is acting as a Clearing Member.

LCH.Clearnet SA shall, in accordance with the FCM Procedures, send a recalculated Margin Call Report to FCM Clearing Members by 11.25. Excluded FCM Original Transactions will not be novated by LCH.Clearnet SA on this Clearing Day, but may be resubmitted by the relevant AMP Participant on the following Clearing Day in accordance with Article 3.1.2.8. FCM 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 FCM Clearing Members by 11.25, but is able to send it between 11.25 and 12.25, then FCM 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 Original Transactions submitted to LCH.Clearnet SA for clearing pursuant to Article 3.1.1.1 of this FCM CDS Clearing Rule Book or Article 3.1.1.1 of the ECM CDS Clearing Rule Book, as applicable (save those in respect of which any Postponing Clearing Member was acting as a Clearing Member) will then be novated at the Recalculated Novation Time in accordance with Article 3.1.1.8 and Article 3.1.1.9 of this FCM CDS Clearing Rule Book and Article 3.1.1.5 and Article 3.1.1.6 of the ECM CDS Clearing Rule Book, mutatis mutandis provided that, notwithstanding Section 3.1.1 of this FCM CDS Clearing Rule Book and Section 3.1.1 of the ECM CDS Clearing Rule Book, the Novation Time will be the Recalculated Novation Time, and LCH.Clearnet SA shall promptly send a revised FCM Cleared Transaction Portfolio Report to all relevant Clearing Members.

Article 3.1.2.6

Each FCM 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 an FCM Clearing Member's Margin Requirement on such Clearing Day shall not be returned to the relevant FCM Clearing Member by LCH.Clearnet SA on such Clearing Day but may be returned to the relevant FCM Clearing Member on

subsequent Clearing Days in accordance with the provisions of TITLE IV, Chapter 2, and Section 3 of the FCM Procedures.

Article 3.1.2.8

FCM Original Transactions which have been rejected by LCH.Clearnet SA for whatever reason can be submitted by the relevant AMP Participants for clearing by LCH.Clearnet SA on the following Clearing Day, subject to Article 2.5.1.1 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 3.1.1.9 to Article 3.1.1.13 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 FCM 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 FCM Clearing Members that it will not novate any FCM 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 FCM Clearing Member for that Clearing Day. FCM 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 FCM 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 FCM 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 FCM Procedures, it shall ensure that FCM 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 (as such term is defined in either this FCM CDS Clearing Rule Book or the ECM CDS Clearing Rule Book, as applicable) by the close of the relevant TARGET2 payment window, in accordance with Article 3.1.2.11 of this FCM CDS Clearing Rule Book or Article 3.1.2.11 of the ECM CDS Clearing Rule Book, as applicable, all the Original Transactions submitted to LCH.Clearnet SA for clearing pursuant to Article 3.1.1.1 of this FCM CDS Clearing Rule Book or Article 3.1.1.1 of the ECM CDS Clearing

Rule Book, as applicable 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 (as such term is defined in either this FCM CDS Clearing Rule Book or the ECM CDS Clearing Rule Book, as applicable) 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 of this FCM CDS Clearing Rule Book or Section 3.1.2 B of the ECM CDS Clearing Rule Book, as applicable, *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 FCM Cleared Transactions

Article 3.1.3.1

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

For the avoidance of doubt, the registration of ECM Cleared Transactions that relate to an FCM Original Transaction will be carried out in accordance with the ECM CDS Clearing Rule Book.

Article 3.1.3.2

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

Article 3.1.3.3

Upon novation of an FCM Original Transaction pursuant to Article 3.1.1.8, LCH.Clearnet SA shall promptly:

- (i) send to the TIW, on behalf of the relevant Executing Parties, a message relating to the termination of such FCM Original Transaction;
- (ii) send to the TIW, on behalf of LCH.Clearnet SA, a message relating to the creation of the related ECM Cleared Transaction and/or FCM Cleared Transaction(s) pursuant to Article 3.1.1.9(ii) of this FCM CDS Clearing Rule Book and Article 3.1.1.6(ii) of the ECM CDS Clearing Rule Book, between LCH.Clearnet SA and the relevant ECM Clearing Member and/or FCM Clearing Member(s);
- (iii) for each such FCM Cleared Transaction, either:
 - (a) send to the relevant FCM Clearing Member a file, including details of such FCM Cleared Transaction, sufficient for such FCM Clearing Member to create in the TIW the details of such FCM Cleared Transaction; or
 - (b) in the case where the relevant FCM Clearing Member has duly authorised LCH.Clearnet SA to submit new FCM Cleared Transactions to the TIW on its

behalf pursuant to Article 3.1.3.5 below, send to the TIW, on behalf of such FCM Clearing Member, details of such FCM Cleared Transaction sufficient to create in the TIW the details of such FCM Cleared Transaction; and

- (iv) for each such ECM Cleared Transaction, report to an ECM Clearing Member in accordance with the provisions of the ECM CDS Clearing Rule Book.

Article 3.1.3.4

Subject to Article 3.1.3.5 below, each FCM Clearing Member is required to submit each FCM Cleared Transaction to the TIW for the purposes of the creation in the TIW of such FCM 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 an FCM Clearing Member (or a failure by an FCM Clearing Member to carry out such direct submission) will have no effect on the novation of any FCM Original Transaction and creation of FCM Cleared Transactions pursuant to Article 3.1.1.8.

Article 3.1.3.5

Upon a request by an FCM Clearing Member, LCH.Clearnet SA will be authorised to submit FCM Cleared Transactions to the TIW on behalf of such FCM Clearing Member, for the sole purpose of creating such FCM Cleared Transactions in the TIW. Such request must be addressed by such FCM 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 FCM Cleared Transactions of such FCM Clearing Member.

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

Article 3.1.3.6

Each FCM Clearing Member which, on behalf of an FCM Client or Affiliate, clears an FCM Original Transaction (novated in accordance with this FCM CDS Clearing Rule Book) must take all reasonable steps to ensure that the FCM Client or Affiliate updates its books and records to reflect the novation of such FCM Original Transaction as soon as reasonably practicable after novation has occurred pursuant to Article 3.1.1.8.

Article 3.1.3.7

LCH.Clearnet SA and each FCM Clearing Member agree that, without prejudice to Section [2] of the FCM CDS Clearing Supplement, upon novation of an FCM Original Transaction pursuant to Article 3.1.1.8 and until the related ECM Cleared Transaction and/or FCM Cleared Transaction(s) are registered in the TIW pursuant to Article 3.1.3.3(ii), the details of the related ECM Cleared Transaction and/or FCM Cleared Transaction(s) registered in the CDS Clearing System will, in the absence of manifest error, prevail over the details of such FCM Original Transaction registered in the TIW. LCH.Clearnet SA agrees that it will make available to the relevant FCM Clearing Members the details of FCM Cleared Transactions registered in the CDS Clearing System on a real time basis. Further details are set in the FCM Procedures.

Article 3.1.3.8

On each Clearing Day on which no FCM Original Transaction (which has been submitted by AMP Participants for clearing by LCH.Clearnet SA) is novated in accordance with Article 3.1.1.8, 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 AMP Participant which has submitted FCM Original Transactions for clearing by LCH.Clearnet SA on such Clearing Day informing each such AMP Participant that no novation will take place on such Clearing Day.

Each FCM Clearing Member will be responsible for any reporting to its FCM Client(s) and Affiliate(s).

Article 3.1.3.9

The CDS Clearing System used for the purposes of this FCM CDS Clearing Rule Book is not a real-time monitoring of transactions process. Registration of FCM Cleared Transactions in the Account Structure of the relevant FCM 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 FCM Procedures.

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

Article 3.1.3.10

FCM Cleared Transactions are registered in an FCM Clearing Member's House Trade Account (in the case of FCM Original Transactions cleared for its own account or on behalf of an Affiliate) and in each of its Client Trade Account(s) (in the case of FCM Original Transactions cleared on behalf of FCM Client(s)) 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 FCM Cleared Transactions of an FCM Clearing Member are to be exchanged between the Approved Matching Provider, LCH.Clearnet SA and such FCM 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 FCM Cleared Transactions.

Article 3.1.3.12

Upon the occurrence of specific events where LCH.Clearnet SA manually undertakes, with respect to any FCM Cleared Transactions, automatic processes that are usually provided by the TIW in accordance with Section 5 of the FCM Procedures, LCH.Clearnet SA will charge the relevant FCM 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 Accounts

Article 3.2.1.1

LCH.Clearnet SA shall open, per FCM Clearing Member:

- (i) one House Trade Account in which each FCM Cleared Transaction cleared for its own account or on behalf of Affiliate(s) corresponding to an FCM Original Transaction will be registered; and
- (ii) one Client Trade Account for each FCM Client to which such FCM Clearing Member provides FCM CDS Clearing Services, in which each FCM Cleared Transaction cleared on behalf of such FCM Client corresponding to an FCM Original Transaction will be registered,

in each case on a gross basis.

Article 3.2.1.2

Registration of FCM 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 FCM Original Transaction and amended to reflect any compression of FCM Cleared Transactions pursuant to TITLE III, Chapter 3.

Section 3.2.2 Margin Accounts

Article 3.2.2.1

LCH.Clearnet SA shall open, per FCM Clearing Member, one House Margin Account and one Client Margin Account for each FCM Client to which such FCM Clearing Member provides FCM CDS Clearing Services, for the purposes of risk calculation, as described in TITLE IV to reflect the FCM Clearing Member's Open Positions in the corresponding Trade Accounts.

Each Client Margin Account shall be linked to a corresponding Client Trade Account opened in respect of the same FCM Client.

Article 3.2.2.2

The FCM Cleared Transactions registered in the House Trade Account of an FCM Clearing Member will be allocated to the House Margin Account of the FCM Clearing Member, and the FCM Cleared Transactions registered in each Client Trade Account of an FCM Clearing Member will be allocated to its corresponding Client Margin Account of the FCM Clearing Member.

Allocation of FCM Cleared Transactions to the relevant Margin Account shall be made by LCH.Clearnet SA on the basis of the data set out in each Trade Account and for the purposes of the determination of an FCM Clearing Member's Open Positions only.

Article 3.2.2.3

LCH.Clearnet SA shall calculate an FCM Clearing Member's Open Positions by netting the FCM Cleared Transactions which are allocated to the same Margin Account and are of the same CDS Type. For the avoidance of doubt, such netting shall be made with respect to Client Margin Accounts on a per Client Margin Account basis, with no netting being made between a Client Margin Account attributable to one FCM Client and a Client Margin Account attributable to a different FCM Client. An FCM Clearing Member's Open Positions will be registered in the relevant Margin Account.

In calculating an FCM Clearing Member's Open Positions in respect of each Client Margin Account, in accordance with this Article 3.2.2.3, LCH.Clearnet SA shall be entitled to rely conclusively on the information provided by the relevant FCM Clearing Member.

Section 3.2.3 Financial Accounts

[Note: consider whether in light of the LSOC account structure there should be one Financial Account per FCM Client]

Article 3.2.3.1

LCH.Clearnet SA shall open a House Financial Account and a Client Financial Account for each FCM Clearing Member for the purposes of separately recording Collateral provided by such FCM Clearing Member to satisfy its House Margin Requirement and Collateral provided by such FCM Clearing Member to satisfy its Client Margin Requirement.

Article 3.2.3.2

Collateral provided by an FCM Clearing Member shall be recorded either on its House Financial Account or its Client Financial Account, provided however that Collateral provided by an FCM Clearing Member to satisfy its Contribution Requirement shall be recorded on its DF Financial Account.

CHAPTER 3 - COMPRESSION

Section 3.3.1

Article 3.3.1.1

Subject to Article 3.3.1.3, there will be no compression of FCM Cleared Transactions unless otherwise elected by an FCM Clearing Member in accordance with this Section 3.3.1. Two methods are available to FCM Clearing Members, further details of which are set in Section 5 of the FCM Procedures:

- ad hoc compression; or
- systematic compression.

Article 3.3.1.2

An FCM Clearing Member shall only be entitled to request compression, in accordance with this TITLE III, Chapter 3, in respect of FCM Cleared Transactions which are registered, as the case may be, in each of such FCM Clearing Member's (i) House Trade Account for the FCM Clearing Member's own account; (ii) House Trade Account and attributable to the same Affiliate; or (iii) Client Trade Account and attributable to the same FCM Client. For the avoidance of doubt, an FCM Clearing Member shall not be entitled to request compression between FCM Cleared Transactions which are not registered in the same Trade Account, or between FCM Cleared Transactions which are registered in its House Trade Account but are not attributable to the same Affiliate, or between FCM Cleared Transactions which are registered in its House Trade Account for its own account and FCM Cleared Transactions attributable to any Affiliate(s).

Article 3.3.1.3

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

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

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

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

[Note: the FCM Procedures will need to make clear that compression in these circumstances can only operate on a per client basis]

Article 3.3.1.4

In the event that an FCM Clearing Member does elect for the compression of some or all of its FCM Cleared Transactions in accordance with this Section 3.3.1, such compression shall take place through termination of the relevant existing FCM Cleared Transaction or FCM Cleared Transactions of the same CDS Type in consideration for entry into of a new replacement single

FCM Cleared Transaction. The process and conditions for compression are set out in Section 5 of the FCM Procedures.

Article 3.3.1.5

Neither Article 3.3.1.1 nor Article 3.3.1.3 affects the definition or calculation of the Open Position of an FCM Clearing Member or any Margin Requirement or Contribution Requirement applicable to an FCM Clearing Member which shall at all times be based upon the FCM Clearing Member's Open Positions.

Article 3.3.1.6

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

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

Article 3.3.1.7

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

CHAPTER 4 - TRANSFER

Section 3.4.1

Article 3.4.1.1

Other than in the event that an FCM Clearing Member is a Defaulting FCM Clearing Member, FCM Cleared Transactions shall not be transferred except as provided in this Section 3.4.1.

Article 3.4.1.2

Upon the instruction or at the request of an FCM Client, via a Receiving FCM Clearing Member [(as set out in Section [5] of the FCM Procedures)], to transfer all FCM Cleared Transactions attributable to such FCM Client from the relevant Client Trade Account of a Carrying FCM Clearing Member, LCH.Clearnet SA shall transfer: (x) all FCM Cleared Transactions registered in the relevant Client Trade Account of the Carrying FCM Clearing Member on behalf of such FCM Client, as identified to LCH.Clearnet SA by the Carrying FCM Clearing Member (such transfer to occur by novation of such FCM Cleared Transactions rather than by closeout and rebooking of new FCM Cleared Transactions)⁶; and (y) upon the request of the Receiving FCM Clearing Member, on behalf of the relevant FCM Client, all Account Assets (if any) relating to the FCM Cleared Transactions that are being transferred to a Receiving FCM Clearing Member designated by the FCM Client [(as set out in Section [5] of the FCM Procedures)], provided that:

- (i) such FCM Client is solvent (such FCM Client will be presumed to be solvent by LCH.Clearnet SA unless evidenced to the contrary by the Carrying FCM Clearing Member [in the manner set forth in Section [5] of the FCM Procedures] or as otherwise reasonably determined by LCH.Clearnet SA);
- (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a Defaulting FCM Clearing Member, and no Event has occurred with respect to either the Carrying FCM Clearing Member or the Receiving FCM Clearing Member;
- (iii) the Receiving FCM Clearing Member has consented in writing to such transfer, and has performed all necessary steps to allow LCH.Clearnet SA to open one Client Trade Account and one Client Margin Account in respect of the relevant FCM Client in its Account Structure (or such Receiving FCM Clearing Member is able to demonstrate, to the satisfaction of LCH.Clearnet SA, that such Client Trade Account and Client Margin Account have already been opened in its Account Structure);
- (iv) LCH.Clearnet SA has received sufficient Collateral (being the difference between the Receiving Clearing Member's Client Margin Requirement in respect of the relevant FCM Cleared Transactions and the Account Assets that are to be transferred) from the Receiving FCM Clearing Member in order to enable the transfer; and
- (v) the FCM Client has satisfied (such satisfaction to be presumed by LCH.Clearnet SA unless evidenced to the contrary by the Carrying FCM Clearing Member [in the manner set forth in Section [5] of the FCM Procedures] or as otherwise reasonably determined by LCH.Clearnet SA) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents in writing.

⁶ [Note: operationally it may be difficult to operate such a transfer by novation without rebooking the trade.]

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM Cleared Transactions being transferred or the FCM Client's related collateral.

Article 3.4.1.3

For the purposes of Article 3.4.1.2, LCH.Clearnet SA shall be entitled to conclusively rely on the instructions of the Carrying FCM Clearing Member with respect to the FCM Cleared Transactions and any related Account Assets to be transferred.

Article 3.4.1.4

Upon the instruction or at the request of an FCM Client via a Receiving FCM Clearing Member [(as set out in Section [5] of the FCM Procedures)] to transfer a portion of the FCM Cleared Transactions attributable to such FCM Client from the relevant Client Trade Account of a Carrying FCM Clearing Member (the "**Porting FCM Cleared Transactions**"), LCH.Clearnet SA shall transfer (such transfer to occur by novation of such Porting FCM Cleared Transactions rather than by closeout and rebooking of new FCM Cleared Transactions)⁷ the Porting FCM Cleared Transactions registered in the name of the Carrying FCM Clearing Member on behalf of such FCM Client to a Receiving FCM Clearing Member, designated by the FCM Client [as set out in Section [5] of the FCM Procedures], provided that:

- (i) such FCM Client is solvent (such FCM Client will be presumed to be solvent by LCH.Clearnet SA unless evidenced to the contrary by the Carrying FCM Clearing Member [in the manner set forth in Section [5] of the FCM Procedures] or as otherwise reasonably determined by LCH.Clearnet SA);
- (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a Defaulting Clearing Member, and no Event has occurred with respect to either the Carrying FCM Clearing Member or the Receiving FCM Clearing Member;
- (iii) the Receiving FCM Clearing Member has consented in writing to such transfer, and has performed all necessary steps to allow LCH.Clearnet SA to open one Client Trade Account and one Client Margin Account in respect of the relevant FCM Client in its Account Structure (or such Receiving FCM Clearing Member is able to demonstrate, to the satisfaction of LCH.Clearnet SA, that such Client Trade Account and Client Margin Account have already been opened in its Account Structure);
- (iv) the Receiving FCM Clearing Member has provided sufficient Collateral to LCH.Clearnet SA in respect of its current FCM Cleared Transactions and the Porting FCM Cleared Transactions in order to enable the transfer;
- (v) the FCM Client has satisfied (such satisfaction to be presumed by LCH.Clearnet SA unless evidenced to the contrary by the Carrying FCM Clearing Member [in the manner set forth in Section [5] of the FCM Procedures] or as otherwise reasonably determined by LCH.Clearnet SA) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents in writing; and

⁷ [Note: operationally it may be difficult to operate such a transfer by novation without rebooking the trade.]

- (vi) in the event that the transfer will lead to an increased cover requirement from the Carrying FCM Clearing Member to LCH.Clearnet SA, the Carrying FCM Clearing Member provides sufficient Collateral to LCH.Clearnet SA in respect of such increased cover requirement.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM Cleared Transactions being transferred or the FCM Client's related collateral.

Article 3.4.1.5

Upon request from LCH.Clearnet SA, and in order to facilitate a transfer pursuant to Article 3.4.1.2, the Carrying FCM Clearing Member shall notify LCH.Clearnet SA of the Account Assets which are attributable to the transferring FCM Client and, along with the Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required by LCH.Clearnet SA. In the event that the Carrying FCM Clearing Member fails to notify LCH.Clearnet SA of the Account Assets that are attributable to the relevant FCM Client, LCH.Clearnet SA shall transfer such collateral as it deems appropriate [and as set out in Section [5] of the FCM Procedures].

Article 3.4.1.6

- (i) By notifying LCH.Clearnet SA of a request to accept a transfer of FCM Cleared Transactions of an FCM Client, and the related Account Assets if applicable, pursuant to Article 3.4.1.2 or Article 3.4.1.4, the Receiving FCM Clearing Member shall be deemed to have represented to LCH.Clearnet SA that all of the conditions set forth herein [and in Section [5] of the FCM Procedures] to the transfer of the account of the FCM Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under this FCM CDS Clearing Rule Book, LCH.Clearnet SA shall transfer the FCM Cleared Transaction(s) into the relevant Client Trade Account of the Receiving FCM Clearing Member.
- (ii) In the case where a transfer pursuant to Article 3.4.1.2 will include the transfer of the related Account Assets in addition to the transfer of FCM Cleared Transactions:
 - (A) upon completion of the transfer, the Account Assets in respect of the FCM Cleared Transactions that are being transferred shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to its Client Financial Account and such Account Assets will be subject to the security interest granted by the Receiving FCM Clearing Member pursuant to Regulation [5] of the FCM CDS Clearing Regulations. Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Account Assets transferred;
 - (B) the transfer of the FCM Cleared Transactions and related Account Assets shall be deemed to occur simultaneously, and the transfer of the FCM Cleared Transactions shall be conditioned on the transfer of the related Account Assets, and vice versa; and
 - (C) if the transfer of all of such FCM Cleared Transactions and related Account Assets is not completed for any reason, then any actual transfer of Account Assets or FCM Cleared Transactions that has occurred, as the case may be, shall be deemed void, and any actual transfer of Account Assets or FCM Cleared Transactions that has occurred shall be immediately unwound.

Article 3.4.1.7

Rights under an FCM Cleared Transaction shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this Section 3.4.1, shall be void.

Article 3.4.1.8

Notwithstanding anything to the contrary in the FCM CDS Clearing Rules, in making any transfer of FCM Cleared Transactions and Account Assets pursuant to this Section 3.4.1, LCH.Clearnet SA shall be authorised and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including ensuring that the transfer is properly authorised and that the appropriate account, FCM Cleared Transactions and Account Assets have been identified.

TITLE IV

RISK MANAGEMENT

CHAPTER 1 - GENERAL PROVISIONS

Article 4.1.1.1

LCH.Clearnet SA shall separately calculate the House Margin Requirement and the Client Margin Requirement for an FCM Clearing Member.

Article 4.1.1.2

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

CHAPTER 2 - MARGIN

Section 4.2.1 Margin Requirement and Collateral to be provided by FCM Clients and Affiliates

A. Margin Requirements

Article 4.2.1.1

In order to manage its risk exposure, LCH.Clearnet SA shall require each FCM Clearing Member to transfer to LCH.Clearnet SA such Collateral as is necessary to satisfy its House Margin Requirement and its Client Margin Requirement. The Margin Requirement for each FCM 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 FCM 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 FCM Clearing Members or to require Extraordinary Margin to be paid by a particular FCM 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.

B. Collateral to be provided by FCM Clients and Affiliates

Article 4.2.1.3

An FCM Clearing Member shall require each of its FCM Clients to provide collateral in respect of those Open Positions registered and attributable to it in the Client Margin Account corresponding to such FCM Client. The aggregate amount of collateral maintained by the FCM Clearing Member in its FCM Cleared Swaps Client Segregated Depository Account shall at all times equal or exceed the Client Margin Requirement.

FCM Cleared Transactions cleared on behalf of FCM Clients shall be subject to gross margin requirements on all Open Positions, and each FCM Clearing Member shall require its FCM Client(s) to satisfy such gross margin requirements.

Article 4.2.1.4

An FCM Clearing Member may impose margin requirements on its Affiliates for which it provides FCM CDS Clearing Services on a net basis, netting the FCM Cleared Transactions of the same CDS Type and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or an FCM Clearing Member may impose such margin requirements on a gross basis.

Article 4.2.1.5

In relation to any collateral received from FCM Clients and held in an FCM Cleared Swaps Client Segregated Depository Account, each FCM Clearing Member is required to comply with Regulation [6] of the FCM CDS Clearing Regulations.

Section 4.2.2 Margin Calls and Margin Call Reports

Article 4.2.2.1

On each Clearing Day, for each FCM Clearing Member, LCH.Clearnet SA shall calculate separately with respect to such FCM Clearing Member's House Margin Account on the one hand, and all of its Client Margin Accounts on the other hand:

- (i) the House Margin Requirement or Client Margin Requirement, as appropriate;
- (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 FCM Procedures.

Article 4.2.2.2

Following this calculation, LCH.Clearnet SA shall inform each FCM Clearing Member of the Margin Requirement, the Margin Balance and, as the case may be, of any Margin Shortfall or Margin Excess in respect of its House Margin Account on the one hand, and in respect of all of its Client Margin Accounts on the other hand, by [07:45]⁸ 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 an FCM Clearing Member's TARGET2 Account⁹ 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 for either the FCM Clearing Member's House Margin Account or for all of its Client Margin Accounts, there is a Margin Shortfall, such FCM Clearing Member shall transfer to LCH.Clearnet SA additional Collateral so that the Margin Balance for such FCM Clearing Member's House Margin Account and all of its Client Margin Accounts has a value at least equal to the House Margin Requirement or Client Margin Requirement, as the case may be. Each FCM Clearing Member shall transfer such Collateral in such form and by such times as set out in Section 3 of the FCM 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 for the FCM Clearing Member's House Margin Account on the one hand, and for all of its Client Margin Accounts on the other hand, there is a Margin Excess in respect of either the House Margin Account or the Client Margin Accounts (in aggregate), such FCM 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 FCM Procedures. Excess Cash Collateral will be returned in accordance with Section 3 of the FCM Procedures.

In accordance with the FCM CDS Clearing Regulations, including without limitation Regulation [6] of the FCM CDS Clearing Regulations, in no event shall Margin Excess attributable to FCM Clients

⁸ **Note to CFTC:** The timing for notification of an FCM Clearing Member's House and/or Client Margin Requirement may change as LCH develops an intra-day novation process. The current drafting tracks the timing for the T+1 inter-dealer service.

⁹ **Note to CFTC:** Account infrastructure for payment of Margins to be developed and confirmed, as noted in the Implementation Plan.

of an FCM Clearing Member be available to satisfy any Margin Requirement relating to FCM Cleared Transactions registered in the House Trade Account of such FCM Clearing Member.

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 an FCM 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 an FCM Clearing Member if:

- (i) LCH.Clearnet SA deems it necessary pursuant to LCH.Clearnet SA's assessment of that FCM 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 any Margin Account give rise to a material exposure in respect of that FCM Clearing Member.

Article 4.2.2.6

LCH.Clearnet SA shall notify any intra-day call for Collateral to the relevant FCM 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 an FCM Clearing Member's TARGET2 Account¹⁰ 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 FCM 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 FCM Procedures or as may otherwise be prescribed by LCH.Clearnet SA from time to time.

Article 4.2.2.7

No FCM Clearing Member may withdraw any amount from its Client Financial Account or its House Financial Account if such withdrawal would cause the Margin Balance to be less than the Client Margin Requirement then attributable to the corresponding Client Margin Account(s) (in aggregate) or the House Margin Requirement then attributable to the corresponding House Margin Account, as determined by LCH.Clearnet SA in accordance with the provisions of the FCM CDS Clearing Rules.

Section 4.2.3 Variation Margin

Article 4.2.3.1

In order to manage the risk of price fluctuations occurring in respect of the Open Positions recorded in an FCM Clearing Member's House Margin Account and/or each of its Client Margin Account(s), LCH.Clearnet SA shall require each FCM Clearing Member to transfer Cash Collateral by way of a Variation Margin payment.

Article 4.2.3.2

The calculation of an FCM Clearing Member's House Variation Margin Requirement and its Client Variation Margin Requirement shall be performed by LCH.Clearnet SA separately for the FCM Clearing Member's House Margin Account and for its Client Margin Accounts, in accordance with Section 2 of the FCM Procedures.

¹⁰ **Note to CFTC:** Account infrastructure for payment of Margins to be developed and confirmed, as noted in the Implementation Plan.

Article 4.2.3.3

Each FCM Clearing Member required to transfer Cash Collateral to satisfy its House Variation Margin Requirement and its Client Variation Margin Requirement shall transfer such Cash Collateral in such form and by such times as set out in Section 3 of the FCM 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 FCM Procedures. LCH.Clearnet SA may notify FCM Clearing Members of any change to what constitutes Eligible Currencies or Eligible Collateral by publication of a Clearing Notice and FCM Clearing Members will be required to transfer replacement Collateral in accordance with the provisions of the FCM CDS Clearing Rule Book and Section 3 of the FCM Procedures.

Article 4.2.4.2

On the specific written request of an FCM 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

An FCM Clearing Member shall post Cash Collateral and/or Eligible Collateral to satisfy its Margin Requirement. In calculating the Margin Balance for the FCM Clearing Member's House Margin Account and for all of its Client Margin Accounts, LCH.Clearnet SA may apply such haircuts to Eligible Collateral as set out in Section 3 of the FCM Procedures and such FX adjustments to Cash Collateral as set out on the Website.

Article 4.2.4.4

An FCM 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 for the FCM Clearing Member's House Margin Account or for all of its Client Margin Accounts, exceeds the FCM Clearing Member's House Margin Requirement or Client Margin Requirement, as the case may be. Any Margin Excess will be treated as Collateral (in respect of the House Margin Account or the Client Margin Account(s), as the case may be) and the FCM Clearing Member may, subject to the provisions set out in Section 4.2.2 and Section 3 of the FCM 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 Regulation [2] of the FCM CDS Clearing Regulations and Section 3 of the FCM Procedures.

Article 4.2.4.6

Eligible Collateral transferred to LCH.Clearnet SA shall be held by LCH.Clearnet SA in accordance with Regulation [2] of the FCM CDS Clearing Regulations and Section 3 of the FCM Procedures.

Article 4.2.4.7

An FCM Clearing Member shall grant a security interest in any Collateral transferred to LCH.Clearnet SA as described in Regulation [5] of the FCM CDS Clearing Regulations, pursuant to and in accordance with the applicable provisions of the laws of the State of New York and the laws of the United States of America.

LCH.Clearnet SA shall be entitled to file one or more financing statements to perfect the security interests granted pursuant to Regulation [5] of the FCM CDS Clearing Regulations, without the FCM Clearing Member's signature thereon. An FCM Clearing Member shall take such actions and execute and deliver such documents as LCH.Clearnet SA may request in order to enforce and perfect its rights in respect of Collateral in accordance with the FCM CDS Clearing Rules.

Article 4.2.4.8

Cash Collateral transferred to LCH.Clearnet SA for the purpose of satisfying an FCM Clearing Member's Contribution Requirement shall be transferred on a full title transfer basis.

Article 4.2.4.9

In providing any Collateral to LCH.Clearnet SA, an FCM Clearing Member shall represent and warrant that:

- (i) the FCM Clearing Member is the sole and beneficial owner of the assets making up such Eligible Collateral or, as the case may be, such assets are so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such assets to LCH.Clearnet SA;
- (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);
- (iii) the security interest granted pursuant to Regulation [5] of the FCM CDS Clearing Regulations creates a valid and continuing first lien on, and security interest in, Collateral in favour of LCH.Clearnet SA, which lien and security interest are effective as against any creditor of, or purchaser from, the FCM Clearing Member, subject to any requirement for perfection thereof under any Applicable Law;
- (iv) no financing statement, assignment, notice of assignment or similar document covering all or part of the Collateral is on file in any public office or has been delivered to any obligee or obligor of the FCM Clearing Member or any other person, except any financing statement, assignment, notice of assignment or other similar document filed or delivered by the FCM Clearing Member in favour of LCH.Clearnet SA pursuant to the FCM CDS Clearing Rules; and
- (v) the use or application of the Eligible Collateral by LCH.Clearnet SA will not breach Applicable Law or any obligations owed by such FCM Clearing Member to any third party.

Article 4.2.4.10

All Collateral provided by an FCM Clearing Member to satisfy its Client Margin Requirement shall be provided by such FCM Clearing Member in accordance with the FCM CDS Clearing Regulations (including, without limitation, Regulation [3] of the FCM CDS Clearing Regulations).

Article 4.2.4.11

Collateral provided to satisfy the House Margin Requirement may be applied by LCH.Clearnet SA towards the payment of any sum whatsoever due by the FCM Clearing Member to LCH.Clearnet SA. No Collateral provided to satisfy the Client Margin Requirement shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to LCH.Clearnet SA in respect of FCM Cleared Transactions registered in its House Trade Account.

Article 4.2.4.12

In every case, LCH.Clearnet SA will be entitled to supply a securities depository with all the information it requires for any purposes relating to an FCM Clearing Member, or to Eligible Collateral received by LCH.Clearnet SA from an FCM Clearing Member which are or may at any time have been held by the depository. Eligible Collateral will be lodged and held within such depository or other systems as LCH.Clearnet SA may select or allow, subject to the conditions of such systems and to any applicable law and subordinate rules relating thereto as well as to the terms of the FCM CDS Clearing Rules.

Section 4.2.5 Valuation of Open Positions

Article 4.2.5.1

For the purposes of calculating and valuing an FCM 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 FCM 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 FCM 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 FCM 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 House Margin Requirement and its Client Margin Requirement, calculating and valuing the Open Positions registered in its Margin Accounts for the purposes of its own internal books and records] and for other purposes, provided that the End of Day Contributed Price information is not used contemporaneously with publication of the End of Day Contributed Prices]. **[LCH considering whether the additional wording proposed by LL (between square brackets) is consistent with its agreement with Markit]**

Article 4.2.5.3

Each FCM Clearing Member agrees not to distribute End of Day Contributed Price information other than to its FCM Clients or Affiliates whose trades form the open interest in LCH.Clearnet SA's clearing system for the purposes of clearing FCM Cleared Transactions.

Other than for the purposes of clearing FCM Cleared Transactions as set out above in Article 4.2.5.2 and this Article 4.2.5.3, an FCM Clearing Member shall not, and shall not authorise its FCM Clients and Affiliates to, copy, display, distribute, transfer, sub-license, transmit, sell, re-circulate, reverse engineer, assign, resell, publish, make available or otherwise disclose all or any portion of the End of Day Contributed Price information, by whatever means, to any other person or entity. **[LCH considering whether this is consistent with its agreement with Markit]**

Article 4.2.5.4

FCM Clients and the Affiliates of an FCM Clearing Member shall only be permitted to use End of Day Contributed Price information, received from an FCM Clearing Member in accordance with Article 4.2.5.3, in connection with the provision of FCM CDS Clearing Services to them. **[LCH considering whether this is consistent with its agreement with Markit]**

Article 4.2.5.5

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

Notwithstanding the foregoing, an FCM Clearing Member will not be liable for any conduct of an FCM Client with respect to the use of, or other actions taken with respect to, End of Day Contributed Price information.

Article 4.2.5.6

Neither the Index Publisher nor any other person makes any representation or warranty related to the End of Day Contributed Price and the Index Publisher shall have no 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 4.2.5.7

Each FCM 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.

[Note: details on how FCM Clearing Members will participate in the submission of prices/spreads to be discussed and put in the FCM Procedures; the Implementation Plan should cover issues such as the timing for price submission – will this continue to be at the end of the day in Europe, meaning FCMs will submit their prices at lunchtime?]

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 Clearing Documentation;
- (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 Clearing Documentation.

Article 4.3.1.3

In the context of Article 4.3.1.1 and Article 4.3.1.2, capitalised terms shall have the meaning set out in: (i) this FCM CDS Clearing Rule Book, in the context of an Event occurring and continuing in respect of an FCM Clearing Member, and (ii) the ECM CDS Clearing Rule Book, in the context of an Event occurring and continuing in respect of an ECM Clearing Member.

Article 4.3.1.4

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) in the event that the Defaulting Clearing Member is an FCM Clearing Member, confirm to the Defaulting Clearing Member the details of any FCM Clients who have instructed LCH.Clearnet SA to transfer, or terminate, close out and re-establish, their FCM Cleared Transactions to or with a Back-Up Clearing Member in accordance with Regulation [4] of the FCM CDS Clearing Regulations and the CDS Default Management Process;
- (iii) publish a Clearing Notice on the Website specifying the name of the Defaulting Clearing Member; and
- (iv) notify DTCC and the Approved Matching Provider¹¹.

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 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

¹¹ **Note to CFTC:** Further notifications may be needed following the declaration of a default, e.g. to other SDRs, SEFs or other execution venues/middleware that connect to LCH via its API. Further detail on LCH's proposed connectivity to execution venues, middleware and data repositories is included in the Implementation Plan.

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) in the case of an FCM Clearing Member, arrange for Porting to take place in accordance with Regulation [4] of the FCM CDS Clearing Regulations and the CDS Default Management Process;
- (ii) terminate the Defaulting Clearing Member's membership of the CDS Clearing Service in accordance with Article 2.5.2.1 of this FCM CDS Clearing Rule Book or Article 2.4.2.1 of the ECM CDS Clearing Rule Book, as applicable;
- (iii) enter into and register any new Original Transaction in the name of and on behalf of the Defaulting Clearing Member;
- (iv) 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;
- (v) impose an increased House Margin Requirement and/or Client Margin Requirement, as appropriate, on the Defaulting Clearing Member in order to secure the performance by the Defaulting Clearing Member of its obligations under the ECM CDS Clearing Documentation or the FCM CDS Clearing Documentation, as applicable;
- (vi) 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;
- (vii) in the event that the Defaulting Clearing Member was a Matched Buyer for the purposes of Physical Settlement of an FCM 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 FCM CDS Clearing Supplement or Section 6.15 of the ECM CDS Clearing Supplement, as applicable, to be transferred to LCH.Clearnet SA;
- (viii) 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;
- (ix) execute, for LCH.Clearnet SA's own account, hedging transactions including, without limitation, the purchase, exercise, sale or grant of Cleared Transactions;
- (x) 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(ix) of this FCM CDS Clearing Rule Book or Article 4.3.2.3(viii) of the ECM CDS Clearing Rule Book, as applicable), in consultation with the CDS Default Management Group and in accordance with Regulation [4] of the FCM CDS

Clearing Regulations (in the case of an FCM Clearing Member) and the CDS Default Management Process;

- (xi) 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;
- (xii) liquidate the Collateral posted by the Defaulting Clearing Member in respect of its ECM Cleared Transactions and/or FCM Cleared Transactions registered in its House Trade Account to ensure the performance by the Defaulting Clearing Member of its obligations under the ECM CDS Clearing Documentation or the FCM CDS Clearing Documentation, as applicable;
- (xiii) in the case of an FCM Clearing Member, liquidate the Collateral posted by the Defaulting Clearing Member in respect of its FCM Client Business in accordance with Regulations [6(b)(ii)] and [6(d)] of the FCM CDS Clearing Regulations to ensure the performance by the Defaulting Clearing Member of its obligations under the FCM CDS Clearing Documentation;
- (xiv) act in lieu of the Defaulting Clearing Member for performing its payment and/or delivery obligations under Cleared Transactions;
- (xv) 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;
- (xvi) 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
- (xvii) enforce the security interest referred to in Article 3.2.3.2 of the ECM CDS Clearing Rule Book (in the case of an ECM Clearing Member) or Regulation [5] of the FCM CDS Clearing Regulations (in the case of an FCM Clearing Member).

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

Subject to Article 4.3.3.2, 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 recorded 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

In relation to Article 4.3.3.1, where an Event of Default is declared in respect of an FCM Clearing Member, Collateral which has been provided to LCH.Clearnet SA by an FCM Clearing Member to satisfy its Client Margin Requirement in respect of all of its Client Margin Account(s) shall only be applied to cover Damage incurred by LCH.Clearnet SA in accordance with Regulation [6] of the FCM CDS Clearing Regulations.

Article 4.3.3.3

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: (i) the Defaulting Clearing Member's ECM Cleared Transactions, (ii) the FCM Cleared Transactions registered in the Defaulting Clearing Member's House Trade Account, and/or (iii) the FCM Cleared Transactions registered in the Defaulting Clearing Member's Client Trade Account(s) which have not been ported in accordance with the CDS Default Management Process, 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: (i) the Defaulting Clearing Member's ECM Cleared Transactions (ii) the FCM Cleared Transactions registered in the Defaulting Clearing Member's House Trade Account, and/or (iii) the FCM Cleared Transactions registered in the Defaulting Clearing Member's Client Trade Account(s) which have not been ported in accordance with the CDS Default Management Process, shall be for the account of the Defaulting Clearing Member (subject to Article 4.3.3.4 and the determination of amounts due from the Defaulting Clearing Member to LCH.Clearnet SA pursuant to Article 4.3.3.5).

Article 4.3.3.4

Where an Event of Default is declared in respect of an FCM Clearing Member and Porting does not take place in relation to any of the FCM Cleared Transactions registered in its Client Trade Account(s), any positive values arising from the liquidation of these FCM Cleared Transactions registered in its Client Trade Account(s) shall be for the account of the relevant FCM Client(s).

Article 4.3.3.5

Following: (a) Porting of FCM Cleared Transactions registered in the Defaulting FCM Clearing Member's Client Trade Account(s); and (b) liquidation of all of: (i) the Defaulting Clearing Member's ECM Cleared Transactions, (ii) the FCM Cleared Transactions registered in the Defaulting Clearing Member's House Trade Account, and (iii) all other FCM Cleared Transactions registered in in the Defaulting Clearing Member's Client Trade Account(s) which have not been ported in accordance with the CDS Default Management Process, 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 the 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 FCM 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 FCM CDS Clearing Supplement or Section 6.15 of the ECM CDS Clearing Supplement, as applicable;
- (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 FCM CDS Clearing Supplement or Section 6.15 of the ECM CDS Clearing Supplement, as applicable; 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 the 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 FCM CDS Clearing Supplement or Section 6.15 of the ECM CDS Clearing Supplement, as applicable, 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 and shall pay such amounts to the Matched Seller as soon as possible following the Defaulting Clearing Member Termination Date.

Article 4.3.3.6

To the extent that: (a) Porting of FCM Cleared Transactions registered in the Defaulting FCM Clearing Member's Client Trade Account(s); and (b) liquidation of: (i) the Defaulting Clearing Member's ECM Cleared Transactions, (ii) the FCM Cleared Transactions registered in the Defaulting Clearing Member's House Trade Account, and (iii) all other FCM Cleared Transactions registered in in the Defaulting Clearing Member's Client Trade Account(s) which have not been ported in accordance with the CDS Default Management Process, pursuant to the CDS Default Management Process requires new ECM Cleared Transactions and/or FCM Cleared Transactions to be created in the TIW reflecting another Clearing Member as counterparty to the ECM Cleared Transaction or FCM Cleared Transaction (as applicable), 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 ECM Cleared Transactions and/or FCM Cleared Transactions, as the case may be, to DTCC in accordance with Article 3.1.3.4 (or Article 3.1.3.5, as the case may be)¹².

¹² **Note to CFTC:** this paragraph may need updating to reference ported FCM Cleared Transactions and DTCC's proposed "triparty trade ticket" system, depending upon how a Back-Up FCM Clearing Member is required to be reflected on a client trade at DTCC. For further detail on the TIW and client clearing, please see the Implementation Plan.

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 of this FCM CDS Clearing Rule Book or Article 4.3.3.1 of the ECM CDS Clearing Rule Book, as applicable, following its determination of an Event of Default with respect to a Clearing Member pursuant to Article 4.3.1.2 of this FCM CDS Clearing Rule Book or Article 4.3.1.2 of the ECM CDS Clearing Rule Book, as applicable, 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) of this FCM CDS Clearing Rule Book or Article 4.3.3.1(i), (ii) and (iii) of the ECM CDS Clearing Rule Book, as applicable, 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]¹³ (calculated by reference to the Open Positions in all Margin Accounts of the relevant FCM Clearing Member), 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 ECM Procedures and Section 6 of the FCM Procedures, and shall not be less than the floor amount established in Section 6 of the ECM Procedures and Section 6 of the FCM Procedures. The method for calculating the Uncovered Risk of a Clearing Member is set forth in Section 6 of the ECM Procedures and Section 6 of the FCM Procedures.

Article 4.4.1.3

Subject to Section 6 of the ECM Procedures and Section 6 of the FCM 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 EUR[10,000,000]¹⁴.

¹³ **Note to CFTC:** The risk parameters underpinning the sizing of the Default Fund, in connection with a client clearing service, are still being determined by LCH. The interaction between an FCM Clearing Member's contribution to the Default Fund and its margin payments on behalf of both its proprietary and client business is being considered in further detail.

¹⁴ **Note to CFTC:** The risk parameters underpinning the sizing of the Default Fund, in connection with a client clearing service, are still being determined by LCH. This floor amount reflects the risk parameters which have been determined for LCH's inter-dealer service.

Further detail regarding the method for calculating each Clearing Member's Contribution is set out in Section 6 of the ECM Procedures and Section 6 of the FCM 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 ECM Procedures and Section 6 of the FCM Procedures. Each Clearing Member will pay such Additional Contribution Amount by such time specified in Section 6 of the ECM Procedures and Section 6 of the FCM 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.

[Note: The FCM Procedures will have to require FCM Clearing Members to have the ability to meet an assessment within the timeframe of a normal end-of-day variation settlement cycle under Rule 39.11(d)]

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 of this FCM CDS Clearing Rule Book or Article 4.4.1.2 of the ECM CDS Clearing Rule Book, as applicable, 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 House Margin Requirement or Client Margin Requirement is increased by 10% or more in accordance with Section 4.2.1 of this FCM CDS Clearing Rule Book or Section 4.2.1 of the ECM CDS Clearing Rule Book, as applicable, 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 of this FCM CDS Clearing Rule Book or Article 4.4.1.3 to Article 4.4.1.7 of the ECM CDS Clearing Rule Book, as applicable.

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 of this FCM CDS Clearing Rule Book or Article 4.4.1.8 of the ECM CDS Clearing Rule Book, as applicable, 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 House Margin Requirement (when the increased Contribution Requirement is due to an increase of its House Margin Requirement) or Client Margin Requirement (when the increased Contribution Requirement is due to an increase of its Client Margin Requirement), as appropriate, and a Margin Shortfall in respect of its House Margin Account or Client Margin Account(s), as the case may be.

For the avoidance of doubt, if a Clearing Member elects to transfer Collateral equal to the value of the relevant 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, in accordance with Article 4.3.3.1 and Article 4.3.3.2 of this FCM CDS Clearing Rule Book or Article 4.3.3.1 of the ECM CDS Clearing Rule Book, as applicable, and there shall be no effect on such Clearing Member's Contribution during the CDS Post-Default Period.

Article 4.4.1.10

Where a Clearing Member elects to transfer Collateral in satisfaction of a Margin Shortfall, in accordance with Article 4.4.1.9, the Clearing Member shall transfer to LCH.Clearnet SA Collateral equal to the value of such Margin Shortfall for the remainder of the CDS Post-Default Period, subject that:

- (i) on the first Business Day following the end of the CDS Post-Default Period, LCH.Clearnet SA shall recalculate the Clearing Member's Contribution Requirement, as described in Article 4.4.1.6;

- (ii) following a recalculation of the Clearing Member's Contribution Requirement in accordance with sub-paragraph (i) above, the Clearing Member shall be required to transfer Cash Collateral in an amount equal to the Contribution Shortfall in accordance with Article 4.4.1.7; and
- (iii) following the transfer in accordance with sub-paragraph (ii) above, any Collateral transferred by the Clearing Member in satisfaction of an increased House Margin Requirement or Client Margin Requirement in accordance with Article 4.4.1.9 shall be returned in accordance with Section 3 of the Procedures or Section 3 of the FCM Procedures as applicable.

Article 4.4.1.11

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 relevant Margin Shortfall until the end of the CDS Post-Default Period, pursuant to Article 4.4.1.8.

Article 4.4.1.12

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 4.4.1.13

Upon receipt of notice, pursuant to Article 4.4.1.12, a Clearing Member may deliver a Membership Termination Notice to LCH.Clearnet SA in accordance with Article 2.5.2.2(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 4.4.1.12, 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 (i) [25 Business Days] in respect of such Clearing Member's House Trade Account and (ii) [● Business Days] in respect of such FCM Clearing Member's Client Trade Account(s), in each case following the date on which such Clearing Member delivered its Membership Termination Notice or the Membership Termination Notice is withdrawn pursuant to Article 2.5.2.5, then such Clearing Member will be required to satisfy its Contribution Requirement in full, calculated based on the then-current methodology.

For the purposes of the FCM Clearing Member's Client Trade Accounts, if any FCM Client has not taken steps to close-out or transfer the FCM Cleared Transactions registered in its Client Trade Account within [●] Business Days of the date the FCM Clearing Member delivered its Membership Termination Notice, then such FCM Clearing Member shall be permitted to take such actions as it considers reasonably necessary to close-out or transfer any remaining FCM Cleared Transactions.¹⁵

Article 4.4.1.14

For the avoidance of doubt, nothing in Article 4.4.1.12 or Article 4.4.1.13 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:

- (iii) 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
- (iv) 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 3 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 recorded in the relevant DF 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.

¹⁵ Note: To be assessed by risk departments.

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 and Article 4.3.3.2, 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 5 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 and Article 4.3.3.2, 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 in satisfaction of its Contribution Requirement 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 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 and Article 4.3.3.2, 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.