

**AUCTION TERMS FOR CDS DEFAULT AUCTIONS**

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1. **DEFINITIONS AND INTRODUCTION**

The following definitions apply to Parts 1 and 2 of these CDS Default Auction Procedures:

1.1 The term "**Allocated Failed Auction Lot Resources**" means Auction Lot Resources from a Failed Auction Lot allocated pursuant to paragraph 5.7 of Part 2 of these CDS Default Auction Procedures.

1.2 The term "**All or Nothing Bid**":

(i) with respect to a Primary CDS Auction, has the meaning set out in paragraph 3.8 of Part 1 of these CDS Default Auction Procedures; and

(ii) with respect to a Secondary CDS Auction, has the meaning set out in paragraph 3.6 of Part 2 of these CDS Default Auction Procedures.

1.3 ~~1.2~~ The term "**AP**" means the Primary CDS Auction Clearing Price or Secondary CDS Auction Clearing Price (as applicable) for ~~a~~ an Auction Lot (converted into EUR at the rate specified in paragraph 2.2 of the Finance Procedures, if applicable), proportionately scaled to a portfolio size representing 100% of the relevant Auction Lot ~~(or, in respect of a CDS Auction, the applicable fill percentage).~~

1.4 The term "**Auction Lot**" means the whole, or any package constituting part of, the CDS Contracts of a Defaulter (and for a Secondary CDS Auction the CDS Contracts that are remaining after completion of the Primary CDS Auction) as determined and communicated by the Clearing House for the purposes of any discrete Primary CDS Auction or Secondary CDS Auction (as applicable).

1.5 The term "**Auction Lot Assessment Contribution**" means, for an Auction Lot and a CDS Clearing Member that is not a Defaulter, the Auction Lot Guaranty Fund Weighting multiplied by the CDS Assessment Contribution of such CDS Clearing Member.

1.6 The term "**Auction Lot CDS Direct Auction Participant Contribution**" means, for an Auction Lot and a participating Direct Participating Customer, the Auction Lot Guaranty Fund Weighting multiplied by the Direct Auction Participant Contribution of such Direct Participating Customer for a Primary CDS Auction or Secondary CDS Auction (as applicable).

1.7 The term "**Auction Lot Guaranty Fund Contribution**" means, for an Auction Lot and a CDS Clearing Member that is not a Defaulter, the Auction Lot Guaranty Fund Weighting multiplied by the CDS Guaranty Fund Contributions of such CDS Clearing Member.

1.8 The term "**Auction Lot Guaranty Fund Weighting**" means the percentage equal to (A) the PRI applicable to such Auction Lot divided by (B) the aggregate of the PRIs for all Auction Lots in a Defaulter's portfolio.

1.9 The term "**Auction Lot Resources**" means for an Auction Lot subject to a Secondary CDS Auction, the aggregate of the Auction Lot Assessment Contributions and Auction Lot Guaranty Fund Contributions for all CDS Clearing Members (that are not Defaulters) for such Auction Lot plus the Available Defaulter Resources and Replenishment Amounts.

1.10 The term "**Auction Lot Resource Shortfall**" means for an Auction Lot subject to a Secondary CDS Auction, that the Auction Lot Resources are insufficient to allocate all CDS Contracts in that Auction Lot at the Secondary CDS Auction Clearing Price.

1.11 ~~1.3~~ The term "**Bid**" means, with respect to ~~a~~ an Auction Lot, an offer to purchase CDS Contracts in a Primary CDS Auction or Secondary CDS Auction (as applicable) ~~made by submitting a Bid Form.~~

1.12 ~~1.4~~ The term "**Bidder**" means, with respect to ~~a~~ an Auction Lot, a Primary CDS Auction Participant or a Secondary CDS Auction Participant (as applicable) that has submitted a Bid.

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1.13 The term "Bidding Close Time" means the closing time specified by the Clearing House for the relevant Primary CDS Auction or Secondary CDS Auction (as applicable) in the Primary CDS Auction Specifications or Secondary CDS Auction Specifications (as applicable).

1.14 ~~1.5~~ ~~The term "Bid Form" means a bid form submitted via ICE's file transfer server or otherwise as set out~~ Submission" means the submission of a Bid via the DMS (or via such other means and in such format as is specified by the Clearing House, ~~and~~) in the format and in the manner specified by the Clearing House in the Primary CDS Auction Specifications or Secondary CDS Auction Specifications (as applicable).

1.15 ~~1.6~~ ~~The term "BP" means for a Primary CDS Auction Participant or a Secondary CDS Auction Participant and an Auction Lot, (i) the weighted average Bid price of all valid Standard Bids made by such Primary CDS Auction Participant or Secondary CDS Auction Participant in the Primary CDS Auction or Secondary CDS Auctions (weighted by the portfolio size of each such Bid, and converted into EUR at the rate specified in paragraph 2.2 of the Finance Procedures, if applicable); or (ii) the price of any valid All or Nothing Bid made by such Primary CDS Auction Participant or Secondary CDS Auction Participant in the Primary CDS Auction or Secondary CDS Auction, in either case proportionately scaled to a portfolio size representing 100% (or, in respect of a CDS Auction, the applicable fill percentage) of the relevant Auction Lot. Where at the Standard Bids submitted by a Primary CDS Auction Participant or Secondary CDS Auction Participant has made Bids in the Primary CDS Auction or Secondary CDS Auction are in excess of its Minimum Bid Requirement, such weighted average shall only take into account its most competitive Bids in the aggregate equal to such Minimum Bid Requirement. Where the Standard Bids submitted by a Primary CDS Auction Participant or Secondary CDS Auction Participant do not comply with any applicable Minimum Bid Requirement for the Primary CDS Auction or Secondary CDS Auction, the BP shall be only the price of any All or Nothing Bid made by such Primary CDS Auction Participant or Secondary CDS Auction Participant in the Primary CDS Auction or Secondary CDS Auction, should it have made one. If a Primary CDS Auction Participant or a Secondary CDS Auction Participant does not comply with any applicable Minimum Bid Requirement based on its Standard Bids, and that Primary CDS Auction Participant or Secondary CDS Auction Participant does not provide a valid All or Nothing Bid, then the Primary CDS Auction Participant or Secondary CDS Auction Participant shall be considered a Non-Bidding CDS Clearing Member. For the avoidance of doubt, where a Primary CDS Auction Participant or a Secondary CDS Auction Participant has submitted only Standard Bids, or has submitted only an All or Nothing Bid, BP shall be the weighted average Bid price of the Standard Bids, or the price of the All or Nothing Bid, respectively. In the case of a CDS Clearing Member, BP shall take into account all valid Bids made by it for its Customer Accounts, Proprietary Accounts and Customer Accounts (including Individually Segregated Sponsored Account Accounts), but shall not include Bids made by a Direct Participating Customer for which it acts as CDS Clearing Member or Sponsor.~~

~~1.7 The term "CDS Auction" means the initial Default Auctions of CDS Contracts carried out in accordance with Rule 905(b)(i) and Part 1 of these CDS Auction Procedures (for the avoidance of doubt, such auctions are "Initial CDS Auctions" as defined in the Rules).~~

~~1.8 The term "CDS Auction Announcement Circular" means a Circular in relation to the Event of Default specifying that a CDS Auction is to take place in accordance with Rule 901(b)(i).~~

~~1.9 The term "CDS Auction Clearing Price" means, with respect to a Lot, the price of the Bid at which the sum of the notional amount of CDS Contracts with equal or higher Bids equals or is greater than the notional amount of CDS Contracts being auctioned.~~

~~1.10 The term "CDS Auction Participant" means each CDS Clearing Member that is not a Defaulter and any Direct Participating Customer.~~

~~1.11 The term "CDS Auction Priority" means the CDS Auction Priority GF Sequence and the CDS Auction Priority AC Sequence.~~

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~~1.12 The term "CDS Auction Priority AC Sequence" means, pursuant to Rule 908(i), the following amounts, applied in the following order: (i) first, the CDS Assessment Contributions of each Non Bidding CDS Clearing Member, pro rata based on the relative size of its CDS Assessment Contribution; (ii) second, the Subordinate Assessment Contribution Tranche, pro rata from the Subordinate Assessment Contributions based on their relative size; and (iii) third, the Senior Assessment Contribution Tranche, pro rata based on the relative size of the Senior Assessment Contributions.~~

~~1.13 The term "CDS Auction Priority GF Sequence" means, pursuant to Rule 908(i), the following amounts, applied in the following order: (i) first, the CDS Guaranty Fund Contributions of each Non Bidding CDS Clearing Member and the CDS Direct Auction Participant Contributions of each Non Bidding Direct Participating Customer, pro rata based on the relative size of its CDS Guaranty Fund Contributions or CDS Direct Auction Participant Contribution, as applicable; (ii) second, the Subordinate Guaranty Fund Tranche, pro rata from the Subordinate Guaranty Fund Contributions based on their relative size; (iii) third, the Senior Guaranty Fund Tranche, pro rata based on the relative size of the Senior Guaranty Fund Contributions; (iv) fourth, any Replenishment Amounts made available by the Clearing House at this level in the default waterfall.~~

~~1.14 The term "CDS Auction Specifications" means CDS Auction Specifications in the form of the template set out in Annex A to these CDS Auction Procedures.~~

1.16 ~~1.15~~ The term "CDS Default Auction Procedures" means these Auction Terms for CDS Default Auctions.

1.17 ~~1.16~~ The term "Clearing House CDS Contributions Tranche" means the Replenishment Amounts multiplied by the sum of the [Auction](#) Lot Guaranty Fund Weightings for all [Auction](#) Lots other than Failed [Auction](#) Lots.

~~1.17 The term "Closing Time" means the closing time specified by the Clearing House for the relevant CDS Auction or Secondary CDS Auction (as applicable) in the CDS Auction Specifications or Secondary CDS Auction Specifications (as applicable).~~

1.18 The term "Direct Auction Participant Contribution" means the amount transferred to the Clearing House by a Direct Participating Customer in accordance with paragraph 1.19.

1.19 The term "Direct Participating Customer" means a Customer, including a Sponsored Principal, invited by the Clearing House to participate in a [Primary](#) CDS Auction or Secondary CDS Auction, where (i) the relevant CDS Clearing Member or Sponsor has confirmed that it will clear any resulting transactions of its Customer or Sponsored Principal (as applicable), (ii) solely for the purposes of participating in a [Primary](#) CDS Auction, such Customer or Sponsored Principal has transferred to the Clearing House the amount of EUR 7.5 million as a Direct Auction Participant Contribution in respect of such [Primary](#) CDS Auction (covering all [Auction](#) Lots therein), which may be applied and is returnable as set forth herein and in the Rules, and (iii) such Customer or Sponsored Principal has entered into an agreement with the Clearing House with respect to such Customer or Sponsored Principal's participation in the [Primary](#) CDS Auction or Secondary CDS Auction in form and substance acceptable to the Clearing House, pursuant to which, among other matters, such Customer or Sponsored Principal agrees to be bound by these CDS [Default](#) Auction Procedures as they apply to a Direct Participating Customer.

1.20 The term "~~Elective CDS Auction Participant~~" means ~~a CDS Clearing Member that is not a Defaulter whose membership privileges allow it not to be a CDS Auction Participant or a Secondary CDS Auction Participant.~~ [DMS](#)" means the [Default Management System](#) operated by the Clearing House.

1.21 The term "Excess Successful [Auction](#) Lot Resources" means, for ~~a~~[an](#) [Auction](#) Lot subject to a Secondary CDS Auction, excess [Auction](#) Lot Resources from one or more other [Auction](#) Lots (other than Failed [Auction](#) Lots) in excess of the amount necessary to pay the amounts owed for all CDS Contracts at the [Primary](#) CDS Auction Clearing Prices or Secondary CDS Auction Prices (as applicable) for such other [Auction](#) Lot(s).

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AUCTION TERMS FOR CDS DEFAULT AUCTIONS

- 1.22 The term "**Excused Non-Participating Bidder**" means, with respect to ~~a~~ an Auction Lot:
- (i) a CDS Clearing Member; or
  - (ii) a Direct Participating Customer,
- that is (a) not subject to a Minimum Bid Requirement under paragraph 2.4 of Part 1 of these CDS Default Auction Procedures or paragraph 2.4 of Part 2 of these ~~Secondary~~ CDS Default Auction Procedures or (b) does not participate in the Primary CDS Auction or Secondary CDS Auction (as applicable) for such Auction Lot ~~either because it is an Elective CDS Auction Participant which elects not to participate or that~~ does not meet the ~~Participation Criteria~~ participation criteria set out in the relevant Primary CDS Auction Specifications or Secondary CDS Auction Specifications.
- 1.23 The term "**Failed Auction Lot**" means ~~a~~ an Auction Lot subject to a Primary CDS Auction or a Secondary CDS Auction that is treated as failed:
- (i) for a Primary CDS Auction, in accordance with paragraph 5.6 of Part 1 of these CDS Default Auction Procedures; or
  - (ii) for a Secondary CDS Auction, in accordance with paragraph 5.6 of Part 2 of these CDS Default Auction Procedures.
- 1.24 The term "**First CDS Auction**" means the initial CDS Auction in respect of ~~a~~ an Auction Lot.
- ~~1.25 The term "**Lot**" means the portfolio of a Defaulter (and for a Secondary CDS Auction the remaining portfolio of a Defaulter after Completion of the CDS Auction) as divided into discrete CDS Auctions or Secondary CDS Auctions (as applicable).~~
- ~~1.26 The term "**Lot Assessment Contribution**" means, for a Lot and a CDS Clearing Member that is not a Defaulter, the Lot Guaranty Fund Weighting multiplied by the CDS Assessment Contribution of such CDS Clearing Member.~~
- ~~1.27 The term "**Lot CDS Direct Auction Participant Contribution**" means, for a Lot and a participating Direct Participating Customer, the Lot Guaranty Fund Weighting multiplied by the CDS Direct Auction Participant Contribution of such Direct Participating Customer for a CDS Auction or Secondary CDS Auction (as applicable).~~
- ~~1.28 The term "**Lot Guaranty Fund Contribution**" means, for a Lot and a CDS Clearing Member that is not a Defaulter, the Lot Guaranty Fund Weighting multiplied by the CDS Guaranty Fund Contributions of such CDS Clearing Member.~~
- ~~1.29 The term "**Lot Guaranty Fund Weighting**" means the percentage equal to (A) the PRI applicable to such Lot divided by (B) the aggregate of the PRIs for all Lots in a CDS Auction or Secondary CDS Auction (as applicable).~~
- ~~1.30 The term "**Lot Resources**" means for a Lot subject to a Secondary CDS Auction, the aggregate of the Lot Assessment Contributions and Lot Guaranty Fund Contributions for all CDS Clearing Members (that are not Defaulters) for such Lot plus the Available Defaulter Resources and Replenishment Amounts.~~
- ~~1.31 The term "**Lot Resource Shortfall**" means for a Lot subject to a Secondary CDS Auction, that the Lot Resources are insufficient to allocate all CDS Contracts in that Lot at the Secondary CDS Auction Clearing Price.~~
- 1.25 ~~1.32~~ The term "**Minimum Bid Requirement**" means, subject to paragraphs 2.4 and ~~2.6~~ 2.5 of Part 1 of these CDS Default Auction Procedures, and subject to paragraphs 2.4, 2.5 and 2.7 of Part 2 of these ~~Secondary~~ CDS Default Auction Procedures, with respect to ~~a~~ an Auction Lot, the requirement for all

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CDS Clearing Members to Bid for a minimum notional amount of CDS Contracts in such [Auction](#) Lot as determined by the Clearing House, in each case as the context so requires.

- [1.26](#) ~~1.33~~ The term "**Non-Bidding CDS Clearing Member**" means a CDS Clearing Member, not being a Defaulter, that chooses not to participate or does not submit or make (or is deemed not to have submitted or made) a Bid in the relevant [Primary](#) CDS Auction or Secondary CDS Auction ~~of any Lot~~ (except as provided for in these CDS [Default](#) Auction Procedures) or that does not comply with any applicable Minimum Bid Requirement for any [Auction](#) Lot.
- [1.27](#) ~~1.34~~ The term "**Non-Bidding Direct Participating Customer**" means a Direct Participating Customer that chooses not to participate or does not submit or make (or is deemed not to have submitted or made) a Bid in the relevant [Primary](#) CDS Auction or Secondary CDS Auction ~~of any Lot~~ (except as provided for in these CDS [Default](#) Auction Procedures) or that does not comply with any applicable Minimum Bid Requirement for any [Auction](#) Lot.
- [1.28](#) ~~1.35~~ The term "**PRI**" means, with respect to ~~a~~ [an Auction](#) Lot, the sum equal to the Initial Margin requirement applicable to the Open Contract Positions comprising such [Auction](#) Lot (exclusive of the so-called "jump-to-default risk" component), determined by the Clearing House as of the most recent Initial Margin cycle prior to the [Primary](#) CDS Auction or Secondary CDS Auction (as applicable).
- [1.29](#) The term "**Primary CDS Auction**", with respect to an Auction Lot, means an initial Default Auction of CDS Contracts carried out in accordance with Rule 905(b)(i) and Part 1 of these CDS Default Auction Procedures (and, for the avoidance of doubt, such auctions are "Initial CDS Auctions" as defined in the Rules), which will either be a First CDS Auction or Repeat CDS Auction.
- [1.30](#) The term "**Primary CDS Auction Announcement**" means a notification by the Clearing House through DMS (or via such other means and in such format as is specified by the Clearing House) that a Primary CDS Auction is to take place, in accordance with paragraph 2.5 of Part 1 of these CDS Default Auction Procedures.
- [1.31](#) The term "**Primary CDS Auction Clearing Price**" means, with respect to an Auction Lot in a Primary CDS Auction, the price of the Bid at which the sum of the notional amount of CDS Contracts with equal or higher Bid prices equals or is greater than the notional amount of CDS Contracts being auctioned, but in the event that an All or Nothing Bid is included in such sum of the notional amount of CDS Contracts, means the price of the All or Nothing Bid in accordance with paragraph 5.4 of Part 1 of these CDS Default Auction Procedures.
- [1.32](#) The term "**Primary CDS Auction Participant**" means, with respect to a Primary CDS Auction, each CDS Clearing Member that is not a Defaulter and any Direct Participating Customer.
- [1.33](#) The term "**Primary CDS Auction Priority**" means the Primary CDS Auction Priority GF Sequence and the Primary CDS Auction Priority AC Sequence.
- [1.34](#) The term "**Primary CDS Auction Priority AC Sequence**" means, pursuant to Rule 908(i), the following amounts, applied in the following order and in each case *pro rata* for the relevant Auction Lot of a Primary CDS Auction by applying the Auction Lot Guaranty Fund Weighting: (i) first, the CDS Assessment Contributions of each Non-Bidding CDS Clearing Member, *pro rata* based on the relative size of their CDS Assessment Contributions; (ii) second, the Subordinate Assessment Contribution Tranche, *pro rata* based on the relative size of the Subordinate Assessment Contribution of each CDS Clearing Member; and (iii) third, the Senior Assessment Contribution Tranche, *pro rata* based on the relative size of the Senior Assessment Contribution of each CDS Clearing Member.
- [1.35](#) The term "**Primary CDS Auction Priority GF Sequence**" means, pursuant to Rule 908(i), the following amounts, applied in the following order and in each case *pro rata* for the relevant Auction Lot of a Primary CDS Auction by applying the Auction Lot Guaranty Fund Weighting: (i) first, the CDS Guaranty Fund Contributions of each Non-Bidding CDS Clearing Member and the Direct Auction Participant

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Contributions of each Non-Bidding Direct Participating Customer, pro rata based on the relative size of their CDS Guaranty Fund Contributions or Direct Auction Participant Contributions, respectively, to the total of all such CDS Guaranty Fund Contributions and Direct Auction Participant Contributions; (ii) second, the Subordinate Guaranty Fund Tranche, pro rata for each CDS Clearing Member or Direct Participating Customer based on the relative size of their Subordinate Guaranty Fund Contributions; (iii) third, the Senior Guaranty Fund Tranche, pro rata for each CDS Clearing Member or Direct Participating Customer based on the relative size of their Senior Guaranty Fund Contributions; (iv) fourth, any Replenishment Amounts made available by the Clearing House at this level in the default waterfall.

1.36 The term "Primary CDS Auction Specifications" has the meaning set out in paragraph 2.5 of Part 1 of these CDS Default Auction Procedures.

1.37 The term "Repeat CDS Auction" means a further Primary CDS Auction in respect of an Auction Lot, after an unsuccessful or partially unsuccessful First CDS Auction.

1.38 ~~1.36~~ The term "Replenishment Amounts" means amounts or assets of the Clearing House applied by the Clearing House or other third parties applied to meet any shortfall, loss or liability (not being Clearing House Contributions, Loss Assets, Guaranty Fund Contributions or Assessment Amounts).

1.39 ~~1.37~~ The term "Rules" means the ICE Clear Europe Rules.

~~1.38 The term "Second CDS Auction" means a further CDS Auction in respect of a Lot.~~

1.40 ~~1.39~~ The term "Secondary CDS Auction" means ~~the~~ with respect to an Auction Lot, a secondary default ~~auctions~~auction of remaining CDS Contracts carried out in accordance with Rule 905(d)(i)(B) and Part 2 of these CDS Default Auction Procedures.

1.41 ~~1.40~~ The term "Secondary CDS Auction Announcement ~~Circular~~" means a ~~Circular in relation to the Event of Default specifying~~notification by the Clearing House through DMS (or via such other means and in such format as is specified by the Clearing House) that a Secondary CDS Auction is to take place, in accordance with ~~Rule 905(d)(i)(B)~~paragraph 2.7 of Part 2 of these CDS Default Auction Procedures.

1.42 ~~1.41~~ The term "Secondary CDS Auction Clearing Price" means, with respect to ~~an Auction~~ an Auction Lot in a Secondary CDS Auction, the price of the Bid at which the sum of the notional amount of CDS Contracts with equal or higher ~~Bids~~Bid prices equals or is greater than the notional amount of CDS Contracts being auctioned, but in the event that an All or Nothing Bid is included in such sum of the notional amount of CDS Contracts, means the price of the All or Nothing Bid in accordance with paragraph 5.4 of Part 2 of these CDS Default Auction Procedures.

1.43 ~~1.42~~ The term "Secondary CDS Auction Participant" means, with respect to a Secondary CDS Auction, each CDS Clearing Member that is not a Defaulter and any Direct Participating Customer.

1.44 ~~1.43~~ The term "Secondary CDS Auction Priority" means the Secondary CDS Auction Priority GF Sequence and the Secondary CDS Auction Priority AC Sequence.

1.45 ~~1.44~~ The term "Secondary CDS Auction Priority AC Sequence" means, pursuant to Rule 908(i), the following amounts, applied in the following order and in each case pro rata for the relevant Auction Lot of a Secondary CDS Auction by applying the Auction Lot Guaranty Fund Weighting: (i) first, the CDS Assessment Contributions of each Non-Bidding CDS Clearing Member, *pro rata* based on the relative size of ~~its~~their CDS Assessment ~~Contribution~~Contributions; (ii) second, the Subordinate Assessment Contribution Tranche, *pro rata* ~~from~~based on the relative size of the Subordinate Assessment ~~Contributions based on their relative size~~Contribution of each CDS Clearing Member; (iii) third, the Senior Assessment Contribution Tranche, *pro rata* based on the relative size of the Senior Assessment ~~Contributions~~Contribution of each CDS Clearing Member; and (iv) fourth, any Replenishment Amounts made available by the Clearing House at this level in the default waterfall.

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1.46 ~~1.45~~ The term "**Secondary CDS Auction Priority GF Sequence**" means, pursuant to Rule 908(i), the following amounts, applied in the following order and in each case pro rata for the relevant Auction Lot of a Secondary CDS Auction by applying the Auction Lot Guaranty Fund Weighting: (i) first, the Auction Lot Guaranty Fund Contributions of any Non-Bidding CDS Clearing Member; (ii) second, the Subordinate Guaranty Fund Tranche, pro rata from the for each CDS Clearing Member based on the relative size of their Subordinate Guaranty Fund Contributions ~~based on their relative size~~; (iii) third, the Senior Guaranty Fund Tranche, pro rata for each CDS Clearing Member based on the relative size of ~~the their~~ Senior Guaranty Fund Contributions; (iv) fourth, the Clearing House CDS Contributions Tranche.

1.47 ~~1.46~~ The term "**Secondary CDS Auction Specifications**" ~~means Secondary CDS Auction Specifications in the form of the template set out in Annex A to~~ has the meaning set out in paragraph 2.7 of Part 2 of these CDS Default Auction Procedures.

1.48 ~~1.47~~ The term "**Senior Assessment Contribution**" means, with respect to an Auction Lot:

(i) for a CDS Clearing Member that is a Senior Bidder or Excused Non-Participating Bidder ~~(other than an Elective CDS Auction Participant)~~, its, its Auction Lot Assessment Contribution;

(ii) for a CDS Clearing Member that is a Split Bidder, a portion of its Auction Lot Assessment Contribution determined pursuant to the following formula:

its Auction Lot Assessment Contribution multiplied by  $((BP - \text{Subordinate Threshold Price}) / PRI)$

(iii) for a CDS Clearing Member that is a Subordinate Bidder, zero;

(iv) for a CDS Clearing Member that is a Defaulter, zero; and

solely in a Primary CDS Auction:

(v) in the case of a Failed Auction Lot, for each CDS Clearing Member that is not a Defaulter, its Auction Lot Assessment Contribution.

1.49 ~~1.48~~ The term "**Senior Assessment Contribution Tranche**" means the aggregate of the Senior Assessment Contributions of each CDS Clearing Member for all Auction Lots (other than Failed Auction Lots under a Secondary CDS Auction).

1.50 ~~1.49~~ The term "**Senior Bidder**" means, with respect to an Auction Lot, a Primary CDS Auction Participant whose BP for the Auction Lot is more competitive than the Senior Threshold Price.

1.51 ~~1.50~~ The term "**Senior Guaranty Fund Contribution**" means, with respect to an Auction Lot:

(i) for a CDS Clearing Member that is a Senior Bidder or Excused Non-Participating Bidder ~~(other than an Elective CDS Auction Participant)~~, its, its Auction Lot Guaranty Fund Contribution;

(ii) for a CDS Clearing Member that is a Split Bidder, a portion of its Auction Lot Guaranty Fund Contribution determined pursuant the following formula:

its Auction Lot Guaranty Fund Contribution multiplied by  $((BP - \text{Subordinate Threshold Price}) / PRI)$

(iii) for a CDS Clearing Member that is a Subordinate Bidder, zero;

(iv) for a CDS Clearing Member that is a Defaulter, zero; and

solely in a Primary CDS Auction:



## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

(v) in the case of a Failed [Auction](#) Lot, for each CDS Clearing Member that is not a Defaulter, its [Auction](#) Lot Guaranty Fund Contribution;

(vi) for a Direct Participating Customer that is a Senior Bidder or Excused Non-Participating Bidder ~~(other than an Elective CDS Auction Participant)~~, zero;

(vii) for a Direct Participating Customer that is a Split Bidder, a portion of its [Auction](#) Lot CDS Direct Auction Participant Contribution determined pursuant to the following formula:

its [Auction](#) Lot CDS Direct Auction Participant Contribution multiplied by  $((BP - \text{Subordinate Threshold Price}) / PRI)$

(viii) for a Direct Participating Customer that is a Subordinate Bidder, zero; and

(ix) in the case of a Failed [Auction](#) Lot, for each Direct Participating Customer, its [Auction](#) Lot CDS Direct Auction Participant Contribution.

1.52 ~~1.51~~ The term "**Senior Guaranty Fund Tranche**" means the aggregate of the Senior Guaranty Fund Contributions of each CDS Clearing Member (other than Failed [Auction](#) Lots under a Secondary CDS Auction) for all [Auction](#) Lots.

1.53 ~~1.52~~ The term "**Senior Threshold Price**" means, with respect to ~~a~~ [an Auction](#) Lot, an amount (expressed in EUR, with a negative number meaning an amount payable by the Clearing House) equal to AP minus ½ of the PRI. Solely for purposes of the calculation of the Senior Threshold Price, AP will be the [Primary](#) CDS Auction Clearing Price or Secondary CDS Auction Clearing Price (as applicable) that would have been determined with respect to 100% of the [Auction](#) Lot (or, in respect of a [Primary](#) CDS Auction, the applicable fill percentage) originally proposed to be auctioned, even if the actual [Primary](#) CDS Auction Clearing Price or Secondary CDS Auction Clearing Price (as applicable) is ultimately determined based on only a portion of such [Auction](#) Lot pursuant to paragraph 5.6 of Part 1 of these CDS [Default](#) Auction Procedures or paragraph 5.6 of Part 2 of these CDS [Default](#) Auction Procedures.

1.54 ~~1.53~~ The term "**Split Bidder**" means, with respect to ~~a~~ [an Auction](#) Lot, a [Primary](#) CDS Auction Participant or Secondary CDS Auction Participant (as applicable) whose BP for the [Auction](#) Lot is between the Senior Threshold Price and the Subordinate Threshold Price (inclusive).

1.55 The term "**Standard Bid**":

(i) with respect to a Primary CDS Auction, has the meaning set out in paragraph 3.8 of Part 1 of these CDS Default Auction Procedures; and

(ii) with respect to a Secondary CDS Auction, has the meaning set out in paragraph 3.6 of Part 2 of these CDS Default Auction Procedures.

1.56 ~~1.54~~ The term "**Subordinate Assessment Contribution**" means, with respect to ~~a~~ [an Auction](#) Lot:

(i) for a CDS Clearing Member that is a Subordinate Bidder, its [Auction](#) Lot Assessment Contribution;

(ii) for a CDS Clearing Member that is a Split Bidder, a portion of its [Auction](#) Lot Assessment Contribution equal to its [Auction](#) Lot Assessment Contribution minus its Senior Assessment Contribution;

(iii) for a CDS Clearing Member that is a Senior Bidder or Excused Non-Participating Bidder ~~(other than an Elective CDS Auction Participant)~~, zero;

(iv) for a CDS Clearing Member that is a Defaulter, all its available Assessment Contributions; and

solely in a [Primary](#) CDS Auction:

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(v) in the case of a Failed [Auction](#) Lot, for each CDS Clearing Member that is not a Defaulter, zero.

1.57 ~~1.55~~—The term "**Subordinate Assessment Contribution Tranche**" means the aggregate of the Subordinate Assessment Contributions of each CDS Clearing Member for all [Auction](#) Lots (other than Failed [Auction](#) Lots under a Secondary CDS Auction).

1.58 ~~1.56~~—The term "**Subordinate Bidder**" means, with respect to ~~a~~[an Auction](#) Lot, a [Primary](#) CDS Auction Participant ~~or Secondary CDS Auction Participant (as applicable)~~ whose BP for the [Auction](#) Lot is less competitive than the Subordinate Threshold Price ~~or an Excused Non-Participating Bidder that is an Elective CDS Auction Participant~~.

1.59 ~~1.57~~—The term "**Subordinate Guaranty Fund Contribution**" means, with respect to ~~a~~[an Auction](#) Lot:

(i) for a CDS Clearing Member that is a Subordinate Bidder, its [Auction](#) Lot Guaranty Fund Contribution;

(ii) for a CDS Clearing Member that is a Split Bidder, a portion of its [Auction](#) Lot Guaranty Fund Contribution equal to its [Auction](#) Lot Guaranty Fund Contribution minus its Senior Guaranty Fund Contribution;

(iii) for a CDS Clearing Member that is a Senior Bidder or Excused Non-Participating Bidder ~~other than an Elective CDS Auction Participant~~, zero;

(iv) for a CDS Clearing Member that is a Defaulter, all its available CDS Guaranty Fund Contributions; and

solely in a [Primary](#) CDS Auction:

(v) in the case of a Failed [Auction](#) Lot, for each CDS Clearing Member that is not a Defaulter, zero;

(vi) for a Direct Participating Customer that is a Subordinate Bidder, its [Auction](#) Lot CDS Direct Auction Participant Contribution;

(vii) for a Direct Participating Customer that is a Split Bidder, a portion of its [Auction](#) Lot CDS Direct Auction Participant Contribution equal to its [Auction](#) Lot CDS Direct Auction Participant Contribution minus its Senior Guaranty Fund Contribution;

(viii) for a Direct Participating Customer that is a Senior Bidder or Excused Non-Participating Bidder ~~other than an Elective CDS Auction Participant~~, zero; and

(ix) in the case of a Failed [Auction](#) Lot, for each Direct Participating Customer, zero.

1.60 ~~1.58~~—The term "**Subordinate Guaranty Fund Tranche**" means the aggregate of the Subordinate Guaranty Fund Contributions of each CDS Clearing Member (other than Failed [Auction](#) Lots under a Secondary CDS Auction) and, in respect of a [Primary](#) CDS Auction, Direct Participating Customer, for all [Auction](#) Lots.

1.61 ~~1.59~~—The term "**Subordinate Threshold Price**" means, with respect to ~~a~~[an Auction](#) Lot, an amount (expressed in EUR, with a negative number meaning an amount payable by the Clearing House) equal to (A) AP minus (B) 1.5 multiplied by the PRI. Solely for purposes of the calculation of the Subordinate Threshold Price, AP will be the [Primary](#) CDS Auction Clearing Price or Secondary CDS Auction Clearing Price (as applicable) that would have been determined with respect to 100% of the [Auction](#) Lot (or, in respect of a [Primary](#) CDS Auction, the applicable fill percentage) originally proposed to be auctioned, even if the actual [Primary](#) CDS Auction Clearing Price or Secondary CDS Auction Clearing Price is ultimately determined based on only a portion of such [Auction](#) Lot pursuant to paragraph 5.6 of Part 1 of these CDS [Default](#) Auction Procedures or paragraph 5.6 of Part 2 of these CDS [Default](#) Auction Procedures.

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- 1.62 ~~1.60~~ The term "**Winning Bid**" for an Auction Lot, means a Bid which results in the entry into a CDS Contract or CDS Contracts at the Primary CDS Auction Clearing Price or Secondary CDS Auction Clearing Price (as applicable), determined in accordance with paragraph 5.4 of Part 1 of these CDS Default Auction Procedures or 5.4 of Part 2 of these CDS Default Auction Procedures (as applicable).
- 1.63 ~~1.61~~ The term "**Winning Bidder**" of an Auction Lot, means ~~the relevant~~ a CDS Clearing Member whose Bid is ~~the~~ a Winning Bid (for one of its Proprietary ~~Account, its~~ Accounts or Customer ~~Account~~ Accounts for the account of ~~the~~ any relevant Customer, ~~or its~~ including Individually Segregated Sponsored ~~Account~~ Accounts for the account of ~~the~~ a Sponsored Principal for which it acts as Sponsor, as applicable).

The following interpretative provisions also apply to these CDS Auction Procedures:

- 1.64 These CDS Default Auction Procedures govern the auctioning of Auction Lots representing one or more CDS Contracts to which a Defaulter is or was a party, where such auction is administered by the Clearing House pursuant to Part 9 of the ICE Clear Europe Rules (the "Rules") and these CDS Default Auction Procedures. These CDS Default Auction Procedures are 'Procedures' as defined in the Rules and are subject to the Rules, including, without limitation, Rule 102. A reference herein to CDS Contracts includes: (i) where automatic early termination has taken place under Part 9 of the Rules or the Contract Terms, a reference to an auction of the terminated CDS Contracts or notional amounts representing such CDS Contracts; and (ii) where contracts have arisen from hedging transactions made pursuant to Rule 903(c), a reference to any such hedging contracts executed by the Clearing House.
- 1.65 These CDS Default Auction Procedures shall apply to CDS Auctions conducted by the Clearing House pursuant to Part 9 of the Rules. However, they may be modified or supplemented for any particular CDS Auction pursuant to the relevant CDS Auction Specifications. Nothing in these CDS Default Auction Procedures shall prevent the Clearing House from administering a sale or entering into offsetting transactions without holding an auction to which these CDS Default Auction Procedures apply, including through the procurement of competitive prices from more than one Person (which may or may not include Clearing Members) in order to terminate, close out, hedge or offset a Defaulter's Contracts pursuant to Rule 905.
- 1.66 The Clearing House will aim to conduct CDS Auctions in accordance with its default policies including, but not limited to, its CDS Default Management Policy. In the event of a conflict between the terms of such default policies and these CDS Default Auction Procedures (as modified or supplemented by any applicable Primary CDS Default Auction Specifications or Secondary CDS Default Auction Specifications), these CDS Default Auction Procedures (as so modified or supplemented) shall prevail.
- 1.67 Subject to paragraph 1.68 to 1.73 below, these CDS Default Auction Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these CDS Default Auction Procedures will be subject to arbitration under Rule 117.
- 1.68 Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of these CDS Default Auction Procedures inasmuch as they relate solely to an issue or matter concerning:
- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
  - (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided.

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and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in these CDS Default Auction Procedures (such provisions, together or separately "Pledged Collateral Matters") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

1.69 For the avoidance of doubt, paragraph 1.68 is an exception to paragraph 1.67 and Rule 102(s) which provide that the CDS Default Auction Procedures and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.68, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

- (a) all of the provisions of these CDS Default Auction Procedures relating to the Designated System;
- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal on the one hand and the Clearing House on the other hand;
- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal;
- (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
- (f) the Contract Terms of all Contracts.

1.70 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "New York Courts"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:

- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
- (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.

1.71 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.70 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.70 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.70 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to

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which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.70 heard in the New York Courts.

1.72 Nothing in this paragraph 1 precludes the Clearing House from bringing an action to enforce a judgment from any New York Court or award of any arbitral tribunal in any court of competent jurisdiction.

1.73 EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THESE DELIVERY PROCEDURES OR ANY MATTER CONTEMPLATED BY THEM. EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY:

(a) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PERSON BOUND BY THESE RULES HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF ANY SUCH DISPUTE, SEEK TO ENFORCE THE FOREGOING WAIVER; AND

(b) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THESE RULES, ALL CONTRACTS AND ALL OTHER TRANSACTIONS CONTEMPLATED BY THESE RULES, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH 1.

1.74 ~~1.62~~ Capitalised terms used, but not defined, in these CDS ~~Auctions~~Default Auction Procedures shall have the meanings given to them in the Rules, CDS Procedures, Finance Procedures or CDS Standard Terms as applicable, and in the order of priority specified in Rule 102(f) in the event and to the extent of any conflict.

1.75 ~~1.63~~ In these CDS Default Auction Procedures, the term 'CDS Clearing Members' shall be construed to exclude any CDS Clearing Member that is a Defaulter and the terms 'Sponsor' and 'Sponsored Principal' shall be construed to exclude any Sponsor or Sponsored Principal that is a Defaulter.

~~1.64 A reference herein to CDS Contracts includes, where automatic early termination has taken place under Part 9 of the Rules or the Contract Terms, a reference to an auction of the terminated CDS Contracts or notional amounts representing such CDS Contracts.~~

## PART 1 – PRIMARY CDS AUCTIONS

### 1. INTRODUCTION

- 1.1 Part 1 of these CDS Default Auction Procedures govern the auctioning of one or more Auction Lots in one or more Primary CDS Auctions, representing CDS Contracts to which a Defaulter is or was a party, where such auction is administered by the Clearing House pursuant to Rule 905(b)(i). ~~These CDS Default Auction Procedures are 'Procedures' as defined in the Rules and are subject to the Rules, including, without limitation, Rule 102. These CDS Default Auction Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law.~~
- 1.2 Part 1 of these CDS Default Auction Procedures shall apply to every Primary CDS Auction conducted by the Clearing House pursuant to Rule 905(b)(i). However, they may be modified or supplemented for any particular Primary CDS Auction pursuant to the relevant Primary CDS Auction Specifications as set out in paragraph ~~2.6, subject to consultation with the CDS Default Committee as provided under the Rules~~2.5.
- ~~1.3 The Clearing House will conduct CDS Auctions in accordance with its default policies. In the event of a conflict between the terms of such default policies and Part 1 of these CDS Default Auction Procedures (as modified or supplemented by any applicable CDS Auction Specification as set out in paragraph 2.6), Part 1 of these CDS Default Auction Procedures shall prevail.~~
- 1.3 ~~1.4~~ References in this Part 1 of the CDS Default Auction Procedures to paragraph numbers shall be to paragraphs in this Part 1, unless otherwise stated.

### 2. THE AUCTION PROCESS

- 2.1 Any Primary CDS Auctions of CDS Contracts to which a Defaulter is or was party will take place after the Clearing House has ~~issued a~~made a Primary CDS Auction Announcement ~~Circular to CDS Clearing Members~~. The Clearing House will provide such advance notice as it determines is reasonable under the circumstances (but in any event at least one hour) to CDS Clearing Members prior to the Primary CDS Auction.
- 2.2 ~~Each~~Subject to a zero Minimum Bid Requirement being established pursuant to paragraph 2.4, each CDS Clearing Member is required to Bid in every Primary CDS Auction and for ~~every~~any Auction Lot in a Primary CDS Auction regardless of whether such CDS Clearing Member is at the time of the Primary CDS Auction a party to any CDS Contract, has served a notice of termination for which the Termination Date has not yet passed or is in a Cooling-off Period, except as provided herein ~~and unless its membership privileges permit it not to participate and it so elects not to participate, in which case such CDS Clearing member will not be a CDS Auction Participant~~. Each CDS Clearing Member's Minimum Bid Requirement will be determined *pro rata* based on its CDS Guaranty Fund Contributions as compared to the CDS Guaranty Fund Contributions of all non-defaulting CDS Clearing Members, subject to paragraphs 2.4 and 5.7 below. The sum total of the CDS Clearing ~~Member's~~Members' Minimum Bid Requirements may be set to an amount greater than 100% (but no greater than 150%) of the notional amount of the CDS Contracts in the relevant Auction Lot as may be determined by the Clearing House from time to time, in consultation with the CDS Default Committee.
- 2.3 A CDS Clearing Member may Bid for the account of a Customer and a Sponsor may Bid for the account of a Sponsored Principal, subject to paragraph ~~3.7~~3.8. References to a CDS Clearing Member here shall include, where necessary, in respect of an Individually Segregated Sponsored Account, a reference to the Sponsor and Sponsored Principal acting jointly in respect of such Account.
- 2.4 Where applicable, each Primary CDS Auction Participant's Minimum Bid Requirement in respect of a particular Auction Lot shall be communicated to it individually by the Clearing House through the DMS (or via such other means and in such format as is specified by the Clearing House) as soon as practicable

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prior to the relevant Primary CDS Auction ~~in the format of the template notification set out in Annex B to these CDS Default Auction Procedures.~~ A Minimum Bid Requirement shall not apply to a Primary CDS Auction Participant for a particular Auction Lot: (a) to the extent such a Minimum Bid Requirement would be in breach of Applicable Law or the Rules; (b) to the extent that a self-referencing CDS as described in paragraph ~~10.511.5~~ of the CDS Procedures would arise from an accepted Bid; or (c) ~~where the Clearing House, after being notified in writing by the relevant CDS Clearing Member to the extent that such~~ a Minimum Bid Requirement ~~is~~would be inappropriate in the ~~current~~ circumstances, ~~reasonably determines that the Minimum Bid Requirement does not apply as may be reasonably determined by the Clearing House.~~ A Primary CDS Auction Participant will notify the Clearing House promptly ~~and in any event at least 12 hours prior to the opening of the relevant CDS Auction (or if the Clearing House has provided less than 15 hours' notice of the relevant CDS Auction, a CDS Auction Participant will notify the Clearing House as promptly as practicable but in any event within 3 business hours (or such shorter period of time until the CDS Auction) following such notice)~~one hour of the Clearing House publishing details of the CDS Contracts comprising the relevant Auction Lot, in writing, if it reasonably considers that ~~clause paragraph (a) or (b) or (c) above applies to it. An Elective or should apply to it and upon receiving confirmation by the Clearing House that it agrees with such assessment, the Minimum Bid Requirement shall not apply to that Primary CDS Auction Participant shall notify the Clearing House whether or not it will participate in a CDS Auction within the timeframes set out in the previous sentence, as applicable.~~ Affiliated CDS Clearing Members may ~~transfer, outsource or aggregate~~outsource the operational processing of any of their obligations under these CDS Default Auction Procedures under Rule 102(w). CDS Clearing Members may also transfer their Minimum Bid Requirements to ~~apply to a single one of them subject to an Affiliate provided that such Affiliate so agrees and is also a CDS Clearing Member, subject to both Clearing Members notifying the Clearing House prior to a Primary CDS Auction. A CDS and executing an agreement in the format approved by the Clearing House for these purposes. A CDS Clearing Member that so transfers its Minimum Bid Requirement to an Affiliated CDS Clearing Member or outsources any of its obligations~~ remains liable for any breach by its Affiliate or outsourcee of these CDS Default Auction Procedures or the Primary CDS Auction Specifications, including without limitation in respect of CDS Guaranty Fund juniorisation, and will be subject to the Primary CDS Auction Priority as if such Bid were its own. In addition, a CDS Clearing Member that so transfers or outsources its Minimum Bid Requirement to an Affiliate ~~remains liable for any breach by its Affiliate of these CDS Auction Procedures or the CDS Auction Specifications in respect of such CDS Clearing Member's Minimum Bid Requirement (in addition to the liability on the part of its Affiliate for such breach) and will be subject to the CDS Auction Priority as if such Bid were its own.~~ will, for the purposes of determining its Senior Guaranty Fund Contribution, Subordinate Guaranty Fund Contribution, Senior Assessment Contribution and/or Subordinate Assessment Contribution, and for determining whether it should be designated as a Non-Bidding CDS Clearing Member, assume the same position as a Senior Bidder, Split Bidder, Subordinate Bidder or Non-Bidding CDS Clearing Member as the Affiliate as appropriate.

- 2.5 The Clearing House may, in consultation with the CDS Default Committee, divide the portfolio of a Defaulter into one or more Auction Lots as it considers appropriate. The Clearing House may at its discretion determine which particular CDS Contracts or packages of CDS Contracts are to be the subjects of a particular Auction Lot and may establish Auction Lots by selecting by way of CDS Contract Set or generic type (e.g. indices, single names or by sector). The Clearing House may combine contracts with different currencies in the same Auction Lot. In these circumstances, Primary CDS Auction Participants must still provide Bids in a single currency, being that specified in the relevant Primary CDS Auction Specifications. Payment obligations resulting from the Primary CDS Auction will be in the specified currency. In creating any such Auction Lots, the Clearing House will consider if CDS Contracts that provide ~~margin~~Margin offsets for one another in the normal margining methodology of the Clearing House should be retained in the same Auction Lot. It is expected that the Clearing House will create one or more separate Auction Lots consisting of CDS Contracts for which ~~one or more~~any CDS Clearing Members ~~is~~are excused from a Minimum Bid Requirement under paragraph 2.4. The Clearing House may, in consultation with the CDS Default Committee, conduct Primary CDS Auctions, and auction Auction Lots ~~within any CDS Auction,~~ in such order as it considers appropriate; provided that within any Primary CDS Auction the Clearing House will use reasonable efforts to auction all Auction Lots of a Defaulter's portfolio at the same time. Prior to ~~the publication of a~~ Primary CDS Auction

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Announcement ~~Circular~~ or the circulation of the [Primary](#) CDS Auction Specifications, the Clearing House may have engaged in close-out or hedging trades or other transactions in respect of the portfolio of a Defaulter in accordance with Part 9 of the Rules. In exercising its discretion under [this](#) paragraph 2.5, the Clearing House, in consultation with the CDS Default Committee, shall consider, wherever possible, taking into account the Clearing House's margining methodology and ~~margin~~[Margin](#) requirements applicable to CDS Clearing Members and Sponsored Principals, including within each [Auction](#) Lot of CDS Contracts, any CDS Contracts which have been offset for the purposes of calculating the Defaulter's ~~margin~~[Margin](#) requirements.

In respect of each [Auction](#) Lot, the Clearing House will provide each [Primary](#) CDS Auction Participant (~~other than Defaulters~~) with information about CDS Contracts to be auctioned, timing for the Bidding process, participation criteria, and, without prejudice to paragraph 2.4, any applicable Minimum Bid Requirements, ~~any minimum or maximum reserve price~~ and other matters ~~in writing in the format of the~~ [via a Primary CDS Auction Announcement or through the DMS \(or via such other means and in such format as is specified by the Clearing House\) \(such information, the "Primary CDS Auction Specifications"\)](#), such ~~CDS Auction Specifications~~[particulars](#) to be provided with such advance notice as the Clearing House determines is reasonable under the circumstances (but in any event at least one hour) prior to the [Primary](#) CDS Auction. The [Primary](#) CDS Auction Specifications may include amendments or additions to any provision of these CDS [Default](#) Auction Procedures or may disapply any provision of these CDS [Default](#) Auction Procedures (provided that [Primary](#) CDS Auction Specifications may not modify or disapply any provision of the [Primary](#) CDS Auction Priority or otherwise be inconsistent with the Rules). In the event of any conflict between the [Primary](#) CDS Auction Specifications and [this Part 1 of](#) these CDS [Default](#) Auction Procedures in respect of any particular [Auction](#) Lot, the [Primary](#) CDS Auction Specifications shall prevail.

2.6 If any Person which has been provided ~~a copy of any~~ [with the Primary](#) CDS Auction Specifications believes that he does not satisfy any of the specified participation criteria, he should contact the Clearing House as soon as practicable, and, if the Clearing House agrees that such Person does not satisfy the criteria, he shall refrain from Bidding for the relevant [Auction](#) Lot. The Clearing House may restrict any such Person's access to [Primary](#) CDS Auctions if it determines that ~~asuch~~ Person does not satisfy the specified participation criteria. The Clearing House may update or correct any details in the [Primary](#) CDS Auction Specifications at any time prior to the commencement of Bidding in the relevant [Primary](#) CDS Auction.

2.7 The requirements applicable to a Direct Participating Customer will not apply to any other Customers of CDS Clearing Members, for whose account a CDS Clearing Member may submit a Bid in an auction. Equally, the requirements applicable to a Direct Participating Customer will not apply to any other Sponsored Principals for which a Clearing Member acts as Sponsor and for whose account the Clearing Member may submit a Bid in an auction. A CDS Clearing Member's Bid ~~for~~ [in respect of one of](#) its Proprietary ~~Aeeount, Accounts or~~ Customer ~~Aeeount, or~~ [Accounts \(including](#), in respect of a Sponsored Principal for which it acts as Sponsor, Individually Segregated Sponsored ~~Aeeount~~[Accounts](#)), will count towards its Minimum Bid Requirement. Bids made by a Direct Participating Customer will not count toward the Minimum Bid Requirement of any CDS Clearing Member or Sponsor acting for such Direct Participating Customer. Each Direct Participating Customer ~~and Elective CDS Auction Participant in a CDS Auction~~ will have a Minimum Bid Requirement equal to 1% of the relevant [Auction](#) Lot and may Bid for up to 100% of ~~all Lots~~ [the Auction Lot](#).

2.8 [Primary](#) CDS Auction Participants shall be treated equally as regards the provision of information relating to [Primary](#) CDS Auctions by the Clearing House. Any Person (including any CDS Clearing Member, Customer, Sponsor, Sponsored Principal or Direct Participating Customer) who receives any information in connection with a [Primary](#) CDS Auction or possible [Primary](#) CDS Auction shall hold such information in confidence and in accordance with the Rules, and shall not disclose it to any other Person except where such disclosure is made: (i) with the prior written consent of the Clearing House; (ii) to a Regulatory Authority or Governmental Authority where a request is formally made to the Person by or on behalf of the same or pursuant to Applicable Law in writing, provided that the Person making such disclosure notifies the Clearing House of its disclosure where it is lawful to do so; (iii) pursuant to an

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order of a competent court or other Governmental Authority or otherwise to such other Persons, at such times and in such manner as may be required by Applicable Law, provided that the Person making such disclosure notifies the Clearing House of its disclosure where it is lawful to do so; or (iv) in the case of a CDS Clearing Member or Sponsor, to a Customer or Sponsored Principal where such Customer or Sponsored Principal has expressed his interest in participating in the [Primary](#) CDS Auction and is subject to a duty of confidentiality similar to that set out in this paragraph 2.8. For the avoidance of doubt, nothing in the foregoing paragraph shall prevent [Primary](#) CDS Auction Participants from disclosing information to counsel for the purposes of obtaining legal advice in circumstances where a professional duty of confidentiality arises.

- 2.9 All Bids must be ~~made by submitting a Bid Form. Bids must be received~~ submitted via the DMS (or via such other means and in such format as is specified by the Clearing House). Bids can only be submitted during the time window and prior to the ~~Closing~~ Bidding Close Time specified by the Clearing House in the relevant [Primary](#) CDS Auction Specifications. The Bidding Close Time may be postponed for up to one hour by the Clearing House giving notice of such postponement to all Primary CDS Auction Participants, following consultation to the extent practicable with the CDS Default Committee and the term "Bidding Close Time" shall be construed accordingly.
- 2.10 The [Primary](#) CDS Auction will proceed pursuant to a 'sealed bid' process whereby the relevant [Primary](#) CDS Auction Participants will be asked to submit Bids for the relevant Auction Lot or a particular percentage of the ~~Lot in the appropriate Bid Form. The~~ relevant Auction Lot via the DMS (or via such other means and in such format as is specified by the Clearing House). The [Primary](#) CDS Auction Specifications may specify a minimum Bid size. Any Bid below any specified minimum Bid size that is accepted by the DMS in error will be null and void unless the Clearing House, in its absolute discretion, determines otherwise.

~~2.11 A Bid Form will be treated as invalid and void if it is illegible, spoiled or is incomplete, as applicable.~~

2.11 ~~2.12 During such period after the Closing Time as is specified in the~~ After the Bidding Close Time for any Primary CDS Auction ~~Specifications,~~ the Clearing House will notify [Primary](#) CDS Auction Participants to inform them either: (i) that ~~there were~~ the Primary CDS Auction has successfully taken place and that Winning Bidders ~~and that such Bidders~~ have been notified; or (ii) that the Primary CDS Auction has taken place and no Bids were successful ~~as determined in accordance with paragraph 5.6.~~

2.12 ~~2.13~~ A Winning Bidder (or its CDS Clearing Member, Sponsor or Sponsored Principal, if applicable) may be required to post additional Margin as and when required in accordance with the Clearing House's ~~House's~~ House's margin methodology and procedures.

### 3. THE BIDDING PROCESS

- 3.1 A [Primary](#) CDS Auction Participant will make Bids for each [Auction](#) Lot in a [Primary](#) CDS Auction which, as a minimum, comply with any applicable Minimum Bid Requirement notified to it. Any failure to comply with an applicable Minimum Bid Requirement shall have the consequences set forth herein but shall not itself constitute an Event of Default under the Rules. The Clearing House is not obliged to solicit Bids from [Primary](#) CDS Auction Participants other than notifying [Primary](#) CDS Auction Participants of any applicable Minimum Bid Requirement. The Clearing House shall be entitled to use ~~CDS~~ Direct Auction Participant Contributions in connection with a [Primary](#) CDS Auction as set forth herein and in the Rules.
- 3.2 With respect to each [Primary](#) CDS Auction, the Clearing House will determine the [Auction](#) Lot Guaranty Fund Weighting for ~~each~~ the Auction Lot.
- 3.3 The order of application of CDS Guaranty Fund Contributions and Assessment Contributions shall be modified if there is a CDS Default Auction as set out in Rule 908(i). The [Primary](#) CDS Auction Priority established for a [Primary](#) CDS Auction will apply to all CDS Guaranty Fund or CDS Assessment Contributions of non-defaulting Clearing Members to be applied under Part 9 of the Rules with respect

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- to all [Auction](#) Lots comprising such [Primary](#) CDS Auction in the aggregate. [This paragraph 3.3 shall apply only in respect of those Bids that are indicated, or are deemed under the Primary CDS Auction Specifications, as related to Minimum Bid Requirements.](#)
- 3.4 Following the conclusion of the default procedures in accordance with Part 9 of the Rules, any unused ~~CDS~~ Direct Auction Participant Contributions will be returned to the relevant Direct Participating Customer.
- 3.5 Notwithstanding anything to the contrary herein, a Non-Bidding CDS Clearing Member with respect to ~~any~~ [an Auction](#) Lot, or a Non-Bidding Direct Participating Customer with respect to ~~any~~ [an Auction](#) Lot, will be treated as such for purposes hereof with respect to ~~all Lots~~ [that Auction Lot](#) in the relevant [Primary](#) CDS Auction, regardless of whether it would otherwise have been a Senior Bidder, Excused Non-Participating Bidder or Subordinate Bidder for any other [Auction](#) Lot [in any other Primary CDS Auction](#).
- 3.6 The [Auction](#) Lot CDS Direct Auction Participant Contribution of a CDS Direct Participating Customer that is a Senior Bidder for that [Auction](#) Lot will not be applied pursuant to the Primary CDS Auction Priority. Following the conclusion of the default procedures in accordance with Part 9 of the Rules, with respect to a Primary CDS Auction, any unused ~~CDS~~ Direct Auction Participant Contributions will be returned to the relevant CDS Direct Participating Customer.
- 3.7 For the avoidance of doubt, if a [Primary](#) CDS Auction fails in respect of ~~all Lots~~ [the entire Auction Lot](#), no [Primary](#) CDS Auction Priority will be established for that [Primary](#) CDS Auction ~~and amounts will be charged to the~~ [for that Auction Lot and](#) CDS Guaranty Fund [Contributions shall be applied](#) as set forth under ~~the Rules~~ [Rule 908 unamended by Rule 908\(j\)](#), until the completion of a subsequent [Primary](#) CDS Auction under these CDS [Default](#) Auction Procedures, if any (which subsequent [Primary](#) CDS Auction shall establish a new [Primary](#) CDS Auction Priority [for purposes of Rule 908\(i\) and may result in correcting payments to or from the Clearing House to reflect the modified waterfall for purposes of Rule 908 so resulting](#)).
- 3.8 A [Primary](#) CDS Auction Participant may submit multiple Bids for each [Auction](#) Lot, or (if it is a CDS Clearing Member) a percentage of each [Auction](#) Lot, in a particular ~~Lot~~ [Primary CDS Auction](#) on its own account or for the account of a Customer, provided that such [Primary](#) CDS Auction Participant ensures that all of its Bids, whether for its account or for the account of its Customers, [are provided in the same Bid Submission or otherwise as specified in the Primary CDS Auction Specifications \("Standard Bids"\)](#). [In addition to submitting one or more Standard Bids pursuant to the Primary CDS Auction Specifications, a Primary CDS Auction Participant may choose to submit one Bid for an entire Auction Lot which, should that Bid be a Winning Bid, stipulates the receipt of 100% of the Auction Lot without that award being split amongst more competitively priced Standard Bids \(an "All or Nothing Bid"\). In order to categorise a Bid as an All or Nothing Bid, the Primary CDS Auction Participant must specifically mark the Bid as an All or Nothing Bid in its Bid Submission. All or Nothing Bids shall not be mandatory but shall, if submitted in the absence of any other Bid, be deemed to satisfy the applicable Minimum Bid Requirement at the same price but adjusted on a pro rata basis. For the avoidance of doubt, the submission of an All or Nothing Bid does not disqualify a Primary CDS Auction Participant from submitting one or more Standard Bids for each Auction Lot, or \(if it is a CDS Clearing Member\) a percentage of each Auction Lot, whether for its account or for the account of its Customers, provided that such Primary CDS Auction Participant ensures that all of its Bids, whether for its account or for the account of its Customers, as the case may be, are submitted in the same Bid ~~Form~~ \[Submission\]\(#\) or otherwise as specified in the \[Primary\]\(#\) CDS Auction Specifications. A Bid made by a \[Primary\]\(#\) CDS Auction Participant by, for, or on behalf of a Customer shall be identified as such and such Bid shall be treated as a Bid for the relevant Customer Account. A Bid made by, for, or on behalf of a Sponsored Principal or by a Sponsor in such capacity shall be identified as such and treated as a Bid for the relevant Individually Segregated Sponsored Account. A CDS Clearing Member can satisfy its Minimum Bid Requirement by submitting multiple Bids with differing Bid prices and Bid sizes provided that, in aggregate, its submitted Bids equal or exceed the Minimum Bid Requirement and any individual Bid is \[equal to or\]\(#\) larger than any applicable minimum Bid size.](#)

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3.9 All the requirements of the Rules concerning the provision of information to the Clearing House, including in Rule 106 and Part 2, apply in respect of the submission of Bids by a [Primary](#) CDS Auction Participant.

~~3.10 Bids can only be submitted during the time window specified by the Clearing House in the CDS Auction Specifications. The time period for submission will end at the Closing Time. The Closing Time may be postponed for up to one hour by the Clearing House giving notice of such postponement to all CDS Auction Participants, following consultation to the extent practicable with the CDS Default Committee and the term "Closing Time" shall be construed accordingly.~~

[3.10](#) ~~3.11~~-A Bid must be in respect of all CDS Contracts or a percentage of all CDS Contracts in the relevant [Auction](#) Lot. Any partial Bids, such as Bids which specify a particular CDS Contract, will be invalid and void. With respect to a particular [Auction](#) Lot, no [Primary](#) CDS Auction Participant is permitted to Bid, in aggregate, in excess of the notional amount of CDS Contracts being auctioned in such [Auction](#) Lot.

[3.11](#) ~~3.12~~-No [Primary](#) CDS Auction Participant may make a referential Bid (e.g. a Bid which purports to be a Bid which is €1 higher or lower than the highest or lowest Bidder) or make a Bid that is subject to conditions. Any such Bid will be treated as invalid and void and the [Primary](#) CDS Auction Participant will be treated as if it had ~~chosen not to participate~~[made such Bid](#).

[3.12](#) ~~3.13~~-A [Primary](#) CDS Auction Participant may amend or modify a submitted Bid by resubmitting its entire Bid ~~Form Submission through DMS (or such other means and in such format as is specified by the Clearing House)~~. In the event a Bid ~~Form Submission~~ is resubmitted with any amendments or modifications, the Clearing House will disregard any previous Bid ~~Form Submission~~ submitted by such [Primary](#) CDS Auction Participant and any such previous Bid ~~Form Submission~~ will be null and void. After the ~~Closing Bidding Close~~ Time, all submitted Bid ~~Forms Submissions~~ are irrevocable provided that if the Clearing House is satisfied, upon the request of a [Primary](#) CDS Auction Participant, that a genuine mistake has been made in the submission of a Bid, the Clearing House may, at its own discretion, ~~permit the CDS Auction Participant to withdraw the Bid and/or correct such mistake, before the CDS Auction Clearing Price is determined. If such erroneous Bid is so withdrawn but not corrected by such time, it invalidate the Bid. Upon invalidation of such Bid, the Bid~~ will be deemed not to have been submitted at all for purposes of these CDS [Default](#) Auction Procedures and the [Primary](#) CDS Auction Participant will be treated as if it had ~~chosen not to participate~~[made such Bid](#).

[3.13](#) ~~3.14~~-Each Bid will be deemed to have been submitted at the time it is recorded as being received by the Clearing House. Except as provided in paragraph ~~3.13~~[3.12](#), any Bid received after the ~~Closing Bidding Close~~ Time will be treated as invalid and void and the [Primary](#) CDS Auction Participant will be treated as if it had ~~chosen not to participate~~[made such Bid](#).

[3.14](#) ~~3.15~~-Any Bid that does not comply with the requirements of these CDS [Default](#) Auction Procedures or the [Primary](#) CDS Auction Specifications will be treated as invalid and void. Bids so invalidated will not be counted toward a [Primary](#) CDS Auction ~~Participant's~~[Participant's](#) Minimum Bid Requirement and the [Primary](#) CDS Auction Participant will be treated as if it had ~~chosen not to participate~~[made such Bid](#).

[3.15](#) ~~3.16~~-Any CDS Clearing Member that is a Defaulter will be ineligible to participate in a [Primary](#) CDS Auction relating to another Defaulter's Contracts and will be treated for purposes of the [Primary](#) CDS Auction Priority as if it had ~~chosen not to participate~~[made such Bid](#). Neither any CDS Clearing Member that is a Defaulter nor any ~~Sponsor acting for a~~-Sponsored Principal that is a Defaulter may participate in an auction of its own Contracts.

#### 4. PARTICIPATION BY CUSTOMERS AND SPONSORED PRINCIPALS IN THE AUCTION

4.1 A CDS Clearing Member may make ~~an unlimited number of~~ separate Bids in respect of its Customers for whom it acts as Clearing Member or Sponsored Principals for whom it acts as Sponsor (in addition to any Bids for its Proprietary ~~Account~~), ~~in accordance with paragraph 3.7~~[Accounts](#)), ~~in the same way as~~

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it may make a Bid for one of its Proprietary Accounts and subject to the same provisions of this Part 1.

A CDS Clearing Member must have all due approval, consent or authorisation from its Customer or Sponsored Principal to make the relevant Bid. Each CDS Clearing Member that makes Bids on behalf of a Customer or Sponsored Principal (other than a Direct Participating Customer) represents, acknowledges and agrees that such Customer or Sponsored Principal will be subject to the restrictions of paragraph 2.8 with respect to any information provided to such Customer or Sponsored Principal in connection with the Primary CDS Auction.

- 4.2 A CDS Clearing Member shall become liable for the entry into of CDS Contracts resulting from the Bids made on behalf of a Customer including any Direct Participating Customer that is its Customer in the same way as it is liable for and becomes party to other Customer Account ~~contracts~~Contracts or contracts entered into otherwise for Customers pursuant to the Rules. A CDS Clearing Member shall become liable as Sponsor for the entry into of CDS Contracts resulting from the Bids made for, by or on behalf of a Sponsored Principal (including any Primary CDS Auction Participant that is a Sponsored Principal) in the same way as it is liable for and becomes party to other CDS Contracts recorded in an Individually Segregated Sponsored Account.

~~4.3 Except as otherwise set out in these CDS Auction Procedures and as provided for in the Rules, each CDS Auction Participant (that is not already bound hereto) shall hereby be deemed to have agreed to become bound by these CDS Auction Procedures and by the Rules as if it were a CDS Clearing Member in respect of its conduct in relation to a CDS Auction by conduct, as a result of its participation in the CDS Auction.~~

4.3 Each Direct Participating Customer must enter into a CDS Auction Participation Agreement with its CDS Clearing Member (which agreement the Clearing House may enforce), prior to the commencement of any Primary CDS Auction, as a condition of its participation in the Primary CDS Auction.

- 4.4 The Clearing House reserves the right to verify any Bid to ensure such Bid will be cleared by a CDS Clearing Member or Sponsor and reserves the right to invalidate a Bid where the Clearing House reasonably believes that such Bid, if accepted, would not be cleared by a CDS Clearing Member or Sponsor (notwithstanding paragraph 4.2) or that such Bid would be in breach of any position limits or other risk policies implemented by the Clearing House pursuant to the Rules. Any such invalidation will be made prior to the notifications made pursuant to paragraphs ~~2-12.11~~2.12.11 and 5.8. Bids so invalidated will not be counted toward a CDS Clearing ~~Member's~~Member's Minimum Bid Requirement and the Primary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~made such Bid.

## 5. SELECTION OF THE WINNING BID

- 5.1 The Clearing House's primary goal in respect of a Primary CDS Auction will be to conduct a successful and competitive Primary CDS Auction. For purposes hereof, a Primary CDS Auction with respect to ~~aan~~Auction Lot will be successful if it is fully allocated to Winning Bidder(s), without using more default resources than are available under the Rules and appropriate given market conditions, considering all relevant factors, including the Defaulter's available funds, the anticipated rate of consumption of the Defaulter's available funds, the effectiveness of hedging on the Primary CDS Auction portfolio, the anticipated market depth for the CDS Contracts in the Defaulter's portfolio, the relationship of the risk profile of the Auction Lot to the Defaulter's aggregate portfolio, Available Defaulter Resources, the characteristics of the Bids received (including the distribution of Bids, increments between Bids and the consumption of default resources at different potential clearing Bid levels and auction fill levels) and other relevant market characteristics and conditions.

- 5.2 The Clearing House may, at its discretion but giving due consideration to the CDS Default Management Policy, set any minimum reserve price and/or any maximum reserve price (which in either case may not be disclosed to any Bidders).

- 5.3 The Clearing House may at its discretion, in consultation with the CDS Default Committee, withdraw aan Auction Lot prior to or after the ~~Closing~~Bidding Close Time.

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5.4 Promptly after the ~~Closing~~Bidding Close Time for ~~a an~~ Auction Lot, the Clearing House will sort Bids submitted to it in the order of the Bid price (the price Bid per ~~percentage~~ unit of notional amount). The Bids will be ordered sequentially, starting with the highest Bid price and ending with the lowest Bid price. Unless paragraph 5.6 applies, the Auction Lot will be allocated in full to ~~bids~~Bids at or above the Primary CDS Auction Clearing Price. The Primary CDS Auction Clearing Price is payable either, by the Clearing House to the Primary CDS Auction Participant or its CDS Clearing Member, or to the Clearing House by the Primary CDS Auction Participant or its CDS Clearing Member, as applicable. In the event that an All or Nothing Bid is included in the sum of the notional amount of Contracts with equal or higher Bid prices that are equal or greater than the notional amount of CDS Contracts being auctioned, then the price of such All or Nothing Bid shall be the Primary CDS Auction Clearing Price. In the event that a Bid is also invalid or void or no CDS Contract is established with the Primary CDS Auction Participant (or, if applicable, its CDS Clearing Member) submitting any Bid for any reason, such Bid will not be accepted and the Primary CDS Auction Participant will be treated as if it had ~~chosen~~ not to participate~~made such Bid.~~

Examples of how the Primary CDS Auction Clearing Price is calculated are set out below, for illustrative purposes only:

**Example 1**

Note in these examples a negative Bid indicates a payment by the Clearing House

<u>Ranking Pri ce Rank</u>	<u>Cash Is All or Nothing Bid</u>	<u>Bid Size (% of Portfolio Aucti on Lot)</u>	<u>Cash/Bid Price (Payment per 100%)</u>	<u>Size x Price</u>	<u>Allocation of Portfolio A on Lot</u>
1	<del>€20,000</del> <u>No</u>	20%	<del>€1,000</del> <u>100,000</u>	<u>€20,000</u>	20%
2	<del>€0</del> <u>No</u>	30%	€0	<u>€0</u>	30%
3	- <del>€2,500,000</del> <u>No</u>	25%	- <del>(€100,000)</del> <u>10,000,000</u>	<u>(€2,500,000)</u>	25%
4	- <del>€3,000,000</del> <u>No</u>	25%	- <del>(€120,000)</del> <u>12,000,000</u>	<u>(€3,000,000)</u>	25%
5	- <del>€3,900,000</del> <u>No</u>	30%	- <del>(€130,000)</del> <u>13,000,000</u>	<u>(€3,900,000)</u>	0%
6	<u>No</u>	- <del>€6,000,000</del> <u>40%</u>	<del>40%</del> <u>(€15,000,000)</u>	- <del>(€150,000)</del> <u>6,000,000</u>	0%
7	- <del>€7,750,000</del> <u>No</u>	50%	- <del>(€155,000)</del> <u>15,500,000</u>	<u>(€7,750,000)</u>	0%
8	- <del>€6,400,000</del> <u>No</u>	40%	- <del>(€160,000)</del> <u>16,000,000</u>	<u>(€6,400,000)</u>	0%

Unless paragraph 5.6 applies, the Primary CDS Auction Clearing Price will be - ~~€120,000~~12,000,000/4%. Portfolio 100%. Auction Lot will be allocated in full to bids at or above the Primary CDS Auction Clearing Price.

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AUCTION TERMS FOR CDS DEFAULT AUCTIONS

9	<u>No</u>	- <del>€3,300,000</del> 20 %	<del>20%</del> <del>(€16,500,000)</del>	- <del>(€165,000)</del> <del>3,300,000</del>	0%
10	<u>No</u>	- <del>€43,000,000</del> 20 %	<del>20%</del> <del>(€215,000,000)</del>	- <del>(€2,150,000)</del> <del>43,000,000</del>	0%

**Example 2**

<u>Ranking</u> <u>Price Rank</u>	<u>Cash Is All</u> <u>or</u> <u>Nothing</u> <u>Bid</u>	<u>Bid Size (% of</u> <u>Portfolio Auction Lot)</u>	<u>Cash/Bid Price</u> <u>(Payment per</u> <u>100%)</u>	<u>Size x Price</u>	<u>Allocation</u> <u>% of</u> <u>Portfolio Auction Lot</u>
1	<del>€20,000</del> <u>No</u>	20%	<del>€1,000</del> <u>100,000</u>	<u>€20,000</u>	20%
2	<del>€0</del> <u>No</u>	30%	€0	<u>€0</u>	30%
3	- <del>€2,500,000</del> <u>No</u>	25%	- <del>(€100,000)</del> <u>10,000,000</u>	<u>(€2,500,000)</u>	25%
4	- <del>€3,600,000</del> <u>No</u>	30%	- <del>(€120,000)</del> <u>12,000,000</u>	<u>(€3,600,000)</u>	25%
5	- <del>€3,900,000</del> <u>No</u>	30%	- <del>(€130,000)</del> <u>13,000,000</u>	<u>(€3,900,000)</u>	0%
6	- <del>€5,250,000</del> <u>No</u>	35%	- <del>(€150,000)</del> <u>15,000,000</u>	<u>(€5,250,000)</u>	0%
7	- <del>€7,750,000</del> <u>No</u>	50%	- <del>(€155,000)</del> <u>15,500,000</u>	<u>(€7,750,000)</u>	0%
8	- <del>€6,400,000</del> <u>No</u>	40%	- <del>(€160,000)</del> <u>16,000,000</u>	<u>(€6,400,000)</u>	0%
9	- <del>€3,300,000</del> <u>No</u>	20%	- <del>(€165,000)</del> <u>16,500,000</u>	<u>(€3,300,000)</u>	0%
10	<u>No</u>	<u>20%</u>	- <del>(€43,000,000)</del> <u>215,000,000</u>	<del>20%</del> <del>(€43,000,000)</del>	- <del>€2,150,000</del>

Unless paragraph 5.6 applies, the Primary CDS Auction Clearing Price will be - €120,0012,000,000/1% - Portfolio 10 0%. Auction Lot will be allocated in full to bids 1,2 and 3 and allocated in part to bid 4.

**Example 3**

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AUCTION TERMS FOR CDS DEFAULT AUCTIONS

<u>Ranking Price Rank</u>	<u>Cash Is All or Nothing Bid</u>	<u>Bid Size (% of Portfolio Auction Lot)</u>	<u>Cash/Bid Price (Payment per 100%)</u>	<u>Size x Price</u>	<u>Allocation % of Portfolio Auction Lot</u>	
1	<del>€20,000</del> <u>No</u>	20%	<del>€1,000</del> <u>100,000</u>	<u>€20,000</u>	20%	
2	<del>€0</del> <u>No</u>	30%	<u>€0</u>	<u>€0</u>	30%	
3	- <del>€2,500,000</del> <u>No</u>	25%	<del>(€100,000)</del> <u>10,000,000</u>	<u>(€2,500,000)</u>	25%	
4 (1)	- <del>€3,600,000</del> <u>No</u>	30%	<del>(€120,000)</del> <u>12,000,000</u>	<u>(€3,600,000)</u>	12.5%	
4 (2)	- <del>€3,600,000</del> <u>No</u>	30%	<del>(€120,000)</del> <u>12,000,000</u>	<u>(€3,600,000)</u>	12.5%	
6	- <del>€3,900,000</del> <u>No</u>	30%	<del>(€130,000)</del> <u>13,000,000</u>	<u>(€3,900,000)</u>	0%	
7	- <del>€5,250,000</del> <u>No</u>	35%	<del>(€150,000)</del> <u>15,000,000</u>	<u>(€5,250,000)</u>	0%	
8	- <del>€7,750,000</del> <u>No</u>	50%	<del>(€155,000)</del> <u>15,500,000</u>	<u>(€7,750,000)</u>	0%	
9	- <del>€6,400,000</del> <u>No</u>	40%	<del>(€160,000)</del> <u>16,000,000</u>	<u>(€6,400,000)</u>	0%	
10	<u>No</u>	<u>20%</u>	- <del>(€3,300,000)</del> <u>16,500,000</u>	<u>20%</u> -	<u>(€165,000) <u>3,300,000</u></u>	0%

Unless paragraph 5.6 applies, the Primary CDS Auction Clearing Price will be - ~~€120,000~~  
12,000,000/4% = ~~Portfolio~~  
100%.  
Auction Lot will be allocated in full to bids 1,2 and 3. Bids 4(1) and 4(2) will receive a pro rata share of the remaining Portfolio Auction Lot

**Example 4**

<u>Price Rank</u>	<u>Is All or Nothing Bid</u>	<u>Bid Size (% of Auction Lot)</u>	<u>Bid Price (Payment per 100%)</u>	<u>Size x Price</u>	<u>Allocation % of Auction Lot</u>
<u>1</u>	<u>No</u>	<u>20%</u>	<u>€100,000</u>	<u>€20,000</u>	<u>0%</u>
<u>2</u>	<u>No</u>	<u>30%</u>	<u>€0</u>	<u>€0</u>	<u>0%</u>
<u>3</u>	<u>Yes</u>	<u>100%</u>	<u>(€3,000,000)</u>	<u>(€3,000,000)</u>	<u>100%</u>
<u>4</u>	<u>No</u>	<u>25%</u>	<u>(€10,000,000)</u>	<u>(€2,500,000)</u>	<u>0%</u>

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<u>5</u>	<u>No</u>	<u>10%</u>	<u>(€15,000,000)</u>	<u>(€1,500,000)</u>	<u>0%</u>
<u>6</u>	<u>No</u>	<u>40%</u>	<u>(€15,000,000)</u>	<u>(€6,000,000)</u>	<u>0%</u>
<u>7</u>	<u>No</u>	<u>50%</u>	<u>(€15,500,000)</u>	<u>(€7,750,000)</u>	<u>0%</u>
<u>8</u>	<u>No</u>	<u>40%</u>	<u>(€16,000,000)</u>	<u>(€6,400,000)</u>	<u>0%</u>
<u>9</u>	<u>No</u>	<u>20%</u>	<u>(€16,500,000)</u>	<u>(€3,300,000)</u>	<u>0%</u>
<u>10</u>	<u>No</u>	<u>20%</u>	<u>(€215,000,000)</u>	<u>(€43,000,000)</u>	<u>0%</u>

Unless paragraph 5.6 applies, the Primary CDS Auction Clearing Price will be - €3,000,000/100%. Auction Lot will be allocated in full to bid 3.

5.5 All CDS Contracts shall be allocated to ~~winning CDS Auction Participants at the~~ Winning Bidders at the Primary CDS Auction Clearing Price in a fair and consistent manner and in accordance with the Bid size used in the calculation of the Primary CDS Auction Clearing Price. All or Nothing Bid(s) which set the Primary CDS Auction Clearing Price under paragraph 5.4 will be given precedence over Standard Bids. It is possible that a Standard Bid will receive no share of the Auction Lot, even if the Bid price is higher than or equal to the Primary CDS Auction Clearing Price, in circumstances in which an All or Nothing Bid has been accepted by the Clearing House. In the event that there are multiple Standard Bids and no All or Nothing Bids at the Primary CDS Auction Clearing Price, to the extent there is a shortfall of CDS Contracts being available, CDS Contracts shall be allocated *pro rata* according to the notional amount of CDS Contracts for which the relevant Primary CDS Auction Participants Bid ~~for~~ at the relevant price, unless the Clearing House determines otherwise pursuant to any risk policies implemented by the Clearing House pursuant to the Rules. In the event that there are multiple All or Nothing Bids at the same price (being the Primary CDS Auction Clearing Price), the Auction Lot will be allocated equally among the Primary CDS Auction Participants submitting those All or Nothing Bids. Bids below any applicable minimum reserve price, above any applicable maximum reserve price, or invalidated pursuant to paragraph 3.12, 3.13, 3.14, 3.15, 4.4 or 5.4 or Bids that the Clearing House determines, in consultation with the CDS Default Committee, would be inconsistent with the considerations set forth in paragraph 5.1, may, at the discretion of the Clearing House be excluded for the purposes of calculating the Primary CDS Auction Clearing Price, allocating CDS Contracts at the Primary CDS Auction Clearing Price or determining whether a CDS Clearing Member has met the Minimum Bid Requirement unless the Clearing House, in its discretion, decides otherwise and, if so, the Primary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~ made such Bid.

5.6 The Clearing House may, in the ~~First~~ Primary CDS Auction at its discretion, in consultation with the CDS Default Committee, (i) determine the Primary CDS Auction Clearing Price for such Auction Lot for less than 100% of the notional amount of the CDS Contracts if, in the reasonable determination of the Clearing House, a material impact on the amounts payable or receivable by the Clearing House would result if 100% of the notional amount of the CDS Contracts were awarded in the First CDS Auction, in which case the Clearing House ~~will~~ may call a Second Repeat CDS Auction to auction off any remainder of such Auction Lot; or (ii) determine, in light of the Bids received (or lack of Bids received), the size of the Bids received, and the considerations set forth in paragraph 5.1, that there will be no Winning Bidder for the Auction Lot and that the Primary CDS Auction for that Auction Lot shall be treated as a Failed Auction Lot. If ~~clause paragraph~~ (i) applies, the portion of the relevant Auction Lot that will be auctioned in a Second Repeat CDS Auction will be treated as a Failed Auction Lot for purposes of the application of the Primary CDS Auction Priority for the First CDS Auction, and the relevant Auction Lot Guaranty Fund Weightings will be modified accordingly. If paragraph (i) applies, any All or Nothing Bids shall be disregarded. For both a First CDS Auction and a ~~Second Repeat~~ Second Repeat CDS Auction, if the Primary CDS Auction Clearing Price falls below any minimum reserve price or above any maximum reserve price, the Clearing House may at its discretion nonetheless accept Bids at such Primary CDS Auction Clearing Price and, if it does so, the Primary CDS Auction for that Auction Lot shall not be treated as a Failed Auction Lot.

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AUCTION TERMS FOR CDS DEFAULT AUCTIONS

An example of how this paragraph 5.6 would apply is set out below, for illustrative purposes only:

<u>Ranking Price Rank</u>	<u>Cash Is All or Nothing Bid</u>	<u>Bid Size (% of Portfolio Auction Lot)</u>	<u>Bid Price (Payment per 100% Cash/1%)</u>	<u>Size x Price</u>	<u>Allocation % of Auction Lot</u>
1	<u>No</u>	<u>20%</u>	<del>€20,000</del> <u>100,000</u>	<del>20%</del> <u>€20,000</u>	<del>€1,000</del> <u>20%</u>
2	<del>€0</del> <u>No</u>	30%	€0	€0	<u>30%</u>
3	<del>€3,000,000</del> <u>No</u>	30%	<del>-(€100,000)</del> <u>10,000,000</u>	<u>(€3,000,000)</u>	<u>30%</u>
4	<del>€2,400,000</del> <u>No</u>	20%	<del>-(€120,000)</del> <u>12,000,000</u>	<u>(€2,400,000)</u>	<u>0%</u>
5	<del>€3,900,000</del> <u>No</u>	30%	<del>-(€130,000)</del> <u>13,000,000</u>	<u>(€3,900,000)</u>	<u>0%</u>
6	<del>€6,000,000</del> <u>No</u>	40%	<del>-(€150,000)</del> <u>15,000,000</u>	<u>(€6,000,000)</u>	<u>0%</u>
7	<del>€7,750,000</del> <u>No</u>	50%	<del>-(€155,000)</del> <u>15,500,000</u>	<u>(€7,750,000)</u>	<u>0%</u>
8	<del>€6,400,000</del> <u>No</u>	40%	<del>-(€160,000)</del> <u>16,000,000</u>	<u>(€6,400,000)</u>	<u>0%</u>
9	<del>€3,300,000</del> <u>No</u>	20%	<del>-(€165,000)</del> <u>16,500,000</u>	<u>(€3,300,000)</u>	<u>0%</u>
10	- <u>€43,000,000</u> <u>No</u>	20%	- <u>(€2,150,000)</u> <u>215,000,000</u>	<u>(€43,000,000)</u>	<u>0%</u>

The Primary CDS Auction Clearing Price for 80% of the portfolio Auction Lot shall be - €100,000,000,000 / 4100%

Price of remaining 20% will be determined in a Second Repeat CDS Auction.

5.7 Any Second Repeat CDS Auction shall be announced pursuant to a further Primary CDS Auction Announcement ~~Circular~~ and shall be held in accordance with these CDS Default Auction Procedures. ~~The Clearing House shall circulate a CDS Auction Specification for a Second CDS Auction~~ Further Primary CDS Auction Specifications for any Repeat CDS Auction will be notified by the Clearing House through such Primary CDS Auction Announcement and through the DMS (or via such other means and in such format as is specified by the Clearing House). A Primary CDS Auction Participant for the First CDS Auction shall be deemed to be a Primary CDS Auction Participant for the Second Repeat CDS Auction. The Clearing House may at its discretion withdraw ~~an Auction~~ Lot in the Second Repeat CDS Auction prior to the relevant Closing Bidding Close Time. The Minimum Bid Requirement applicable to each Primary CDS Auction Participant shall be reduced by any CDS Contracts actually won by such Primary CDS Auction Participant (including, in the case of a CDS Clearing Member, any Bids won by, for, or on behalf of, such CDS Clearing Member's Customers or Sponsored Principals for whom such CDS Clearing Member acts as Sponsor) at the Primary CDS Auction Clearing Price pursuant to the First CDS Auction. Any such reductions in CDS Clearing Members' Minimum Bid Requirements will be shared *pro rata* as an increased Minimum Bid Requirement for all CDS Clearing Members who did not have any CDS Contracts allocated to them at the Primary CDS Auction Clearing Price pursuant to the First CDS Auction.

5.8 Each Bid constitutes an offer to the Clearing House to enter into CDS Contracts pursuant to a Transfer governed by Rule 904(b) (but without regard to any Customer or Customer-CM Transactions of the Defaulter) and Part 4 of the Rules, such offer being made by the relevant CDS ~~Auction Participant~~ Clearing Member. The Clearing House shall use reasonable endeavours to notify Winning Bidders within 15 minutes after the Closing Bidding Close Time of the Primary CDS Auction. Immediately upon notification by the Clearing House to the Winning Bidder that it has a Winning Bid

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~~by e-mail, telephone, in writing or otherwise, through the DMS (or via such other means and in such format as is specified by the Clearing House)~~ and without the need for any further step, ~~this shall constitute acceptance of the offer by the Clearing House and~~ resulting CDS Contracts shall ~~be entered into~~arise between the Clearing House and the Winning Bidder (~~either~~ for one of its Proprietary ~~Account~~Accounts or its Customer ~~Account~~Accounts for the account of the relevant Customer, ~~or the~~including for an Individually Segregated Sponsored Account for the account of its Sponsored Principal, as applicable), in accordance with such a Transfer and Part 4 of the Rules, but without regard to any Customer or Customer-CM Transactions of the Defaulter, on economically identical terms to the CDS Contracts that are the subject of the Auction Lot in the relevant Primary CDS Auction.

- 5.9 The Clearing House may abandon or alter the procedure for any Primary CDS Auction, including conducting ~~Second~~Repeat CDS Auctions, at any time prior to the entry into of CDS Contracts with Winning Bidders, taking into account such considerations as it deems necessary or desirable to protect the financial integrity of the Clearing House, the Clearing Members generally or the marketplace for any instruments cleared by the Clearing House, and such other matters as it may deem appropriate, and in consultation with the CDS Default Committee as provided under the Rules.
- 5.10 In the event that there is ~~or are one or more~~a Failed ~~Lots~~Auction Lot for a Primary CDS Auction, for whatever reason, the Clearing House may, at its discretion, in consultation with the CDS Default Committee, (i) run a ~~Second~~Repeat CDS Auction for the same Auction Lot ~~or Lots~~ in accordance with paragraph 6.8 and/or (ii) run a new First CDS Auction for the remaining portfolio (which may include a differently organised or constituted ~~Lots~~Auction Lot, as determined to be appropriate by the Clearing House hereunder). There shall be no limit to the number of ~~Second~~Repeat CDS Auctions that may so be run.

## 6. POST-BID PROCEDURE

- 6.1 The Winning Bidder will become a party to new CDS Contracts with the Clearing House on economically identical terms to the CDS Contracts that are the subject of the Auction Lot in the Primary CDS Auction. CDS Contracts will be established with the Winning Bidder pursuant to the termination of relevant CDS Contracts between the Defaulter and the Clearing House and the establishment of new, economically identical CDS Contracts between the Clearing House and the Winning Bidder pursuant to a Transfer that is a termination or replacement under Rule 904. The Winning Bidder will be treated as if it were a "Transferee Clearing Member" for purposes of Part 9 of the Rules provided that the provisions of Part 9 to the extent relating to Customers shall not apply.
- 6.2 Customer-CM Transactions that are entered into as a result of the Primary CDS Auction will be established in accordance with the Rules, the Procedures and the Standard Terms at the same time as CDS Contracts are entered into pursuant to paragraph 5.8.
- 6.3 Such Customer-CM Contracts resulting from the Primary CDS Auction will be established between the Clearing House and the Winning Bidder(s) (or its or their CDS Clearing Member(s) or Sponsor(s)) in respect of any particular CDS Contract, at the Primary CDS Auction Clearing Price determined by the Clearing House as at the time specified in accordance with paragraph 6.5.
- 6.4 The Winning Bidder may be subject to an additional Margin call as a consequence of it becoming party to CDS Contracts pursuant to a Primary CDS Auction (whether for one of its Proprietary ~~Account~~Accounts or Customer ~~Account~~Accounts ~~including~~ Individually Segregated Sponsored ~~Account~~Accounts). Any call for Margin required under these CDS Default Auction ~~Terms~~Procedures will take place pursuant to the Rules and Finance Procedures.
- 6.5 Records of new CDS Contracts in Accounts at the Clearing House may be updated by the Clearing House after the time that new CDS Contracts arise. The Winning Bidder will become party to new CDS Contracts resulting from the Primary CDS Auction at the time that it is notified by the Clearing House that it is the Winning Bidder, notwithstanding the time at which the establishment of new CDS Contracts is completed in the Clearing House's books and records.

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6.6 Once new CDS Contracts have been established between the Winning Bidder and the Clearing House, the Bid which gave rise to the CDS Contracts will be treated as valid regardless of any failure of the [Primary](#) CDS Auction Participant to have satisfied any participation criteria or otherwise as to the validity of any Bid.

7. **OTHER TERMS**

7.1 Neither the Clearing House nor any of its Affiliates makes any representation or warranty as to the accuracy of any records of the Defaulter or any of its Affiliates. In particular, the Clearing House makes no representation or warranty as to whether any CDS Contract recorded in ~~the~~ [Proprietary Account](#), [or Customer Account](#) ~~or~~ [\(including any Individually Segregated Sponsored Account\)](#) of the Defaulter is correctly recorded in such account or as to whether any consent of any Customer, Affiliate or Sponsor of the Defaulter is required to any [Primary](#) CDS Auction or the termination of CDS Contracts to which a Defaulter is party. The Clearing House makes no warranty, whether express or implied, as to quality, appropriateness or in respect of the merits of any investment decision relating to any [Auction](#) Lot. The Clearing House does not provide, and is not responsible or liable for, any investment advice in relation to any [Primary](#) CDS Auction.

7.2 Although the information to be provided by the Clearing House in respect of a [Primary](#) CDS Auction is believed to be accurate subject to the qualifications in paragraph 7.1 above, neither the Clearing House nor any of its Affiliates, nor any of their respective agents, officers, directors, committee members, employees, or advisers makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, including but not limited to the value or marketability of any CDS Contracts or Open Contract Positions. Each [Primary](#) CDS Auction Participant is responsible for making its own determination as to whether to proceed with or without further investigation or as to its Bidding (including the appropriate Bidding value) on any [Auction](#) Lot.

7.3 The Clearing House is under no obligation to enforce these CDS [Default](#) Auction Procedures against a Bidder at the request of any other Bidder.

7.4 All [Primary](#) CDS Auction Participants are hereby on notice that the Clearing House is not a member of any professional or other association, society, institution or organisation of auctioneers or agents and is not therefore bound by the rules or practices of any such association, society, institution or organisation. The conduct of [Primary](#) CDS Auctions may be carried out only to manage an Event of Default in accordance with the Rules and does not constitute the ordinary day-to-day business of the Clearing House. Any standard rules, customs, good practice guidelines or guidance or other industry practices relating to auctions or agency sales are hereby disapplied and disclaimed. All and any rights of any Person bound by these CDS [Default](#) Auction Procedures which may arise as a result of a liability of the Clearing House pursuant to common law or statutory duties applicable to auctioneers or selling agents are hereby expressly waived by all [Primary](#) CDS Auction Participants to the fullest extent permitted by law. The implied term of care and skill under section 13 of the Supply of Goods and Services Act 1982 is hereby expressly excluded in respect of the conduct of any [Primary](#) CDS Auction by the Clearing House. The Clearing House expressly disclaims any duty of care or skill in respect of the conduct of any [Primary](#) CDS Auction by the Clearing House arising other than expressly pursuant to these CDS [Default](#) Auction Procedures. The Clearing House will not provide and has not provided any valuation services in connection with any [Primary](#) CDS Auction.

7.5 The time and date at which Bids are due, the time and date for the establishment of CDS Contracts or calling of Margin or the ~~Closing~~[Bidding Close](#) Time (subject to paragraph ~~4.9.2.9~~) may be delayed beyond the times and dates set forth in these CDS [Default](#) Auction Procedures or specified in the [Primary](#) CDS Auction Specifications if the Clearing House, in its discretion, in consultation with the CDS Default Committee, considers this to be necessary or appropriate. Notwithstanding anything to the contrary in these CDS [Default](#) Auction Procedures, to the fullest extent lawfully permissible, the Clearing House may postpone, cancel, adjourn or terminate a [Primary](#) CDS Auction at any time, and may withdraw all or any portion of the CDS Contracts from any ~~CDS~~-Auction Lot, in consultation with the CDS Default Committee.

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- 7.6 In respect of any [Primary](#) CDS Auction, each [Primary](#) CDS Auction Participant: (i) acknowledges that copies of the Auctions (Bidding Agreements) Acts 1927 and 1969 (as amended and including any amendments thereto) have been made available to it online at [www.legislation.gov.uk](http://www.legislation.gov.uk) for the duration of the [Primary](#) CDS Auction and agrees and acknowledges that it has received any other notices required to be provided to it under Applicable Law; (ii) agrees and acknowledges that it has received sufficient information concerning the identity of the persons conducting the auction on behalf of the Clearing House; and (iii) waives any right to make any claim that it has not received any information or documentation of a nature referred to in this paragraph ~~8.6~~[7.6](#) and agrees in favour of the Clearing House not to make any statement to the contrary to any third party.
- 7.7 Without limiting the obligations of CDS Clearing Members, Sponsored Principals, Sponsors and Customers under the Rules, all [Primary](#) CDS Auction Participants shall comply with Rule 203 of the Rules (including, without limitation, complying with their obligation not to commit any act of fraud or to engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering, [anticompetitive conduct](#) or which is in breach of any similar Applicable Laws). [In particular, where an Primary CDS Auction Participant receives information in respect of any Primary CDS Auction, including the contents of the portfolio of a Defaulter, the outcome or timing of any Primary CDS Auction, it acknowledges that such information, depending upon price sensitivity, may constitute "inside information" for the purposes of Regulation \(EU\) No 596/2014 \(the "Market Abuse Regulation"\) or fall within the definition of any similar or analogous term under Applicable Law concerning the possession, use or disclosure of such information \(any such information, "Inside Information" and the Market Abuse Regulation and any such Applicable Law, "Market Abuse Laws"\) in respect of any of the Contracts or Sets of Contracts cleared by the Clearing House or in respect of securities of the Defaulter. Each Primary CDS Auction Participant shall make their own assessments as to whether information in respect of any Primary CDS Auction is Inside Information, and if such information is Inside Information:](#)
- [\(a\) shall comply at all times in respect of that information with applicable Market Abuse Laws;](#)
  - [\(b\) agrees that it shall not disclose or make available such information to any Person within or outside of its organisation, with the exception of those who need to receive it to carry out functions in connection with a Primary CDS Auction and who are required pursuant to company policies or contractual requirements to treat such information as subject to the restrictions set out in this paragraph 7.7;](#)
  - [\(c\) agrees that no Person within its organisation may engage in any client trading or proprietary trading activities for the Primary CDS Auction Participant or any of its clients while in possession of any such information, until such time as the information ceases to be Inside Information;](#)
  - [\(d\) agrees that those in possession of such information shall not trade or otherwise effect any transactions on any Exchange or Market in any Contracts to which such information relates until such time as the information ceases to be Inside Information; and](#)
  - [\(e\) where such information constitutes "inside information" for the purposes of the Market Abuse Regulation, agrees to maintain an "insider list" of all persons within its organisation or any third party information who have access to the information, stating:](#)

- (i) the identity and role of each person;
- (ii) the reason why each person requires access to the information;
- (iii) the date and time on which each person obtained access to the information; and
- (iv) the date and time on which the insider list was created and updated.

7.8 It is the responsibility of each Winning Bidder to make any transaction or other reports or notifications to any Regulatory Authority or Governmental Authority (including, without limitation, any transaction reports) that it is required to make pursuant to Applicable Law.

## **Annex A**

### **CDS Auction Specifications**

#### **ICE Clear Europe Limited**

#### **Lot [1]: ~~[general description of Lot]~~—~~[Name of Defaulter]~~**

~~ICE Clear Europe Ltd (the "Clearing House") is conducting an auction of certain open positions in contracts, presently held in respect of ~~[Name of Defaulter]~~, and in that connection the Clearing House is requesting Bids from CDS Auction Participants for certain Lots. This document constitutes CDS Auction Specifications for purposes of the Clearing House's CDS Auction Terms for CDS Default Auctions (the "CDS Auction Procedures"). The CDS Auction Procedures apply in full to this auction Lot, to the extent applicable and save to the extent expressly modified in paragraph 7.~~

~~Information provided by the Clearing House in connection with these CDS Auction Specifications is confidential and subject to paragraph 2.8 of Part 1 of the CDS Auction Procedures. CDS Clearing Members or Sponsors that intend to provide Bids on behalf of Customers or Sponsored Principals (as applicable) are reminded of the restrictions that apply under paragraph 2.8 of Part 1 of the CDS Auction Procedures to all CDS Clearing Members, Customers, Sponsors and Sponsored Principals with respect to relevant information to be provided to such Customers or Sponsored Principals concerning the CDS Auction.~~

#### **1. Participation Criteria**

~~[State any conditions and criteria if there are to be any restrictions on the categories of Persons who may be CDS Auction Participants or any restrictions on the categories of Customers or Sponsored Principals for whom CDS Clearing Members or Sponsors (as applicable) can Bid or limitations on which Customers or Sponsored Principals may Bid directly]~~

~~If any Person which has been provided with these CDS Auction Specifications is for any reason unable to meet the specified participation criteria, he should contact the Clearing House immediately and, if the Clearing House agrees that such Person does not satisfy the criteria, such person shall refrain from Bidding in the CDS Auction. The Clearing House may restrict any such Person's access to CDS Auctions if it determines that a Person does not satisfy the specified participation criteria.~~

#### **2. Subject matter of the Lot**

~~The Lot comprises ~~[details of CDS Contracts]~~.~~

#### **3. Bid Form**

~~All Bids for this Lot must be submitted on the Bid Form in the schedule to this document by e-mail to ~~[email address]~~. Any Bid Form which is illegible, spoiled or incomplete will be rejected and treated as void and invalid and the submitter will be treated as if it had chosen not to participate in the CDS Auction except to the extent that~~  
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## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

~~the CDS Auction Procedures provide otherwise. Please see the CDS Auction Procedures for further information. Each Bid Form must specify the amount of consideration (in *{currency}*) that the Bidder will pay the Clearing House or will be prepared to be paid by the Clearing House (as applicable) in consideration for the entry into of all the CDS Contracts which are the subject matter of the Lot.~~

~~All Bid Forms and any other communication relating to this CDS Auction Lot should be sent to: *{email address}*.~~

### 4. ~~Timing~~

~~{Further details of the CDS Contracts included in this Lot will be disclosed to all CDS Auction Participants at *{time}* on *{date}* (the "Starting Time").}~~

~~The Closing Time (deadline for receipt of Bids) is *{time}* on *{date}*.~~

~~Winning Bidders will be notified of their Winning Bids by the Clearing House between *{times}*.~~

~~A conference call will be open from *{times}* on *{date}*, during which time CDS Auction Participants will be notified by the Clearing House (i) that the Winning Bidders have been notified of the fact that it has won; or (ii) that there is no Winning Bidder. Dial in details are as follows:~~

~~*{Call details}*~~

~~The Clearing House will confirm whether each Bid has been accepted by e-mail.~~

~~Winning Bidders will become party to new CDS Contracts immediately upon notification that they are the Winning Bidder, pursuant to the CDS Auction Procedures.~~

~~All CDS Contracts for which a CDS Auction Participant is the Winning Bidder will be Transferred to the relevant Account of the CDS Clearing Member or Sponsored Principal at the CDS Auction Clearing Price, at the close of business on *{date}*.~~

### 5. ~~{Minimum Bid size}~~

~~{Bids may only be for Lot sizes which are at least *{25%}* of *{the CDS Contracts in a particular Lot}*}~~

### 6. ~~{Currency}~~

~~{All Bids to be made in the specified currency}~~

### 7. ~~Modifications to CDS Auction Procedures~~

~~*{Specify any}* / *{None}*.~~

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**AUCTION TERMS FOR CDS DEFAULT AUCTIONS**

**BID FORM**  
**for CDS Auction Lots related to [Name of Defaulter]**  
**made pursuant to Part 1 of the CDS Auction Procedures of ICE Clear Europe**  
**and the relevant CDS Auction Specifications**

*[Specify by inserting the amount and checking the appropriate box]*

CDS Auction Participant name	CDS Auction Lot Number	Percentage of Lot	Cash Amount (always a positive number) <i>[(EUR)]</i>	Member Pay or Receive	CDS Auction Participant number	Desk (Hub) Account	Contact	Prop. Account or Customer Account of CDS Clearing Member (or Individually Segregated Sponsored Account)	Customer or Sponsored Principal name (if applicable)
<input type="checkbox"/>	1	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Pay]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	1	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Receive]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	2	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Pay]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	2	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Receive]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	3	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Pay]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	

Signed by: \_\_\_\_\_

Authorised Signatory of CDS Auction Participant

State full legal name of CDS Auction Participant: \_\_\_\_\_

**Annex B**

**Form of Notice of Minimum Bid Requirement**

*{ICE Clear Europe Limited Letterhead}*

*{Name of CDS Auction Participant}*

*{Email Address}*

*{Date}*

**CDS Default Auction – Notification of Minimum Bid Requirement**

Further to *{reference to CDS Auction Announcement Circular}* (the "**Circular**"), the Clearing House hereby notifies you of the Minimum Bid Requirement (as defined in the Clearing House's CDS Auction Terms for CDS Default Auctions (the "**CDS Auction Procedures**")) applicable to you in respect of the CDS Default Auctions to be held in accordance with the CDS Auction Procedures, the Circular and the applicable auction specifications.

*{Set out Minimum Bid Requirement}*

CDS Auction Participants are referred to the CDS Auction Procedures for further information on the Minimum Bid Requirement (and in particular paragraphs 2.4, 2.6 and 3.1 of Part 1 of the CDS Auction Procedures).

Signed

*{Name}*

*{Title}*

**PART 2 – SECONDARY CDS AUCTIONS**

**1. INTRODUCTION**

1.1 Part 2 of these CDS Default Auction Procedures ~~governs~~govern the auctioning of one or more Auction Lots in one or more Secondary CDS Auctions representing the remaining CDS Contracts to which a Defaulter is or was a party, where such auction is administered by the Clearing House pursuant to Rule 905(d)(i)(B). ~~These CDS Auction Procedures are 'Procedures' as defined in the Rules and are subject to the Rules, including, without limitation, Rule 102. These CDS Auction Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law.~~

1.2 Part 2 of these ~~Secondary~~ CDS Default Auction Procedures shall apply to every Secondary CDS Auction conducted by the Clearing House pursuant to Rule 905(d)(i)(B). However, they may be modified or supplemented for any particular Secondary CDS Auction pursuant to the relevant Secondary CDS Auction Specifications as set out in paragraph 2.7, ~~subject to consultation with the CDS Default Committee as provided under the Rules.~~

~~1.3 The Clearing House will conduct Secondary CDS Auctions in accordance with its default policies. In the event of a conflict between the terms of such default policies and Part 2 of these Secondary CDS Auction Procedures (as modified or supplemented by any applicable CDS Auction Specification as set out in paragraph 2.7), Part 2 of these CDS Auction Procedures shall prevail.~~



## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

1.3 ~~1.4~~ References in this Part 2 of the CDS Default Auction Procedures to paragraph numbers shall be to paragraphs in this Part 2, unless otherwise stated.

### 2. THE AUCTION PROCESS

2.1 Any Secondary CDS Auctions of CDS Contracts to which a Defaulter is or was party will take place after the Clearing House has ~~issued~~made a Secondary CDS Auction Announcement ~~Circular to CDS Clearing Members~~. The Clearing House will provide such advance notice as it determines is reasonable under the circumstances (but in any event at least one hour) to CDS Clearing Members prior to the Secondary CDS Auction.

2.2 ~~Each~~Subject to a zero Minimum Bid Requirement being established pursuant to paragraphs 2.4 and 2.5, each CDS Clearing Member is required to Bid in every Secondary CDS Auction and for ~~every~~any Auction Lot in a Secondary CDS Auction regardless of whether such CDS Clearing Member is at the time of the Secondary CDS Auction a party to any CDS Contract, has served a notice of termination for which the Termination Date has not yet passed or is in a Cooling-off Period, except as provided herein ~~and unless its membership privileges permit it not to participate and it so elects not to participate, in which case such CDS Clearing member will not be a Secondary CDS Auction Participant~~. Each CDS Clearing ~~Member's~~Member's Minimum Bid Requirement will be determined *pro rata* based on its CDS Guaranty Fund Contributions as compared to the CDS Guaranty Fund Contributions of all non-defaulting CDS Clearing Members, subject to paragraph 2.4 below. The sum total of the CDS Clearing ~~Member's~~Member's Minimum Bid Requirements may be set to an amount greater than 100% (but no greater than 150%) of the notional amount of the CDS Contracts in the relevant Auction Lot as may be determined by the Clearing House from time to time, in consultation with the CDS Default Committee.

2.3 A CDS Clearing Member may Bid for the account of a Customer and a Sponsor may Bid for the account of a Sponsored Principal, subject to paragraph 3.6. References to a CDS Clearing Member here shall include, where necessary, in respect of an Individually Segregated Sponsored Account, a reference to the Sponsor and Sponsored Principal acting jointly in respect of such Account.

2.4 Each Secondary CDS Auction ~~Participant's~~Participant's Minimum Bid Requirement in respect of a particular Auction Lot shall be communicated to it individually by the Clearing House through the DMS (or via such other means and in such format as is specified by the Clearing House) as soon as practicable prior to the relevant Secondary CDS Auction ~~in the format of the template notification set out in Annex B to Part 2 of these CDS Auction Procedures~~. A Minimum Bid Requirement shall not apply to a Secondary CDS Auction Participant for a particular Auction Lot: (a) to the extent such a Minimum Bid Requirement would be in breach of Applicable Law or the Rules; (b) to the extent that a self-referencing CDS as described in paragraph ~~10.5~~11.5 of the CDS Procedures would arise from an accepted Bid; or (c) ~~where the Clearing House, after being notified in writing by the relevant CDS Clearing Member to the extent that such a Minimum Bid Requirement is~~would be inappropriate in the ~~current~~ circumstances, ~~reasonably determines that the Minimum Bid Requirement does not apply~~as may be reasonably determined by the Clearing House.

2.5 A Secondary CDS Auction Participant will notify the Clearing House promptly ~~and in any event at least 12 hours prior to the opening of the relevant Secondary CDS Auction (or if the Clearing House has provided less than 15 hours' notice of the relevant Secondary CDS Auction, a Secondary CDS Auction Participant will notify the Clearing House as promptly as practicable but in any event within 3 business hours (or such shorter period of time until the Secondary CDS Auction) following such notice)~~one hour of the Clearing House publishing details of the CDS Contracts comprising the relevant Auction Lot, in writing, if it reasonably considers that ~~clause paragraph 2.4(a)-or,~~ (b) ~~above~~or (c) applies to it. ~~An Elective and, upon receiving confirmation by the Clearing House that it agrees with such assessment, the Minimum Bid Requirement shall not apply to that~~ Secondary CDS Auction Participant ~~shall notify the Clearing House whether or not it will participate in a Secondary CDS Auction within the timeframes set out in the previous sentence, as applicable.~~

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

~~Affiliated~~, CDS Clearing Members may ~~transfer, outsource or aggregate~~ outsource the operational processing of any of their obligations under these CDS Default Auction Procedures under Rule 102(w). CDS Clearing Members may also transfer their Minimum Bid Requirements to ~~apply to a single one of them subject to an Affiliate provided that such Affiliate so agrees and is also a CDS Clearing Member, subject to both Clearing Members~~ notifying the Clearing House prior to a Secondary CDS Auction and executing an agreement in the format approved by the Clearing House for these purposes. A CDS Clearing Member that so transfers ~~or outsources~~ its Minimum Bid Requirement to an Affiliate ~~Affiliated CDS Clearing Member or outsources any of its obligations~~ remains liable for any breach by its Affiliate or outsourcee of these CDS Default Auction Procedures or the Secondary CDS Auction Specifications, including in respect of ~~such CDS Clearing Member's Minimum Bid Requirement (in addition to the liability on the part of its Affiliate for such breach)~~ Guaranty Fund juniorisation, and will be subject to the Secondary CDS Auction Priority as if such Bid were its own. In addition, a CDS Clearing Member that so transfers or outsources its Minimum Bid Requirement to an Affiliate will, for the purposes of determining its Senior Guaranty Fund Contribution, Subordinate Guaranty Fund Contribution, Senior Assessment Contribution and/or Subordinate Assessment Contribution, and for determining whether it should be designated as a Non-Bidding CDS Clearing Member, assume the same position as a Senior Bidder, Split Bidder, Subordinate Bidder or Non-Bidding CDS Clearing Member, as the Affiliate as appropriate.

2.6 The Clearing House may, in consultation with the CDS Default Committee, divide the remaining portfolio of a Defaulter (after unsuccessful completion of the Primary CDS Auction ~~Auction(s)~~) into ~~discrete Secondary CDS Auctions, each consisting of~~ one or more Auction Lots as it considers appropriate. The Clearing House will endeavour to establish a single Auction Lot for the entire remaining portfolio of the Defaulter, except to the extent one or more CDS Clearing Members are excused from a Minimum Bid Requirement with respect to certain CDS Contracts under paragraph 2.4 (in which case the Clearing House may designate such CDS Contracts into one or more separate Auction Lots), or if the Clearing House otherwise determines in consultation with the CDS Default Committee that it will facilitate a successful Secondary CDS Auction to divide the portfolio into separate Auction Lots. The Clearing House may combine Contracts with different currencies in the same Auction Lot. In these circumstances, Secondary CDS Auction Participants must still provide Bids in a single currency, being that specified in the relevant Secondary CDS Auction Specifications. Payment obligations resulting from the Secondary CDS Auction will be in the specified currency. The Clearing House may, in consultation with the CDS Default Committee, auction the Auction Lots ~~within any Secondary CDS Auction,~~ in such order as it considers appropriate, provided that the Clearing House will use reasonable efforts to auction all such Auction Lots at the same time. Prior to ~~the publication of~~ a Secondary CDS Auction Announcement ~~Circular~~ or the circulation of the Secondary CDS Auction Specifications, the Clearing House may have engaged in close-out or hedging trades or other transactions in respect of the portfolio of a Defaulter in accordance with Part 9 of the Rules. In exercising its discretion under ~~paragraphs this paragraph~~ 2.6, the Clearing House, in consultation with the CDS Default Committee, shall consider, wherever possible, taking into account the Clearing ~~House's~~ House's margining methodology and ~~margin~~ Margin requirements applicable to CDS Clearing Members and Sponsored Principals, including within each Auction Lot of CDS Contracts, any CDS Contracts which have been offset for the purposes of calculating the ~~Defaulter's margin~~ Defaulter's Margin requirements.

2.7 In respect of each Auction Lot, the Clearing House will provide each Secondary CDS Auction Participant ~~(other than Defaulters)~~ with information about CDS Contracts to be auctioned, timing for the Bidding process, participation criteria, and, without prejudice to paragraph 2.4, any applicable Minimum Bid Requirements, ~~any minimum or maximum reserve price~~ and other matters ~~in writing in the format of the~~ via a Secondary CDS Auction Announcement or through the DMS (or via such other means and in such format as is specified by the Clearing House) (such information, the "Secondary CDS Auction Specifications"), such ~~Secondary CDS Auction Specifications~~ particulars to be provided with such advance notice as the Clearing House determines is reasonable under the circumstances (but in any event at least one hour) prior to the Secondary CDS Auction. The Secondary CDS Auction Specifications may include amendments or additions to any provision of these CDS Default Auction Procedures or may disapply any provision of these

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

CDS [Default](#) Auction Procedures (provided that Secondary CDS Auction Specifications may not modify or disapply any provision of the Secondary CDS Auction Priority or otherwise be inconsistent with the Rules). In the event of any conflict between the Secondary CDS Auction Specifications and this Part 2 of ~~the~~[these](#) CDS [Default](#) Auction Procedures in respect of any particular [Auction](#) Lot, the Secondary CDS Auction Specifications shall prevail. If any Person which has been provided ~~a copy of~~[with](#) any Secondary CDS Auction Specifications believes that he does not satisfy any of the specified participation criteria, he should contact the Clearing House as soon as practicable, and, if the Clearing House agrees that such Person does not satisfy the criteria, he shall refrain from Bidding for the relevant [Auction](#) Lot. The Clearing House may restrict any such ~~Person's~~[Person's](#) access to Secondary CDS Auctions if it determines that ~~asuch~~[such](#) Person does not satisfy the specified participation criteria. The Clearing House may update or correct any details in the Secondary CDS Auction Specifications at any time prior to the commencement of Bidding in the relevant Secondary CDS Auction. The requirements applicable to a Direct Participating Customer will not apply to any other Customers of CDS Clearing Members, for whose account a CDS Clearing Member may submit a Bid in an auction. Equally, the requirements applicable to a Direct Participating Customer will not apply to any other Sponsored Principals for which a Clearing Member acts as Sponsor and for whose account the Clearing Member may submit a Bid in an auction. Each Direct Participating Customer ~~and Elective CDS Auction Participant in a CDS Auction~~ will not have a Minimum Bid Requirement when participating in a Secondary CDS Auction. Direct Participating Customers will not need to transfer or maintain with the Clearing House a Direct Auction Participant Contribution when participating in a Secondary [CDS](#) Auction.

- 2.8 A CDS Clearing ~~Member's~~[Member's](#) Bid ~~for in respect of one of~~ its Proprietary ~~Account, Accounts or~~[Account, Accounts or](#) Customer ~~Account, or Accounts (including,~~ in respect of a Sponsored Principal for which it acts as Sponsor, Individually Segregated Sponsored ~~Account~~[Accounts](#)), will count towards its Minimum Bid Requirement. Bids made by a Direct Participating Customer will not count toward the Minimum Bid Requirement of any CDS Clearing Member or Sponsor acting for such Direct Participating Customer.
- 2.9 Secondary CDS Auction Participants shall be treated equally as regards the provision of information relating to Secondary CDS Auctions by the Clearing House. Any Person (including any CDS Clearing Member, Customer, Sponsor, Sponsored Principal or Direct Participating Customer) who receives any information in connection with a Secondary CDS Auction or possible Secondary CDS Auction shall hold such information in confidence and in accordance with the Rules, and shall not disclose it to any other Person except where such disclosure is made: (i) with the prior written consent of the Clearing House; (ii) to a Regulatory Authority or Governmental Authority where a request is formally made to the Person by or on behalf of the same or pursuant to Applicable Law in writing, provided that the Person making such disclosure notifies the Clearing House of its disclosure where it is lawful to do so; (iii) pursuant to an order of a competent court or other Governmental Authority or otherwise to such other Persons, at such times and in such manner as may be required by Applicable Law, provided that the Person making such disclosure notifies the Clearing House of its disclosure where it is lawful to do so; or (iv) in the case of a CDS Clearing Member or Sponsor, to a Customer or Sponsored Principal where such Customer or Sponsored Principal has expressed his interest in participating in the Secondary CDS Auction and is subject to a duty of confidentiality similar to that set out in this paragraph 2.9. For the avoidance of doubt, nothing in the foregoing paragraph shall prevent Secondary CDS Auction Participants from disclosing information to counsel for the purposes of obtaining legal advice in circumstances where a professional duty of confidentiality arises.
- 2.10 All Bids must be ~~made by submitting a Bid Form. Bids must be received~~[submitted via the DMS \(or via such other means and in such format as is specified by the Clearing House\).](#) ~~Bids can only be submitted~~ during the time window and prior to the ~~Closing~~[Bidding Close](#) Time specified by the Clearing House in the relevant Secondary CDS Auction Specifications. ~~The Bidding Close Time may be postponed for up to one hour by the Clearing House giving notice of such postponement to all Secondary CDS Auction Participants, following consultation to the extent practicable with the CDS Default Committee and the term "Bidding Close Time" shall be construed accordingly.~~

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

2.11 The Secondary CDS Auction will proceed pursuant to a 'sealed bid' process whereby the relevant Secondary CDS Auction Participants will be asked to submit Bids for the relevant Auction Lot or a particular percentage of the Auction Lot ~~in the appropriate Bid Form~~ via the DMS (or via such other means and in such format as is specified by the Clearing House). The Secondary CDS Auction Specifications may specify a minimum Bid size. ~~Any~~ The DMS will prevent Secondary CDS Auction Participants from submitting Bids below the minimum Bid size. For the avoidance of doubt, any Bid below any specified minimum Bid size that is accepted by the DMS in error will be null and void unless the Clearing House, in its absolute discretion, determines otherwise.

~~2.12 A Bid Form will be treated as invalid and void if it is illegible, spoiled or is incomplete, as applicable.~~

2.12 [Not used.]

2.13 ~~During such period after the Closing Time as is specified in the~~ After the Bidding Close Time for any Secondary CDS Auction ~~Specifications~~, the Clearing House will notify Secondary CDS Auction Participants to inform them either: (i) that ~~there were~~ the Secondary CDS Auction has successfully taken place and Winning Bidders ~~and that such Bidders~~ have been notified; or (ii) that the Secondary CDS Auction has taken place and no Bids were successful ~~as determined in accordance with paragraph 5.6.~~

2.14 A Winning Bidder (or its CDS Clearing Member, Sponsor or Sponsored Principal, if applicable) may be required to post additional Margin as and when required in accordance with the Clearing House's margin methodology and procedures.

### 3. THE BIDDING PROCESS

3.1 A Secondary CDS Auction Participant will make Bids for each Auction Lot in a Secondary CDS Auction which, as a minimum, comply with any applicable Minimum Bid Requirement notified to it. Any failure to comply with an applicable Minimum Bid Requirement shall have the consequences set forth herein but shall not itself constitute an Event of Default under the Rules. The Clearing House is not obliged to solicit Bids from Secondary CDS Auction Participants other than notifying Secondary CDS Auction Participants of any applicable Minimum Bid Requirement.

3.2 With respect to each Secondary CDS Auction, the Clearing House will determine the Auction Lot Guaranty Fund Weighting for ~~each~~ the Auction Lot.

3.3 The order of application of CDS Guaranty Fund Contributions and Assessment Contributions shall be modified if there is a CDS Default Auction as set out in Rule 908(i). The Secondary CDS Auction Priority established for a Secondary CDS Auction will apply to all CDS Guaranty Fund or CDS Assessment Contributions of non-defaulting Clearing Members to be applied under Part 9 of the Rules with respect to all Auction Lots comprising such Secondary CDS Auction in the aggregate: ~~in the same way as under Part 1 of these CDS Default Auction Procedures, except as expressly modified or contradicted in this Part 2. This paragraph 3.3 shall apply only in respect of those Bids that are indicated, or are deemed under the Secondary CDS Auction Specifications, as related to Minimum Bid Requirements.~~

3.4 Notwithstanding anything to the contrary herein, a Non-Bidding CDS Clearing Member with respect to ~~any~~ an Auction Lot, will be treated as such for purposes hereof with respect to ~~all Lots~~ that Auction Lot in the relevant Secondary CDS Auction, regardless of whether it would otherwise have been a Senior Bidder, Excused Non-Participating Bidder or Subordinate Bidder for any other Auction Lot.

3.5 For the avoidance of doubt, if a Secondary CDS Auction fails in respect of ~~all Lots~~ the entire Auction Lot, no Secondary CDS Auction Priority will be established for that Secondary CDS Auction ~~and amounts will be charged to the~~ for that Auction Lot and CDS Guaranty Fund Contributions shall be applied as set forth under

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

- ~~the Rules~~ Rule 908 unamended by Rule 908(i), until the completion of a subsequent Secondary CDS Auction under these CDS Default Auction Procedures, if any (which subsequent Secondary CDS Auction shall establish a new Secondary CDS Auction Priority for purposes of Rule 908(i) and may result in correcting payments to or from the Clearing House to reflect the modified waterfall for purposes of Rule 908 so resulting). Except as provided herein, the Auction Lot Resources in respect of any Failed Auction Lot for a Secondary CDS Auction shall not be applied in the Secondary CDS Auction Priority for that Secondary CDS Auction.
- 3.6 A Secondary CDS Auction Participant may submit multiple Bids for each Auction Lot, or (if it is a CDS Clearing Member) a percentage of each Auction Lot, in a particular ~~Lot~~ Secondary CDS Auction on its own account or for the account of a Customer, provided that such Secondary CDS Auction Participant ensures that all of its Bids, whether for its account or for the account of its Customers, are provided in the same Bid Submission or otherwise as specified in the Secondary CDS Auction Specifications ("Standard Bids"). In addition to submitting one or more Standard Bids pursuant to the Secondary CDS Auction Specifications, a Secondary CDS Auction Participant may choose to submit one Bid for an entire Auction Lot which, should that Bid be a Winning Bid, stipulates the receipt of 100% of the Auction Lot without that award being split amongst more competitively priced Standard Bids (an "All or Nothing Bid"). In order to categorise a Bid as an All or Nothing Bid, the Secondary CDS Auction Participant must specifically mark the Bid as an All or Nothing Bid in its Bid Submission. All or Nothing Bids shall not be mandatory but shall, if submitted in the absence of any other Bid, be deemed to satisfy the applicable Minimum Bid Requirement at the same price but adjusted on a pro rata basis. For the avoidance of doubt, the submission of an All or Nothing Bid does not disqualify a Secondary CDS Auction Participant from submitting one or more Standard Bids for each Auction Lot, or (if it is a CDS Clearing Member) a percentage of each Auction Lot, whether for its account or for the account of its Customers, provided that such Secondary CDS Auction Participant ensures that all of its Bids, whether for its account or for the account of its Customers, as the case may be, are submitted in the same Bid Form Submission or otherwise as specified in the Secondary CDS Auction Specifications. A Bid made by a Secondary CDS Auction Participant by, for, or on behalf of a Customer shall be identified as such and such Bid shall be treated as a Bid for the relevant Customer Account. A Bid made by, for, or on behalf of a Sponsored Principal or by a Sponsor in such capacity shall be identified as such and treated as a Bid for the relevant Individually Segregated Sponsored Account. A CDS Clearing Member can satisfy its Minimum Bid Requirement by submitting multiple Bids with differing Bid prices and Bid sizes provided that, in aggregate, its submitted Bids equal or exceed the Minimum Bid Requirement and any individual Bid is equal to or larger than any applicable minimum Bid size.
- 3.7 All the requirements of the Rules concerning the provision of information to the Clearing House, including in Rule 106 and Part 2, apply in respect of the submission of Bids by a Secondary CDS Auction Participant.
- ~~3.8 Bids can only be submitted during the time window specified by the Clearing House in the Secondary CDS Auction Specifications. The time period for submission will end at the Closing Time. The Closing Time may be postponed for up to one hour by the Clearing House giving notice of such postponement to all Secondary CDS Auction Participants, following consultation to the extent practicable with the CDS Default Committee and the term "Closing Time" shall be construed accordingly.~~
- 3.8 ~~3.9~~ A Bid must be in respect of all CDS Contracts or a percentage of all CDS Contracts in the relevant Auction Lot. Any partial Bids, such as Bids which specify a particular CDS Contract, will be invalid and void. With respect to a particular Auction Lot, no Secondary CDS Auction Participant is permitted to Bid, in aggregate, in excess of the notional amount of CDS Contracts being auctioned in such Auction Lot.
- 3.9 ~~3.10~~ No Secondary CDS Auction Participant may make a referential Bid (e.g. a Bid which purports to be a Bid which is €1 higher or lower than the highest or lowest Bidder) or make a Bid that is subject to conditions. Any such Bid will be treated as invalid and void and the Secondary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~ made such Bid.



## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

- 3.10 ~~3.11~~ A Secondary CDS Auction Participant may amend or modify a submitted Bid by resubmitting its entire Bid ~~Form~~ Submission through DMS (or such other means and in such format as is specified by the Clearing House). In the event a Bid ~~Form~~ Submission is resubmitted with any amendments or modifications, the Clearing House will disregard any previous Bid ~~Form~~ Submission submitted by such Secondary CDS Auction Participant and any such previous Bid ~~Form~~ Submission will be null and void. After the ~~Closing Bidding~~ Close Time, all submitted Bid ~~Forms~~ Submissions are irrevocable provided that if the Clearing House is satisfied, upon the request of a Secondary CDS Auction Participant, that a genuine mistake has been made in the submission of a Bid, the Clearing House may, at its own discretion, ~~permit the Secondary CDS Auction Participant to withdraw the Bid and/or correct such mistake, before the Secondary CDS Auction Clearing Price is determined. If such erroneous Bid is so withdrawn but not corrected by such time, it invalidate the Bid. Upon invalidation of such Bid, the Bid~~ will be deemed not to have been submitted at all for ~~the~~ purposes of Part 2 of these ~~Secondary~~ CDS Default Auction Procedures and the Secondary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~ made such Bid.
- 3.11 ~~3.12~~ Each Bid will be deemed to have been submitted at the time it is recorded as being received by the Clearing House. Except as provided in paragraph ~~3.11~~ 3.10, any Bid received after the ~~Closing Bidding~~ Close Time will be treated as invalid and void and the Secondary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~ made such Bid.
- 3.12 ~~3.13~~ Any Bid that does not comply with the requirements of these CDS Default Auction Procedures or the Secondary CDS Auction Specifications will be treated as invalid and void. Bids so invalidated will not be counted toward a Secondary CDS Auction Participant's Minimum Bid Requirement and the Secondary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~ made such Bid.
- 3.13 ~~3.14~~ Any CDS Clearing Member that is a Defaulter will be ineligible to participate in a Secondary CDS Auction relating to another Defaulter's Contracts and will be treated for purposes of the Secondary CDS Auction Priority as if it had ~~chosen not to participate~~ made such Bid. Neither any CDS Clearing Member that is a Defaulter nor any ~~Sponsor acting for a~~ Sponsored Principal that is a Defaulter may participate in an auction of its own Contracts.

## 4. PARTICIPATION BY CUSTOMERS AND SPONSORED PRINCIPALS IN THE AUCTION

- 4.1 A CDS Clearing Member may make ~~an unlimited number of~~ separate Bids in respect of its Customers for whom it acts as Clearing Member or Sponsored Principals for whom it acts as Sponsor (in addition to any Bids for its Proprietary ~~Account~~), ~~in accordance with paragraph 3.6~~ Accounts), ~~in the same way as it may make a Bid for one of its Proprietary Accounts and subject to the same provisions of this Part 2. A CDS Clearing Member must have all due approval, consent or authorisation from its Customer or Sponsored Principal to make the relevant Bid. Each CDS Clearing Member that makes Bids on behalf of a Customer or Sponsored Principal (other than a Direct Participating Customer) represents, acknowledges and agrees that such Customer or Sponsored Principal will be subject to the restrictions of paragraph 2.9 with respect to any information provided to such Customer or Sponsored Principal in connection with the Secondary CDS Auction.~~
- 4.2 A CDS Clearing Member shall become liable for the entry into of CDS Contracts resulting from the Bids made on behalf of a Customer including any Direct Participating Customer that is its Customer in the same way as it is liable for and becomes party to other Customer Account contracts or contracts entered into otherwise for Customers pursuant to the Rules. A CDS Clearing Member shall become liable as Sponsor for the entry into of CDS Contracts resulting from the Bids made for, by or on behalf of a Sponsored Principal (including any Secondary CDS Auction Participant that is a Sponsored Principal) in the same way as it is liable for and becomes party to other CDS Contracts recorded in an Individually Segregated Sponsored Account.



## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

~~4.3 Except as otherwise set out in these CDS Auction Procedures and as provided for in the Rules, each Secondary CDS Auction Participant (that is not already bound hereto) shall hereby be deemed to have agreed to become bound by these CDS Auction Procedures and by the Rules as if it were a CDS Clearing Member in respect of its conduct in relation to a Secondary CDS Auction by conduct, as a result of its participation in the Secondary CDS Auction.~~

4.3 Each Direct Participating Customer must enter into a CDS Auction Participation Agreement with its CDS Clearing Member (which agreement the Clearing House may enforce), prior to the commencement of any Secondary CDS Auction, as a condition of its participation in the Secondary CDS Auction.

4.4 The Clearing House reserves the right to verify any Bid to ensure such Bid will be cleared by a CDS Clearing Member or Sponsor and reserves the right to invalidate a Bid where the Clearing House reasonably believes that such Bid, if accepted, would not be cleared by a CDS Clearing Member or Sponsor (notwithstanding paragraph 4.2) or that such Bid would be in breach of any position limits or other risk policies implemented by the Clearing House pursuant to the Rules. Any such invalidation will be made prior to the notifications made pursuant to paragraphs 2.13 and 5.9. Bids so invalidated will not be counted toward a CDS Clearing Member's Minimum Bid Requirement and the Secondary CDS Auction Participant will be treated as if it had ~~chosen~~ not to participate made such Bid.

### 5. SELECTION OF THE WINNING BID

5.1 The Clearing House will aim to conduct a successful and competitive Secondary CDS Auction. For purposes hereof, a Secondary CDS Auction with respect to ~~a~~ an Auction Lot will be successful if it results in an aggregate price for the relevant CDS Contracts in such an Auction Lot that is within any available Auction Lot Resources for such an Auction Lot (for the avoidance of doubt, after application of any available default resources ranking prior to the Secondary CDS Auction Priority under Rule 908). The Clearing House may also apply RGD in connection with a Secondary CDS Auction in accordance with Rule 914.

5.2 The Clearing House may, at its discretion but giving due consideration to the CDS Default Management Policy, set any minimum reserve price and/or any maximum reserve price (which in either case may not be disclosed to any Bidders).

5.3 The Clearing House may at its discretion, in consultation with the CDS Default Committee, withdraw ~~a~~ an Auction Lot prior to or after the Closing Bidding Close Time.

5.4 Promptly after the Closing Bidding Close Time for ~~a~~ an Auction Lot, the Clearing House will sort Bids submitted to it in the order of the Bid price (the price Bid per ~~percentage~~ unit of notional amount). The Bids will be ordered sequentially, starting with the highest Bid price and ending with the lowest Bid price. Unless ~~paragraphs~~ paragraph 5.6 applies, the Auction Lot will be allocated in full to ~~bids~~ Bids at or above the Secondary CDS Auction Clearing Price. The Secondary CDS Auction Clearing Price is payable either, by the Clearing House to the Secondary CDS Auction Participant or its CDS Clearing Member, or to the Clearing House by the Secondary CDS Auction Participant or its CDS Clearing Member, as applicable. In the event that an All or Nothing Bid is included in the sum of the notional amount of Contracts with equal or higher Bid prices that are equal or greater than the notional amount of CDS Contracts being auctioned, then the price of such All or Nothing Bid shall be the Secondary CDS Auction Clearing Price. In the event that a Bid is also invalid or void or no CDS Contract is established with the Secondary CDS Auction Participant (or, if applicable, its CDS Clearing Member) submitting any Bid for any reason, such Bid will not be accepted and the Secondary CDS Auction Participant will be treated as if it had ~~chosen~~ not to participate made such Bid.

**AUCTION TERMS FOR CDS DEFAULT AUCTIONS**

Examples of how the Secondary CDS Auction Clearing Price is calculated are set out [below, in paragraph 5.4 of Part 1 of these CDS Default Auction Procedures, which shall apply to the calculation of the Secondary CDS Auction Clearing Price \*mutatis mutandis\*](#) for illustrative purposes only.

**Example 1**

Note in these examples a negative Bid indicates a payment by the Clearing House

Ranking	Cash Bid	% of Portfolio	Cash/1%	Allocation % of Portfolio
1	€20,000	20%	€1,000	20%
2	€0	30%	€0	30%
3	-€2,500,000	25%	-€100,000	25%
4	-€3,000,000	25%	-€120,000	25%
5	-€3,900,000	30%	-€130,000	0%
6	-€6,000,000	40%	-€150,000	0%
7	-€7,750,000	50%	-€155,000	0%
8	-€6,400,000	40%	-€160,000	0%
9	-€3,300,000	20%	-€165,000	0%
10	-€43,000,000	20%	-€2,150,000	0%

Unless paragraph 5.6 applies, the Secondary CDS Auction Clearing Price will be -€120,000/1%. Portfolio will be allocated in full to bids above the Secondary CDS Auction Clearing Price.

**Example 2**

Ranking	Cash Bid	% of Portfolio	Cash/1%	Allocation % of Portfolio
1	€20,000	20%	€1,000	20%
2	€0	30%	€0	30%
3	-€2,500,000	25%	-€100,000	25%
4	-€3,600,000	30%	-€120,000	25%
5	-€3,900,000	30%	-€130,000	0%
6	-€5,250,000	35%	-€150,000	0%
7	-€7,750,000	50%	-€155,000	0%

Unless paragraph 5.6 applies, the Secondary CDS Auction Clearing Price will be -€120,000/1%. Portfolio will be allocated in full to bids 1,2 and 3 and allocated in part to bid 4.

Unless paragraph 5.6 applies, the Secondary CDS Auction Clearing Price will be -€120,000/1%. Portfolio will be allocated in full to bids 1,2 and 3 and allocated in part to bid 4.

**AUCTION TERMS FOR CDS DEFAULT AUCTIONS**

8	-€6,400,000	40%	-€160,000	0%
9	-€3,300,000	20%	-€165,000	0%
10	-€43,000,000	20%	-€2,150,000	0%

**Example 3**

Ranking	Cash Bid	% of Portfolio	Cash/1%	Allocation % of Portfolio
1	€20,000	20%	€1,000	20%
2	€0	30%	€0	30%
3	-€2,500,000	25%	-€100,000	25%
4 (1)	-€3,600,000	30%	-€120,000	12.5%
4 (2)	-€3,600,000	30%	-€120,000	12.5%
6	-€3,900,000	30%	-€130,000	0%
7	-€5,250,000	35%	-€150,000	0%
8	-€7,750,000	50%	-€155,000	0%
9	-€6,400,000	40%	-€160,000	0%
10	-€3,300,000	20%	-€165,000	0%

Unless paragraph 5.6 applies, the Secondary CDS Auction Clearing Price will be – €120,000/1%. Portfolio will be allocated in full to bids 1,2 and 3. Bids 4(1) and 4(2) will receive a *pro rata* share of the remaining portfolio.

5.5 All CDS Contracts shall be allocated to winning Secondary CDS Auction Participants at the Secondary CDS Auction Clearing Price in a fair and consistent manner and in accordance with the Bid size used in the calculation of the Secondary CDS Auction Clearing Price. All or Nothing Bid(s) which set the Secondary CDS Auction Clearing Price under paragraph 5.4 will be given precedence over Standard Bids. It is possible that a Standard Bid will receive no share of the Auction Lot, even if the Bid price is higher than or equal to the Secondary CDS Auction Clearing Price, in circumstances in which an All or Nothing Bid has been accepted by the Clearing House. In the event that there are multiple Standard Bids and no All or Nothing Bids at the Secondary CDS Auction Clearing Price, to the extent there is a shortfall of CDS Contracts being available, CDS Contracts shall be allocated *pro rata* according to the notional amount of CDS Contracts for which the relevant Secondary CDS Auction Participants Bid ~~for~~ at the relevant price, unless the Clearing House determines otherwise pursuant to any risk policies implemented by the Clearing House pursuant to the Rules. In the event that there are multiple All or Nothing Bids at the same price (being the Secondary CDS Auction Clearing Price), the Auction Lot will be allocated equally among the Secondary CDS Auction Participants submitting those All or Nothing Bids. Bids below any applicable minimum reserve price, above any applicable maximum reserve price, or invalidated pursuant to paragraph 3.9, 3.10, 3.11, 3.12, 3.13, 4.4 or 5.4 or Bids that the Clearing House determines, in consultation with the CDS Default Committee, would be inconsistent with the considerations set forth in paragraph 5.1, as applicable, may, at the discretion of the

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

- Clearing House be excluded for the purposes of calculating the Secondary CDS Auction Clearing Price, allocating CDS Contracts at the Secondary CDS Auction Clearing Price or determining whether a CDS Clearing Member has met the Minimum Bid Requirement unless the Clearing House, in its discretion, decides otherwise and, if so, the Secondary CDS Auction Participant will be treated as if it had ~~chosen not to participate~~ made such Bid.
- 5.6 The Clearing House may, in any given Secondary CDS Auction of ~~a~~ an Auction Lot, at its discretion in accordance with the Rules, determine, in light of the Bids received (or lack of Bids received), the size of the Bids received, and the considerations set forth in paragraph 5.1, that there will be no Winning Bidder for the relevant Auction Lot and that the Secondary CDS Auction for that Auction Lot shall be treated as a Failed Auction Lot. If the Secondary CDS Auction Clearing Price falls below any minimum reserve price or above any maximum reserve price, the Clearing House may at its discretion nonetheless accept Bids at such Secondary CDS Auction Clearing Price and, if it does so, the auction of such Auction Lot shall not be treated as a Failed Auction Lot.
- 5.7 If, in relation to any given Secondary CDS Auction of ~~a~~ an Auction Lot, the Clearing House determines that there is ~~a~~ an Auction Lot Resource Shortfall, but that there are Excess Successful Auction Lot Resources to cover the Auction Lot Resource Shortfall, then the Clearing House may nonetheless determine in its discretion in accordance with the Rules that such Auction Lot shall not be a Failed Auction Lot and to accept Bids below or above any minimum reserve or maximum reserve price. In addition, the Clearing House may determine in its discretion in accordance with the Rules to allocate all or a portion of the Auction Lot Resources from any Failed Auction Lot as Allocated Failed Auction Lot Resources to cover ~~a~~ an Auction Lot Resource Shortfall.
- 5.8 If, ~~a~~ an Auction Lot Resource Shortfall would occur for any Auction Lot or Auction Lots (notwithstanding application of additional resources pursuant to paragraph 5.7) as a result of a Secondary CDS Auction taking place on the fifth consecutive Loss Distribution Day under Rule 914(o), then the Clearing House may in its discretion but subject to the requirements of the Rules, determine the Secondary CDS Auction Clearing Price for such Auction Lot or Auction Lots for less than 100% of the CDS Contracts such that the Auction Lot Resources for such Auction Lot or Auction Lots (together with any such additional resources) will be sufficient to pay the amounts owed with respect to such portion of the Contracts at such price. The remainder of such Auction Lot or Auction Lots shall be subject to Partial Tear-Up under and in accordance with Rule 915.
- 5.9 Each Bid constitutes an offer to the Clearing House to enter into CDS Contracts; pursuant to a Transfer governed by Rule 904(b) (but without regard to any Customer or Customer-CM Transactions of the Defaulter) and Part 4 of the Rules, such offer being made by the relevant CDS Clearing Member. The Clearing House shall use reasonable endeavours to notify Winning Bidders within 15 minutes after the ~~Closing Bidding Close~~ Time of the Secondary CDS Auction. Immediately upon notification by the Clearing House to ~~the Winning Bidder~~ that it has a Winning Bid ~~by e-mail, telephone, in writing or otherwise, through the DMS (or via such means and in such format as is specified by the Clearing House) and without the need for any further step, this shall constitute acceptance of the offer by the Clearing House and~~ resulting CDS Contracts shall ~~be entered into~~ arise between the Clearing House and the Winning Bidder (either for one of its Proprietary AccountAccounts or its Customer AccountAccounts for the account of the relevant Customer, or the including for an Individually Segregated Sponsored Account, for the account of its Sponsored Principal, as applicable) in accordance with such a Transfer and Part 4 of the Rules, but without regard to any Customer or Customer-CM Transactions of the Defaulter, on economically identical terms to the CDS Contracts that are the subject of the relevant Auction Lot in the relevant Secondary CDS Auction.
- 5.10 The Clearing House may abandon or alter the procedure for any Secondary CDS Auction, including conducting subsequent Secondary CDS Auctions, at any time prior to the entry into of CDS Contracts with Winning Bidders, taking into account such considerations as it deems necessary or desirable to protect the

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

financial integrity of the Clearing House, the Clearing Members generally or the marketplace for any instruments cleared by the Clearing House, and such other matters as it may deem appropriate, and in consultation with the CDS Default Committee as provided under the Rules.

- 5.11 In the event of a failed Secondary CDS Auction of any Auction Lot ~~or Lots~~ for whatever reason, the Clearing House may (in accordance with Rules 905(d)(i)(B) and 914(n)) run another Secondary CDS Auction for the entire remaining portfolio of the Defaulter (which may include a differently organized or constituted ~~Lots~~Auction Lot, as determined to be appropriate by the Clearing House hereunder). There shall be no limit to the number of repeated Secondary CDS Auctions under this provision, subject to ~~the requirements of the Rules. Notwithstanding the foregoing, in~~ Rules 914(o) (which, in summary, provides that in the event of a Failed Auction Lot for Secondary CDS Auction on the fifth consecutive Loss Distribution Day ~~under Rule 914(e)~~, no further Secondary CDS Auctions for such Auction Lot shall be held; and such Failed Auction Lot shall be subject to Partial Tear-Up under and in accordance with the Rule 915).

### 6. POST-BID PROCEDURE

- 6.1 The Winning Bidder will become a party to new CDS Contracts with the Clearing House on economically identical terms to the CDS Contracts that are the subject of the relevant Auction Lot in the Secondary CDS Auction. CDS Contracts will be established with the Winning Bidder pursuant to the termination of relevant CDS Contracts between the Defaulter and the Clearing House and the establishment of new, economically identical CDS Contracts between the Clearing House and the Winning Bidder pursuant to a Transfer that is a termination or replacement under Rule 904. The Winning Bidder will be treated as if it were a "Transferee Clearing Member" for purposes of Part 9 of the Rules provided that the provisions of Part 9 to the extent relating to Customers shall not apply.
- 6.2 Customer-CM Transactions as are entered into as a result of the Secondary CDS Auction will be established in accordance with the Rules, the Procedures and the Standard Terms at the same time as CDS Contracts are entered into pursuant to paragraph 5.9.
- 6.3 Such Customer-CM Contracts resulting from the Secondary CDS Auction will be established between the Clearing House and the Winning Bidder(s) (or its or their CDS Clearing Member(s) or Sponsor(s)) in respect of any particular CDS Contract, at the Secondary CDS Auction Clearing Price determined by the Clearing House as at the time specified in accordance with paragraph 6.5.
- 6.4 The Winning Bidder may be subject to an additional Margin call as a consequence of it becoming party to CDS Contracts pursuant to a Secondary CDS Auction (whether for one of its Proprietary ~~Aeeount~~Accounts ~~or~~ Customer ~~Aeeount~~~~or~~Accounts, including Individually Segregated Sponsored ~~Aeeount~~Accounts). Any call for Margin required under these CDS Default Auction Procedures will take place pursuant to the Rules and Finance Procedures.
- 6.5 Records of new CDS Contracts in Accounts at the Clearing House may be updated by the Clearing House after the time that new CDS Contracts arise. The Winning Bidder will become party to new CDS Contracts resulting from the Secondary CDS Auction at the time that it is notified by the Clearing House that it is the Winning Bidder, notwithstanding the time at which the establishment of new CDS Contracts is completed in the Clearing House's books and records.
- 6.6 Once new CDS Contracts have been established between the Winning Bidder and the Clearing House, the Bid which gave rise to the CDS Contracts will be treated as valid regardless of any failure of the Secondary CDS Auction Participant to have satisfied any participation criteria or otherwise as to the validity of any Bid.

7. **OTHER TERMS**

- 7.1 Neither the Clearing House nor any of its Affiliates makes any representation or warranty as to the accuracy of any records of the Defaulter or any of its Affiliates. In particular, the Clearing House makes no representation or warranty as to whether any CDS Contract recorded in ~~the~~ Proprietary Account, or Customer Account ~~or~~ (including any Individually Segregated Sponsored Account) of the Defaulter is correctly recorded in such account or as to whether any consent of any Customer, Affiliate or Sponsor of the Defaulter is required to any Secondary CDS Auction or the termination of CDS Contracts to which a Defaulter is party. The Clearing House makes no warranty, whether express or implied, as to quality, appropriateness or in respect of the merits of any investment decision relating to any Auction Lot. The Clearing House does not provide, and is not responsible or liable for, any investment advice in relation to any Secondary CDS Auction.
- 7.2 Although the information to be provided by the Clearing House in respect of a Secondary CDS Auction is believed to be accurate subject to the qualifications in paragraph 7.1 above, neither the Clearing House nor any of its Affiliates, nor any of their respective agents, officers, directors, committee members, employees, or advisers makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, including but not limited to the value or marketability of any CDS Contracts or Open Contract Positions. Each Secondary CDS Auction Participant is responsible for making its own determination as to whether to proceed with or without further investigation or as to its Bidding (including the appropriate Bidding value) on any Auction Lot.
- 7.3 The Clearing House is under no obligation to enforce these CDS Default Auction Procedures against a Bidder at the request of any other Bidder.
- 7.4 All Secondary CDS Auction Participants are hereby on notice that the Clearing House is not a member of any professional or other association, society, institution or organisation of auctioneers or agents and is not therefore bound by the rules or practices of any such association, society, institution or organisation. The conduct of Secondary CDS Auctions may be carried out only to manage an Event of Default in accordance with the Rules and does not constitute the ordinary day-to-day business of the Clearing House. Any standard rules, customs, good practice guidelines or guidance or other industry practices relating to auctions or agency sales are hereby disappplied and disclaimed. All and any rights of any Person bound by these CDS Default Auction Procedures which may arise as a result of a liability of the Clearing House pursuant to common law or statutory duties applicable to auctioneers or selling agents are hereby expressly waived by all Secondary CDS Auction Participants to the fullest extent permitted by law. The implied term of care and skill under section 13 of the Supply of Goods and Services Act 1982 is hereby expressly excluded in respect of the conduct of any Secondary CDS Auction by the Clearing House. The Clearing House expressly disclaims any duty of care or skill in respect of the conduct of any Secondary CDS Auction by the Clearing House arising other than expressly pursuant to these CDS Default Auction Procedures. The Clearing House will not provide and has not provided any valuation services in connection with any Secondary CDS Auction.
- 7.5 The time and date at which Bids are due, the time and date for the establishment of CDS Contracts or calling of Margin or the ~~Closing~~ Bidding Close Time (subject to paragraph ~~3.82.10~~) may be delayed beyond the times and dates set forth in these CDS Default Auction Procedures or specified in the Secondary CDS Auction Specifications if the Clearing House, in its discretion, in consultation with the CDS Default Committee, considers this to be necessary or appropriate. Notwithstanding anything to the contrary in these CDS Default Auction Procedures, to the fullest extent lawfully permissible, the Clearing House may postpone, cancel, adjourn or terminate a Secondary CDS Auction at any time, in consultation with the CDS Default Committee.
- 7.6 In respect of any Secondary CDS Auction, each Secondary CDS Auction Participant: (i) acknowledges that copies of the Auctions (Bidding Agreements) Acts 1927 and 1969 (as amended and including any amendments thereto) have been made available to it online at [www.legislation.gov.uk](http://www.legislation.gov.uk) for the duration of the

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

Secondary CDS Auction and agrees and acknowledges that it has received any other notices required to be provided to it under Applicable Law; (ii) agrees and acknowledges that it has received sufficient information concerning the identity of the persons conducting the auction on behalf of the Clearing House; and (iii) waives any right to make any claim that it has not received any information or documentation of a nature referred to in this paragraph 7.6 and agrees in favour of the Clearing House not to make any statement to the contrary to any third party.

7.7 Without limiting the obligations of CDS Clearing Members, Sponsored Principals, Sponsors and Customers under the Rules, all Secondary CDS Auction Participants shall comply with Rule 203 of the Rules (including, without limitation, complying with their obligation not to commit any act of fraud or to engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering, [anticompetitive conduct](#) or which is in breach of any similar Applicable Laws).

~~7.8 [In particular, where an](#) It is the responsibility of each Winning Bidder to make any transaction or other reports or notifications to any Regulatory Authority or Governmental Authority (including, without limitation, any transaction reports) that it is required to make pursuant to Applicable Law.~~



~~Annex A~~

~~ICE Clear Europe Limited~~

Secondary CDS Auction ~~Specifications~~ Participant receives information in respect of any Secondary CDS Auction, including the contents of the portfolio of a Defaulter, the outcome or timing of any Secondary CDS Auction, it acknowledges that such information, depending upon price sensitivity, may constitute "inside information" for the purposes of Regulation (EU) No 596/2014 (the "Market Abuse Regulation") or fall within the definition of any similar or analogous term under Applicable Law concerning the possession, use or disclosure of such information (any such information, "Inside Information" and the Market Abuse Regulation and any such Applicable Law, "Market Abuse Laws") in respect of any of the Contracts or Sets of Contracts cleared by the Clearing House or in respect of securities of the Defaulter. Each Secondary CDS Auction Participant shall make their own assessments as to whether information in respect of any Secondary CDS Auction is Inside Information, and if such information is Inside Information:

- (a) shall comply at all times in respect of that information with applicable Market Abuse Laws;
- (b) agrees that it shall not disclose or make available such information to any Person within or outside of its organisation, with the exception of those who need to receive it to carry out functions in connection with a Secondary CDS Auction and who are required pursuant to company policies or contractual requirements to treat such information as subject to the restrictions set out in this paragraph 7.7;
- (c) agrees that no Person within its organisation may engage in any client trading or proprietary trading activities for the Secondary CDS Auction Participant or any of its clients while in possession of any such information, until such time as the information ceases to be Inside Information;
- (d) agrees that those in possession of such information shall not trade or otherwise effect any transactions on any Exchange or Market in any Contracts to which such information relates until such time as the information ceases to be Inside Information; and
- (e) where such information constitutes "inside information" for the purposes of the Market Abuse Regulation, agrees to maintain an "insider list" of all persons within its organisation or any third party information who have access to the information, stating:
  - (j) the identity and role of each person;
  - (v) the reason why each person requires access to the information;
  - (vi) the date and time on which each person obtained access to the information; and
  - (iv) the date and time on which the insider list was created and updated.

7.8 It is the responsibility of each Winning Bidder to make any transaction or other reports or notifications to any Regulatory Authority or Governmental Authority (including, without limitation, any transaction reports) that it is required to make pursuant to Applicable Law.

~~Lot [1]: [general description of Lot]—[Name of Defaulter]~~

~~ICE Clear Europe Ltd (the "Clearing House") is conducting an auction of certain open positions in contracts, presently held in respect of [Name of Defaulter], and in that connection the Clearing House is requesting Bids from Secondary CDS Auction Participants for certain Lots. This document constitutes Secondary CDS Auction Specifications for purposes of the Clearing House's CDS Auction Terms for CDS Default Auctions (the "CDS Auction Procedures").~~

## AUCTION TERMS FOR CDS DEFAULT AUCTIONS

The Secondary CDS Auction Procedures apply in full to this auction Lot, to the extent applicable and save to the extent expressly modified in paragraph 7.

Information provided by the Clearing House in connection with these Secondary CDS Auction Specifications is confidential and subject to paragraph 2.9 of Part 2 of the CDS Auction Procedures. CDS Clearing Members or Sponsors that intend to provide Bids on behalf of Customers or Sponsored Principals (as applicable) are reminded of the restrictions that apply under paragraph 2.9 of Part 2 of the CDS Auction Procedures to all CDS Clearing Members, Customers, Sponsors and Sponsored Principals with respect to relevant information to be provided to such Customers or Sponsored Principals concerning the Secondary CDS Auction.

### 1. Participation Criteria

~~[State any conditions and criteria if there are to be any restrictions on the categories of Persons who may be Secondary CDS Auction Participants or any restrictions on the categories of Customers or Sponsored Principals for whom CDS Clearing Members or Sponsors (as applicable) can Bid or limitations on which Customers or Sponsored Principals may Bid directly]~~

If any Person which has been provided with these Secondary CDS Auction Specifications is for any reason unable to meet the specified participation criteria, he should contact the Clearing House immediately and, if the Clearing House agrees that such Person does not satisfy the criteria, such person shall refrain from Bidding in the Secondary CDS Auction. The Clearing House may restrict any such Person's access to Secondary CDS Auctions if it determines that a Person does not satisfy the specified participation criteria.

### 2. Subject matter of the Lot

The Lot comprises ~~[details of CDS Contracts]~~.

### 3. Bid Form

All Bids for this Lot must be submitted on the Bid Form in the schedule to this document by e-mail to ~~[email address]~~. Any Bid Form which is illegible, spoiled or incomplete will be rejected and treated as void and invalid and the submitter will be treated as if it had chosen not to participate in the Secondary CDS Auction except to the extent that the CDS Auction Procedures provide otherwise. Please see the CDS Auction Procedures for further information. Each Bid Form must specify the amount of consideration (in ~~[currency]~~) that the Bidder will pay the Clearing House or will be prepared to be paid by the Clearing House (as applicable) in consideration for the entry into of all the CDS Contracts which are the subject matter of the Lot.

All Bid Forms and any other communication relating to this Secondary CDS Auction Lot should be sent to: ~~[email address]~~.

### 4. Timing

~~[Further details of the CDS Contracts included in this Lot will be disclosed to all Secondary CDS Auction Participants at [time] on [date] (the "Starting Time").]~~

The Closing Time (deadline for receipt of Bids) is ~~[time] on [date]~~.

Winning Bidders will be notified of their Winning Bids by the Clearing House between ~~[times]~~.

A conference call will be open from ~~[times] on [date]~~, during which time Secondary CDS Auction Participants will be notified by the Clearing House (i) that the Winning Bidders have been notified of the fact that it has won; or (ii) that there is no Winning Bidder. Dial-in details are as follows:

AUCTION TERMS FOR CDS DEFAULT AUCTIONS

~~{Call details}~~

~~The Clearing House will confirm whether each Bid has been accepted by e-mail.~~

~~Winning Bidders will become party to new CDS Contracts immediately upon notification that they are the Winning Bidder, pursuant to the CDS Auction Procedures.~~

~~All CDS Contracts for which a Secondary CDS Auction Participant is the Winning Bidder will be Transferred to the relevant Account of the CDS Clearing Member or Sponsored Principal at the Secondary CDS Auction Clearing Price, at the close of business on {date}.~~

~~5. {Minimum Bid size}~~

~~{Bids may only be for Lot sizes which are at least [25%] of {the CDS Contracts in a particular Lot}}~~

~~6. {Currency}~~

~~{All Bids to be made in the specified currency}~~

~~7. Modifications to CDS Auction Procedures~~

~~{Specify any} / {None.}~~

**BID FORM**  
**for CDS Auction Lots related to [Name of Defaulter]**  
**made pursuant to the Part 2 of the CDS Auction Procedures of ICE Clear Europe**  
**and the relevant Secondary CDS Auction Specifications**

*[Specify by inserting the amount and checking the appropriate box]*

CDS Auction Participant name	CDS Auction Lot Number	Percentage of Lot	Cash Amount (always a positive number) <i>[(EUR)]</i>	Member Pay or Receive	CDS Auction Participant number	Desk (Hub) Account	Contact	Prop. Account or Customer Account of CDS Clearing Member (or Individually Segregated Sponsored Account)	Customer or Sponsored Principal name (if applicable)
<input type="checkbox"/>	1	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Pay]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	1	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Receive]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	2	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Pay]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	2	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Receive]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	3	<input type="checkbox"/> %	<input type="checkbox"/>	<i>[Pay]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	

Signed by: \_\_\_\_\_

Authorised Signatory of Secondary CDS Auction Participant

State full legal name of Secondary CDS Auction Participant: \_\_\_\_\_

~~AUCTION TERMS FOR CDS DEFAULT AUCTIONS~~

~~Annex B~~

~~Form of Notice of Minimum Bid Requirement~~

~~{ICE Clear Europe Limited Letterhead}~~

~~{Name of CDS Auction Participant}~~

~~{Email Address}~~

~~{Date}~~

~~Secondary CDS Default Auction – Notification of Minimum Bid Requirement~~

~~Further to [reference to Secondary CDS Auction Announcement Circular] (the "**Circular**"), the Clearing House hereby notifies you of the Minimum Bid Requirement (as defined in the Clearing House's CDS Auction Procedures for CDS Default Secondary Auctions (the "**Secondary CDS Auction Procedures**")) applicable to you in respect of the CDS default auctions to be held in accordance with the Secondary CDS Auction Procedures, the Circular and the applicable auction specifications.~~

~~{Set out Minimum Bid Requirement}~~

~~CDS Auction Participants are referred to the Secondary CDS Auction Procedures for further information on the Minimum Bid Requirement (and in particular paragraphs 2.4, 2.7 and 3.1 of the Secondary CDS Auction Procedures).~~

Signed

~~{Name}~~

~~{Title}~~