

Décision du 12 décembre 2017 relative aux modifications dans leur version anglaise des règles de fonctionnement de la chambre de compensation et du système de règlement-livraison d'instruments financiers LCH SA sur le segment des *Credit Default Swaps* en vue de leur mise en conformité avec les dispositions de MiFIR en vigueur le 3 janvier 2018

L'Autorité des marchés financiers,

Vu le code monétaire et financier, et notamment ses articles L. 440-1 et L. 621-7 ;

Vu le règlement général de l'Autorité des marchés financiers, et notamment ses articles 541-1, 560-1 et suivants ;

Vu la demande de LCH SA en date du 4 décembre 2017 ;

Décide :

Article 1^{er}

Sont approuvées dans leur version anglaise les modifications des règles de fonctionnement de LCH SA en sa qualité de chambre de compensation et de système de règlement-livraison d'instruments financiers telles qu'annexées à la présente décision.

Elles entreront en vigueur à la date déterminée par LCH SA.

Article 2

La présente décision sera notifiée à LCH SA et publiée sur le site Internet de l'Autorité des marchés financiers.

Fait à Paris, le 12 décembre 2017

Le Président de l'AMF

Robert Ophèle

Changements dans les Règles de Compensation de LCH SA

Articles modifiés

Article 1.0.1.1

LCH SA is a clearing house within the meaning of Article L. 440-1 of the French Monetary and Financial Code and EMIR which acts as a central counterparty for clearing Original Transactions entered into between the CDS Buyer or the Index Swaption Buyer, as the case may be, and the CDS Seller or the Index Swaption Seller, as applicable, in accordance with the CDS Clearing Documentation.

In this framework, LCH SA acts in accordance with applicable banking and financial regulations, including EMIR, [MiFID and MiFIR](#).

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

Approved Trade Source System: An entity as specified in a Clearing Notice ~~and, such as a Trading Venue,~~ with whom:

- (i) LCH SA has entered into an agreement regarding the submission of Original Transactions by ATSS Participants for registration and clearing by LCH SA; and
- (ii) ATSS Participants have entered into a participant agreement allowing such entity to deliver Original Transactions details to LCH SA on behalf of the relevant ATSS Participant for the purpose of clearing such Original Transactions by LCH SA.

ATSS Participant: A Clearing Member, [a Client](#) or a [CCM Indirect](#) Client that is a direct participant in an Approved Trade Source System.

Backup Client: In relation to Client Cleared Transactions registered in a CCM Indirect Client Segregated Account Structure, the CCM ~~Individual Segregated~~

~~Account~~ Client indicated by the relevant CCM as acting as such and notified to LCH SA from time to time.

CCM Client: A CCM Individual Segregated Account Client, a CCM Net Omnibus Segregated Account Client ~~or~~, a CCM Gross Omnibus Segregated Account Client, a CCM Indirect Net Segregated Account Client and/or a CCM Indirect Gross Segregated Account Client.

CCM Client Account Structure: A CCM Individual Segregated Account Structure, a CCM Net Omnibus Segregated Account Structure ~~or~~, a CCM Gross Omnibus Segregated Account Structure, a CCM Indirect Client Gross Omnibus Segregated Account Structure or a CCM Indirect Client Net Omnibus Segregated Account Structure, as the case may be.

CCM Client Excess Collateral: With respect to:

- (i) a CCM Net Omnibus Segregated Client Margin Account ~~or~~, a CCM Individual Segregated Client Margin Account or a CCM Indirect Client Net Segregated Margin Account of a CCM, the amount by which the CCM Margin Balance exceeds the relevant CCM Client Margin Requirement; and
- (ii) ~~all the CCM Gross Omnibus Multi Sub-Account Client Margin Account(s) and CCM Gross Omnibus Single Sub-Account Client Margin Account(s) of a single~~ a CCM Gross Omnibus Segregated Account Structure or a CCM Indirect Client Gross Omnibus Segregated Account Structure of a CCM, the amount by which the relevant CCM Margin Balance exceeds the total value of the CCM Client Margin Requirements ~~associated to~~ for all the CCM Client Margin Accounts of such CCM Gross Omnibus Segregated Account Structure or CCM Indirect Client Gross Omnibus Segregated Account Structure, respectively.

CCM Client Margin Shortfall: With respect to:

- (i) a CCM Net Omnibus Segregated Client Margin Account ~~or~~, a CCM Individual Segregated Client Margin Account or a CCM Indirect Client Net Segregated Margin Account of a CCM, the amount by which the CCM Client Margin Requirement for such CCM Client Margin Account exceeds the CCM Margin Balance of the associated CCM Client Collateral Account, if any; and
- (ii) ~~a CCM~~ a CCM Gross Omnibus Segregated Account Structure or a CCM Indirect Client Gross Omnibus Segregated Account Structure of a CCM, the amount by which the CCM Client Margin Requirements for all the CCM Client Margin Accounts of such CCM Gross Omnibus Segregated Account Structure ~~exceeds~~ or CCM Indirect Client Gross Omnibus Segregated Account Structure exceeds the CCM Margin Balance of the CCM Client Collateral

Account associated to such CCM Gross Omnibus Segregated Account Structure or a CCM Indirect Client Gross Omnibus Segregated Account Structure, if any.

CCM Client Trade Account: An account opened by LCH SA at the request, and in the name, of a CCM for the benefit of a CCM Client in order to register all the relevant Cleared Transactions cleared by such CCM in relation to such CCM Client

~~**CCM Direct Client Segregated Account Structure:** With respect to a CCM Individual Segregated Account Structure opened by LCH SA in the name of a CCM for the benefit of a CCM Individual Segregated Account Client, the sub-account structure consisting of:~~

~~a CCM Client Trade Account;~~

~~a CCM Individual Segregated Client Margin Account; and~~

~~(iii) — a CCM Client Collateral Account;~~

~~for the purpose of registering Client Cleared Transactions which are not designated as being entered into in relation to the clearing services provided by such CCM Individual Segregated Account Client to its CCM Indirect Clients.~~

CCM Indirect Client: A client of a CCM ~~Individual~~ Indirect Net Segregated Account Client or a CCM Indirect Gross Segregated Account Client on whose account such CCM ~~Individual~~ Indirect Net Segregated Account Client or a CCM Indirect Gross Segregated Account Client acts in receiving the CDS Client

Clearing Services from the relevant CCM.

~~**CCM Indirect Client Segregated Account Structure:** With respect to a CCM Individual Segregated Account Structure opened by LCH SA in the name of a CCM for the benefit a CCM Individual Segregated Account Client, the sub-account structure consisting of:~~

- ~~(i) — a CCM Client Trade Account;~~
- ~~(ii) — a CCM Indirect Client Segregated Margin Account; and~~
- ~~(iii) — a CCM Client Collateral Account;~~

~~for the purpose of registering Client Cleared Transactions which are designated as entered into in relation to the clearing services provided by such CCM Individual Segregated Account Client to its CCM Indirect Clients.~~

CCM Indirect Client Gross Account Balance: In relation to a CCM Indirect Client Gross Segregated Account Structure, the *pro rata* share (“**PRS**”) of the most recent value of the Client Assets recorded in the relevant CCM Client Collateral Account as determined by LCH SA in accordance with Section 3 of the Procedures, which is attributable to the CCM Indirect Client Segregated Margin Account of such CCM Indirect Client Gross Segregated Account Structure and which is determined on the basis of the following formula:

$$PRS = \frac{A}{B}$$

Where:

A is the last CCM Client Margin Requirement calculated and satisfied for the CCM Indirect Client Segregated Margin Account of that CCM Indirect Client Gross Segregated Account Structure; and

B is the sum of all the last CCM Client Margin Requirements calculated and satisfied for all the CCM Indirect Client Segregated Margin Account associated to the relevant CCM Indirect Client Gross Segregated Account Structure.

CCM Indirect Client Gross Segregated Account Structure: With respect to a CCM, an Account Structure opened by LCH SA in the name of a CCM for the

benefit of a designated CCM Indirect Gross Segregated Account Client which provides indirect clearing services to CCM Indirect Clients consisting of:

- (i) a CCM Client Trade Account per CCM Indirect Client belonging to such CCM Indirect Client Gross Segregated Account Structure;
- (ii) a CCM Indirect Client Gross Segregated Margin Account per CCM Indirect Client belonging to such CCM Indirect Client Gross Segregated Account Structure; and
- (iii) a single CCM Client Collateral Account.

CCM Indirect Client Gross Segregated Margin Account: An account opened for risk management purposes in the CDS Clearing System by LCH SA in the name of a CCM for the benefit of ~~all the~~ CCM Indirect ~~Clients of a CCM Individual~~Gross Segregated Account Client in the CDS Clearing System for risk management purposes, in which the Cleared Transactions ~~of all thereferable to a specific CCM Indirect Client of such~~ CCM Indirect ~~Clients of the relevant CCM Individual~~Gross Segregated Account Client are netted and corresponding Open Positions ~~are in respect of such CCM Indirect Client~~ are registered, and any ~~CCM Individual Segregated Account Client's CCM Indirect Clients~~ related positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the Account Structure of such CCM (if so applicable pursuant to Section 3.1.7) are recorded, in order to calculate the CCM Client Margin Requirement and Client Variation Margin Requirement of the relevant CCM in respect of such CCM Indirect ~~Clients~~Gross Segregated Account Client.

CCM Indirect Client Net Segregated Account Structure: With respect to a CCM, an Account Structure opened by LCH SA in the name of a CCM for the benefit of its CCM Indirect Net Segregated Account Clients which provide indirect clearing services to CCM Indirect Clients consisting of:

- (i) a CCM Client Trade Account per CCM Indirect Client belonging to such CCM Indirect Client Net Segregated Account Structure;
- (ii) a single CCM Indirect Client Net Segregated Margin Account; and
- ~~(iv)~~(iii) a single CCM Client Collateral Account.

CCM Indirect Client Net Segregated Margin Account: An account opened for risk management purposes in the CDS Clearing System by LCH SA in the name of a CCM for the benefit of its CCM Indirect Net Segregated Account Clients belonging to a given CCM Indirect Client Net Segregated Account Structure, in which the Cleared Transactions referable to CCM Indirect Clients of such CCM Indirect Net Segregated Account Clients are netted and corresponding Open Positions in respect of such CCM Indirect Clients are registered, and any related positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the Account Structure of such CCM (if so applicable pursuant to Section 3.1.7) are recorded, in order to calculate the CCM Client Margin Requirement and Client Variation Margin Requirement of the relevant CCM in respect of such CCM Indirect Net Segregated Account Clients.

CCM Indirect Client Segregated Account Structure: A CCM Indirect Client Gross Segregated Account Structure or a CCM Indirect Client Net Segregated Account Structure, as the case may be.

CCM Indirect Client Segregated Margin Account: A CCM Indirect Client Gross Segregated Margin Account or a CCM Indirect Client Net Segregated Margin Account, as the case may be.

CCM Indirect Gross Segregated Account Client: A client of a CCM (including for the avoidance of doubt an Affiliate) to which the CCM provides CDS Client Clearing Services and which provides indirect clearing services to CCM Indirect Clients which have opted for a CCM Indirect Client Gross Segregated Account Structure.

CCM Indirect Net Client Set: All the CCM Indirect Net Segregated Account Clients belonging to the same CCM Indirect Client Net Segregated Account Structure.

CCM Indirect Net Segregated Account Client: A client of a CCM (including for the avoidance of doubt an Affiliate) to which the CCM provides CDS Client Clearing Services and which provides indirect clearing services to CCM Indirect Clients which have opted for (or which are deemed to have opted for) a CCM Indirect Client Net Segregated Account Structure.

CCM Individual Segregated Account Structure: ~~With respect to a CCM, the account structure consisting of:~~

~~for each CCM Individual Segregated Account Client of such CCM: a CCM Direct Client Segregated Account Structure, and~~ consisting of:

- (i) a CCM Client Trade Account;
- (ii) a CCM Individual Segregated Client Margin Account; and
- ~~(iii) a CCM Client Collateral Account, for each~~

~~per CCM Individual Segregated Account Client of such CCM which has opted to provide indirect clearing services: a CCM Indirect Client Segregated Account Structure.~~

CCM Margin Balance: With respect to:

- (i) the CCM House Margin Account of a CCM, the aggregate value of Collateral transferred to LCH SA, other than CCM Client Collateral Buffer, recorded in such CCM's CCM House Collateral Account-;
- (ii) a CCM Net Omnibus Segregated Client Margin Account ~~or,~~ a CCM Individual Segregated Client Margin Account or a CCM Indirect Client Net Segregated Margin Account of a CCM, the aggregate value of Collateral transferred to LCH SA recorded in the CCM Client Collateral Account attached to the relevant CCM Client Margin Account; and
- (iii) all the CCM Gross Omnibus Multi Sub-Account Client Margin Account(s) and CCM Gross Omnibus Single Sub-Account Client Margin Account(s) of a single CCM Gross Omnibus Segregated Account Structure or all the CCM Indirect Client Gross Segregated Margin Account(s) of a single CCM Indirect Client Gross Segregated Account Structure, the aggregate value of the Collateral transferred to LCH SA recorded in the CCM Client Collateral Account associated to such CCM Gross Omnibus Segregated Account Structure or CCM Indirect Client Gross Segregated Account Structure, respectively.

Client Transaction Checks: With respect to an Intraday Transaction, other than an Intraday Transaction that is a Trading Venue Transaction, comprising one or more Client Trade Leg(s) or a Client Backloading Transaction, the process undertaken by LCH SA to ensure that a Nominated Clearing Member has consented, in the manner and form prescribed by Section 5 of the Procedures, to the registration of the relevant Client Trade Leg, in the relevant Client Trade Account(s) of such Nominated Clearing Member.

Combined Unmargined Risk: The maximum value of the two highest daily Group Member Uncovered Risks over the last sixty Clearing Days, plus a buffer

equal to 10 percent.
EMP Creation Period: This term shall have the meaning set out in the CDS Clearing Supplement.
End of Day: 19.30 on each Price Contribution Day.
Group Member Uncovered Risk: In respect of any Business Day, the stress-tested potential loss that would be incurred on that Business Day in relation to the Open Positions that are registered in the Account Structures of a Clearing Member and its affiliated Clearing Member(s) if any, calculated in accordance with the methodology established by LCH SA.
Mandatory Clearing: The clearing obligation under Article 4 of EMIR and/or Article 29 of MiFIR.
Member Uncovered Risk: In respect of any Business Day, the stress-tested potential loss that would be incurred on that Business Day in relation to the Open Positions that are registered in a Clearing Member's Account Structure, calculated in accordance with the methodology established by LCH SA.
MiFIR: Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.
Ported Collateral: In relation to each Client Margin Account of a Defaulting Clearing Member:
<ul style="list-style-type: none"> (i) the Client Assets, or in respect of the CCM Client Margin Account of a CCM Gross Omnibus Sub-Account Structure <u>or a CCM Indirect Client Gross Segregated Account Structure</u>, Client Assets, as attributed to that CCM Gross Omnibus Sub-Account Structure <u>or that CCM Indirect Client Gross Segregated Account Structure</u> in the sole discretion of LCH SA, and/or as the case may be, the liquidation value of such Client Assets, together in an amount equivalent to the CCM Gross Omnibus Sub-Account Balance attributable to that CCM Gross Omnibus Sub-Account Structure; plus <u>or the CCM Indirect Client Gross Account Balance attributable to that CCM Indirect Client Gross Segregated Account Structure; plus</u> (ii) any other payments which would have been payable by LCH SA to the Defaulting Clearing Member in respect of the relevant Client Margin Account, but for the operation of Article 1.2.9.2, provided that the relevant Payment Failure was not attributable to the relevant Client Margin Account.
Trading Venue:

(i) a swap execution facility or designated contract market registered as such with the CFTC; or

(ii) a regulated market, multi-lateral trading facility or organised trading facility operated in accordance with MiFID.

For the avoidance of doubt, a Trading Venue need not be an Approved Trade Source System.

Trading Venue Transaction: With respect of a Clearing Member, a transaction recorded in LCH SA's systems (via applicable messaging from the relevant Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue.

Article 1.2.12. 5

LCH SA may disclose any information referred to in Article 1.2.12.1 above to LCH.~~Clearnet~~ Group Holding Limited, LCH.~~Clearnet~~ Limited or LCH.Clearnet LLC, provided such recipient is bound by equivalent obligations of confidentiality regarding this information as those set out in this Section 1.2.12. Any such disclosure permitted under this Article 1.2.12.5 is limited to disclosure which allows LCH SA to perform its obligations under the CDS Clearing Documentation or for risk management purposes and no information is to be released for the commercial benefit of LCH.~~Clearnet~~ Group Holding Limited, LCH.~~Clearnet~~ Limited, LCH.Clearnet LLC or any other Person.

Article 1.3.1.9

A Clearing Member shall, as applicable:

- (i) with respect to its House Account Structure, aggregate all positive and negative amounts related to House Cleared Transactions calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above in order to produce one net termination amount (the "**House Termination Amount**"); and
- (ii) (a) in the case of a CCM, with respect to each of its CCM Client Account Structures, aggregate: (I) all positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Account~~(s)~~ of a CCM Individual Segregated Account Structure, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Individual Segregated Account Structure; (II) all positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Accounts of CCM Net Omnibus Segregated Account Clients in a single CCM Net Omnibus Client Set, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Net Omnibus Client Set; ~~and~~ (III) all

positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Accounts of CCM Gross Omnibus Segregated Account Clients in a single CCM Gross Omnibus Client Set, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Gross Omnibus Client Set; (IV) all positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Accounts of a CCM Indirect Client Net Segregated Account Structure, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Indirect Client Net Segregated Account Structure; and (V) all positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Accounts of a CCM Indirect Client Gross Segregated Account Structure, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Indirect Client Gross Segregated Account Structure (each a "**CCM Client Termination Amount**"); or

- (b) in the case of an FCM Clearing Member, with respect to its FCM Client Account Structure, aggregate: (I) all positive and negative amounts related to Client Cleared Transactions registered in each FCM Client Trade Account, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for each such FCM Client Trade Account; and (II) all positive and negative amounts calculated pursuant to the foregoing clause (I), in order to produce one net termination amount for all FCM Client Trade Accounts of the FCM Clearing Member (such amount calculated pursuant to this clause (II), an "**FCM Client Termination Amount**").

For the avoidance of doubt, when calculating:

- (i) the House Termination Amount in accordance with this Article 1.3.1.9, a Clearing Member's obligations to LCH SA may never be set off: (x) with amounts attributable to any Client Collateral Account; (y) in the case of a CCM, with amounts attributable to the CCM Unallocated Client Collateral Account; or (z) in the case of an FCM Clearing Member, with amounts attributable to the FCM Buffer Financial Account or the FCM Unallocated Client Collateral Financial Account; and
- (ii) a Client Termination Amount in accordance with this Article 1.3.1.9, a Clearing Member's obligations to LCH SA may never be set off: (x) with amounts attributable to the House Collateral Account; (y) in the case of a CCM, with amounts attributable to the CCM Unallocated Client Collateral Account; or (z) in the case of a CCM, with amounts attributable to another CCM Client Account Structure.

To the extent a Clearing Member is a member of another clearing service(s) provided by LCH SA, such Clearing Member shall aggregate the House

Termination Amount and the house termination amount calculated in respect of a house account structure held in connection with such other clearing service(s) where LCH SA is subject to an LCH Default in accordance with the CDS Clearing Rules and a default in accordance with rules applicable to such other clearing service(s), in order to produce one net termination amount owed in relation to the CDS Clearing Service and such other clearing service(s) provided by LCH SA (the “**Global House Termination Amount**”).

The Global House Termination Amount shall be notified and paid in accordance with Article 1.3.1.9 to Article 1.3.1.11.

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

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

If any of the Termination Amounts is a positive amount, LCH SA shall pay it to the Clearing Member and, if any of the Termination Amounts is a negative amount, the Clearing Member shall pay it to LCH SA, in each case in accordance with Article 1.3.1.10 below.

Article 2.2.0.2

Application for Clearing Member status in LCH SA shall be made in accordance with Section 1 of the Procedures. A Clearing Member’s status in LCH SA and all Clearing Services shall be governed by the CDS Clearing Rules. Additionally, a Clearing Member’s status in LCH SA shall be governed by any CDS Admission Agreement to which it is for the time being party. Clearing Member status does not provide or entitle a Clearing Member to any other clearing member status with LCH SA, or to any shareholding membership of LCH-Clearnet Limited or any shareholding or other membership of any other member of the LCH-Clearnet Group or any entitlement to membership of or participation in LCH SA, each of which has separate and distinct membership requirements.

Article 2.2.0.6

In addition to the election made in accordance with Article 2.2.0.3, an Applicant may elect to register for the Index Swaption Clearing Service in accordance with Section 1 of the Procedures.

A Clearing Member may register for, or unregister from, the Index Swaption Clearing Service in accordance with the conditions set out in Section 1 of the Procedures, save as set out in Clause 6.1 of the CDS Default Management Process, in which case the relevant Clearing Member shall be registered for the Index Swaption Clearing Service as from the ~~the~~ time of registration of the relevant Transfer Positions in its House Account Structure.

Article 2.2.1.3

In the event a Clearing Member breaches any of the membership requirements set out in Article 2.2.1.1, LCH SA shall consult with the French Competent Authorities to determine whether such breach shall be ~~publically~~publicly disclosed in accordance with EMIR.

Article 2.3.1.1

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

- (i) if there is a change in those direct or indirect shareholders having or controlling 10% or more of its share capital or voting rights (such notification to be given as soon as it becomes aware of that change and provided also that it is not prevented from disclosing the change by Applicable Law);
- ~~(ii)~~(i) if it ceases to satisfy the Capital requirement in Section 2.2.3;
- ~~(iii)~~(ii) if the amount of its Capital is reduced by more than 10% from that shown on the latest financial statement filed with LCH SA;
- ~~(iv)~~(iii) if it ceases to be subject to the supervision of a Competent Authority;
- ~~(v)~~(iv) in the event that it fails to comply with any applicable financial requirements of any Governmental Authority, Competent Authority, Trading Venue, exchange, clearing organisation, or settlement system;
- ~~(vi)~~(v) of Insolvency Proceedings affecting the Clearing Member or any Parent;

~~(vii)~~(vi) an Event which could permit LCH SA to declare an Event of Default against that Clearing Member;

~~(viii)~~(vii) of a default of any of the Clearing Member's Clients pursuant to the CDS Client Clearing Agreement;

~~(ix)~~(viii) of any material breach of Applicable Law which relates to its status and performance as a Clearing Member under the CDS Clearing Documentation;

~~(x)~~(ix) of a Force Majeure Event or the cessation of a Force Majeure Event occurring in respect of it to the extent required by Article 1.2.11.2;

~~(xi)~~(x) any change to its Systems and Operations that materially impacts its ability to comply with its obligations under the CDS Clearing Documentation;
and

~~(xii)~~(xi) of anything relating to the Clearing Member of which LCH SA would reasonably expect notice (including any matter, circumstance, change or occurrence which would cause a statement previously furnished under this Article 2.3.1.1, any information supplied in connection with its application for admission to membership of the CDS Clearing Service, or otherwise to be inaccurate, incomplete or superseded).

Article 3.1.4.1

An Intraday Transaction may be submitted to LCH SA for clearing through an Approved Trade Source System during the Real Time Session on any Clearing Day. Each submission must be made in a format acceptable to, or required by, the relevant Approved Trade Source System.

Article 3.1.4.5

Unless otherwise stated in this Section 3.1.4, each stage of the intraday process as set out in this Section 3.1.4 will be conducted by LCH SA as quickly as technologically practicable and, ~~where applicable, will begin as quickly as technologically practicable after the previous stage.~~ in accordance with Applicable Law.

Article 3.1.5.1

A Rejected Transaction will immediately be withdrawn from the registration process by LCH SA and will not be capable of being novated pursuant to this CDS Clearing Rule Book but may be re-submitted for clearing in accordance with the CDS Clearing Rules ~~and~~, the CDS Clearing Supplement: and Applicable

Law. LCH SA will notify the relevant Clearing Member, Trading Venue and/or Approved Trade Source System (as applicable) of any Rejected Transaction in accordance with and subject to Section 5 of the Procedures and Applicable Law. Rejected Transactions that have been pre-registered in accordance with Article 3.1.7.1 will be un-registered from that Clearing Member's Account Structure.

Article 3.1.6.3

The CDS Clearing System used for the purposes of the novation of Backloading Transactions is not a real-time monitoring of transactions process. LCH SA will be entitled to assume and will assume that any Backloading Transaction submitted for clearing by LCH SA in accordance with this TITLE III, Chapter 1:

- (i) was entered into prior to 3 January 2018; or
- (ii) otherwise, is not subject to Mandatory Clearing and the parties to such Backloading Transaction did not agree at the time of execution for that Backloading Transaction to be subject to clearing.

Registration of Cleared Transactions in the Account Structure of the relevant Clearing Members will depend upon the effective receipt by LCH SA of appropriate information from the Approved Trade Source System, and will be processed during Clearing Days as set out in Section 5 of the Procedures.

LCH SA shall not be in breach of the CDS Clearing Documentation by reason of late provision of any report or information by the Approved Trade Source System.

Article 3.1.6.6

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

Article 3.3.1.4

In the event that a Clearing Member does elect for the compression of some or all of its Cleared Transactions in accordance with this Section 3.3.1 and Section 5 of the Procedures, such compression ~~shall~~may take place through termination of the relevant existing Cleared Transaction or Cleared Transactions of the same CDS Type or Swaption Type, as applicable, in consideration for entry into a new replacement single Cleared Transaction.

Article 4.2.7.7

In connection with the establishment and validation of an End of Day Contributed Price, each Price Contribution Participant shall, in accordance with process set out in Section 5 of the Procedures relating to End of Day Contributed Prices, enter into a CDS and/or an Index Swaption with another Price Contribution Participant following notification from LCH SA that they are required to do so and the terms on which such CDS and/or an Index Swaption should be executed. ~~By the End of Day on the Price Contribution Day following receipt of such notification from LCH SA, the~~The Price Contribution Participant shall evidence that such CDS and/or an Index Swaption has been entered into, ~~as described by the time and in the manner set out~~ in Section 5 of the Procedures.

Article 4.3.2.3

Following the declaration of an Event of Default or the making of an Automatic Early Termination Event Stipulation and the issuance of a Default Notice, subject to Article 4.3.2.5, LCH SA may take any of the following measures or any other measures that it deems necessary or useful in respect of the Defaulting Clearing Member, taking into account the Event which has occurred, the need to act promptly in the manner LCH SA thinks best to contain its exposure and the actions to be taken in accordance with the CDS Default Management Process:

[•]

- (xiii) liquidate the Collateral posted by the Defaulting Clearing Member that is a CCM in respect of any CCM Gross Omnibus Segregated Account Structure for which all of the Relevant Client Cleared Transactions are not transferred to a single Backup Clearing Member, in accordance with the CDS Client Clearing Default Management Process;

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Article 4.3.2.6

If the Defaulting Clearing Member is a CCM and:

- (i) the Defaulting Clearing Member fails to transfer the Client Pledged Eligible Collateral to LCH SA within such period as LCH SA has specified in its request pursuant to Article 4.3.2.1(i); and
- (ii) it has been determined that some or all of the Client Pledged Eligible Collateral is to be transferred to a Backup Clearing Member or, as the case may be, different Backup Clearing Members in accordance with Clause 4.3 of the CDS Default Management Process;

LCH SA shall enforce the security interest granted to it under, and in accordance with, the Pledge Agreement by appropriation of the Defaulting Clearing Member's Client Pledged Eligible Collateral. Where only some of the Client Pledged Eligible Collateral is to be transferred to a Backup Clearing Member in accordance with Clause 4.3 of the CDS Default Management Process, LCH SA shall only appropriate the Client Pledged Eligible Collateral attributable to the CCM Individual Segregated Account Client(s) ~~and their CCM Indirect Clients (if applicable)~~, the CCM Net Omnibus Client Set(s), the CCM Gross Omnibus Client Set(s), the CCM Indirect Gross Segregated Account Client(s) and/or the CCM ~~Gross Omnibus Indirect Net~~ Client Set(s) whose Relevant Client Cleared Transactions are to be transferred to a Backup Clearing Member.

Article 4.3.3.1

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

- (i) by applying:
 - (a) in respect of the House Margin Account of the Defaulting Clearing Member:
 - (x) any Collateral recorded in the House Collateral Account, and in the case of a CCM, including any CCM Available Client Collateral Buffer (if any); and
 - (y) any collateral, transferred or granted by the Defaulting Clearing Member to LCH SA as margin cover in respect of a proprietary account, in connection with another clearing service(s) provided by LCH SA where LCH SA has declared the Defaulting Clearing Member to be in default and to the extent such collateral is not applied in the context of such other clearing service(s) in

accordance with rules applicable to such other clearing service(s),

to reduce or cover any Damage attributable to the liquidation of the House Cleared Transactions;

(b) in respect of any Client Margin Account comprising Non-Ported Cleared Transactions of the Defaulting Clearing Member:

- (x) (I) in the case of a CCM, any Collateral recorded in the relevant CCM Client Collateral Account and, in the case of a CCM Client Margin Account of a CCM Gross Omnibus Sub-Account Structure or a CCM Indirect Client Gross Omnibus Segregated Account Structure, in an amount equivalent to the CCM Gross Omnibus Sub-Account Balance or the CCM Indirect Client Gross Account Balance attributable to that CCM Client Margin Account; or (II) in the case of an FCM Clearing Member, the Legally Segregated Value recorded in the relevant FCM Client Financial Account;
- (y) to the extent such Client Margin Account is a CCM Individual Segregated Client Margin Account, any collateral, transferred or granted by the Defaulting Clearing Member to LCH SA as margin cover in respect of a client account held for the benefit of the same CCM Individual Segregated Account Client, in connection with another clearing service(s) provided by LCH SA (to the extent such collateral is not applied in the context of such other clearing service(s) in accordance with the rules applicable to such other clearing service(s)); and
- (z) any House Excess Collateral remaining following the application of Article 4.3.3.1(i)(a) and in the case of an FCM Clearing Member, any FCM Allocated Client Collateral Buffer (but in no event any FCM Unallocated Client Excess Collateral),

to reduce or cover any Damage attributable to the liquidation of the relevant Non-Ported Cleared Transactions;

(ii) by applying :

- (a) any Collateral transferred or granted to LCH SA by the Defaulting Clearing Member as a Contribution or Additional Contribution Amount; and
- (b) any collateral transferred or granted by the Defaulting Clearing Member to LCH SA as a contribution to the default fund, in connection with another clearing service(s) provided by LCH SA (to the extent such collateral is not applied in the context of such other clearing service(s) in

accordance with the rules applicable to such other clearing service(s):

- (iii) by applying the LCH SA Contribution;
- (iv) by applying a percentage of the Collateral deposited by each Non Bidder as a Contribution equal to its Total Non Bidder Fraction pro rata each such Non Bidder's proportion of the resources available under this sub-paragraph (iv);
- (v) by applying *pro rata*:
 - (a) the Collateral deposited by each Non Bidder as a Contribution to the extent this has not been applied in accordance with sub-paragraph (iv) above; and
 - (b) any Collateral deposited by each other Clearing Member (other than Non Bidders) as a Contribution;
- (vi) by applying *pro rata* the Collateral deposited by each other Clearing Member as an Additional Contribution Amount (to the extent called, including where called from another Defaulting Clearing Member); and
- (vii) by following the Loss Distribution Process.

Where a Defaulting Clearing Member is a member of another clearing service(s) provided by LCH SA (such other service(s), together with the CDS Clearing Service, the “**LCH Businesses**”), the completion of the default management processes in respect of the LCH Businesses may occur at different times. LCH SA may be required to take action, including applying resources to reduce or cover Damage incurred by LCH SA in accordance with this Article 4.3.3.1, in order to manage the Event of Default at a time when: (x) the action which is taken is contingent on an outcome of the default management process in respect of another clearing service(s) provided by LCH SA, and (y) that outcome has not yet been reached.

In the interests of efficient resolution, LCH SA may, at such point, make assumptions about that outcome, and proceed with the relevant action on that basis. Where any such assumptions have been made, LCH SA shall, on the completion of the default management processes in respect of all LCH Businesses, make such credits to the default funds relating to the LCH Businesses and such distributions to former Clearing Members as may be necessary to put the default funds and those firms which had contributed to such default funds at the time of the relevant default in the position that they would have been in if the correct outcomes had been used and the relevant assumptions had not been made.

In this Article 4.3.3.1, "applying" shall mean the use, by LCH SA, of the listed resources and the corresponding discharge of its obligations to return an equivalent amount of such resources to the Defaulting Clearing Member and/or Non-Defaulting Clearing Members (as applicable) in accordance with the CDS Clearing Documentation, whether such discharge is through the operation of set-off against LCH SA's rights against the Defaulting Clearing Member pursuant to Article 4.3.3.4, its rights pursuant to Article 4.4.3.2, or otherwise as set out in this CDS Clearing Documentation. In respect of sub-paragraph (iii), an application of the LCH SA Contribution means an amount that LCH SA shall bear for its own account up to the amount of the LCH SA Contribution.

For the avoidance of doubt, any Damage incurred by LCH SA following, and in relation to, the declaration of an Event of Default shall not be reduced or covered by the CDS Client Clearing Entitlement as determined in accordance with Clause 4.4.3 of the CDS Default Management Process.

Article 4.3.3.2

In relation to Article 4.3.3.1, where an Event of Default is declared in respect of a Clearing Member, (i) in the case of a CCM, any Collateral recorded in the relevant CCM Client Collateral Account and, in the case of a CCM Client Margin Account of a CCM Gross Omnibus Sub-Account Structure or a CCM Indirect Client Gross Omnibus Segregated Account Structure, in an amount equivalent to the CCM Gross Omnibus Sub-Account Balance or the CCM Indirect Client Gross Account Balance attributable to that CCM Client Margin Account; or (ii) in the case of an FCM Clearing Member, the Legally Segregated Value recorded in the relevant FCM Client Financial Account, shall only be applied to cover Damage incurred by LCH SA attributable to the hedging or liquidation of the relevant Non-Ported Cleared Transactions and in the case of an FCM Clearing Member, in accordance with Regulation 6 of the FCM CDS Clearing Regulations.

Article 4.4.1.2

The funded portion of the CDS Default Fund shall be equal to the sum of the theoretical losses caused by an Event of Default occurring in respect of the Clearing Members that are responsible for the two highest daily Group Member Uncovered Risks over the last sixty Clearing Days plus a buffer equal to 10 percent (i.e. the Combined Unmargined Risk), calculated in accordance with Section 6 of the Procedures or such other methodology as may be determined by LCH SA after consultation with the Risk Committee.

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

Section 6 of the Procedures.

Article 4.4.1.8

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

Nothing in the foregoing shall permit LCH SA to increase the Contribution Requirement of a Clearing Member whose aggregate amount of Initial Margin(s) calculated in respect of that Clearing Member's Account Structure has not increased.

Article 5.1.1.3

The following provisions shall constitute the Mandatory Client Clearing Provisions:

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- (viii) in respect of CCMs intending to allow their CCM ~~Individual Segregated Account~~ Clients to provide indirect clearing services to their own clients in relation to the CDS Clearing Service:
 - (a) if the CCM Client intends to provide indirect clearing services to its own clients in relation to the CDS Clearing Service, it shall, before providing such indirect clearing services, ensure that the indirect clearing arrangement it intends to enter into with its own clients (x) is legally enforceable; and (y) contains, among others, the Mandatory Indirect Client Clearing Provisions set out in Article 5.1.3.2; and
 - (b) where a CCM Client has CCM Indirect Clients, the CCM Client:

- (x) must promptly put into effect any requirement imposed upon it by LCH SA or the CCM in relation to the indirect clearing arrangements in place with the CCM Indirect Clients; and
- (y) must make all information reasonably requested by the CCM (as a result of a request made by LCH SA to the CCM) available to the CCM upon demand.

Article 5.1.3.1

A CCM which intends to allow its CCM ~~Individual Segregated Account~~ Clients to provide indirect clearing services to their own clients in relation to the CDS Clearing Service shall first:

- (i) put in place appropriate procedures to ensure that the contractual terms of the indirect clearing arrangement intended to be entered into with its CCM ~~Individual Segregated Account~~ Clients which intend to provide indirect clearing services to its own clients (x) are legally enforceable in the relevant jurisdictions, (y) comply with the requirements of EMIR and MiFIR and (z) are consistent with the terms of the CDS Clearing Documentation; and
- (ii) request LCH SA (as set out in Section 1 of the Procedures) to open ~~a single~~one or more CCM Indirect Client Segregated Account ~~Structure~~Structures in ~~respect of a~~accordance with the wishes of the relevant CCM Indirect Clients ~~of any particular CCM Individual Segregated Account Client~~ who ~~intends~~intend to receive indirect clearing services in respect of the CDS Clearing Service.

LCH SA shall not incur any liability in connection with any indirect clearing arrangement entered into between a CCM ~~Individual Segregated Account~~ Client and a CCM Indirect Client.

Article 5.1.3.2

The following provisions shall constitute the Mandatory Indirect Client Clearing Provisions:

- (i) the CCM Indirect Client warrants that it understands, acknowledges and agrees to all rights and obligations relevant to the provision of CDS Clearing Services with respect to CCM Indirect Clients, under the CDS Clearing Rules;

- (ii) the CCM Indirect Client shall make all information reasonably requested by its CCM ~~Individual Segregated Account~~ Client (as a result of a request made by LCH SA to the CCM of such CCM ~~Individual Segregated Account~~ Client) available to its CCM ~~Individual Segregated Account~~ Client upon demand;
- (iii) the CCM Indirect Client acknowledges that LCH SA is authorised to make disclosure of information in accordance with the applicable provisions of the CDS Clearing Documentation;
- (iv) the CCM Indirect Client represents that it shall comply at all times with the CDS Clearing Documentation as it applies to the CCM Indirect Client and shall not act so as to cause, whether directly or indirectly, a breach of the CDS Clearing Documentation;
- (v) the CCM Indirect Client has no contractual nexus with LCH SA and is not deemed to be party to, or participant in, the CDS Clearing Documentation;
- (vi) where Collateral is transferred by the CCM in satisfaction of the applicable CCM Client Margin Requirement, the CCM Indirect Client shall not be entitled to assert any claim to the Collateral in circumstances where the assertion of such a claim would delay or inhibit the disposal of such Collateral by LCH SA and/or the application of the proceeds of sale of such Collateral in accordance with the provisions of the CDS Clearing Documentation and Applicable Law; and
- (vii) LCH SA deals only with the CCM and the CCM Indirect Client shall have no right or authority to deal directly with LCH SA (and as a result LCH SA shall not incur any liability whatsoever towards the CCM Indirect Client) or to request any information from LCH SA save as otherwise expressly provided for by the CDS Clearing Documentation or by any Applicable Law.

Article 5.2.1.1

A CCM is permitted to offer each of its clients the choice between the following categories of CCM Client Account Structures:

- (viii) a CCM Individual Segregated Account Structure;
- (ix) a CCM Net Omnibus Segregated Account Structure; ~~and~~
- ~~(x)~~ a CCM Gross Omnibus Segregated Account Structure;

(xi) and in respect of a CCM Client that provides indirect client clearing services:

(a) a CCM Indirect Client Net Segregated Account Structure; and

~~(a)~~(b) a CCM Indirect Client Gross Segregated Account Structure.

For the avoidance of doubt, a single CCM Client is not permitted to be allocated, at the same time, to (i) more than one CCM Client Account Structure of the same CCM (except in connection with the provision of indirect clearing services by such CCM Client to its CCM Indirect Clients) and (ii) within a CCM Gross Omnibus Segregated Account Structure, more than one CCM Gross Omnibus Sub-Account Structure.

Article 5.2.1.1

In addition, each CCM acknowledges that a CCM Client that is a CCM Indirect Gross Segregated Account Client and/or a CCM Indirect Net Segregated Account Client in respect of its CCM Indirect Clients may also be a CCM Individual Segregated Account Client, a CCM Net Omnibus Segregated Account Client or a CCM Gross Omnibus Segregated Account Client in respect of its own account, and that the provisions of the CDS Clearing Rules shall apply in a way that reflects the different capacities in which a CCM Client may act.

Article 5.2.1.2

Subject to last paragraph of Article 5.2.1.1, a CCM may have as many CCM Client Account Structures as it requires.

Within a CCM Gross Omnibus Segregated Account Structure, a CCM may have as many CCM Gross Omnibus Multi Sub-Account Structures and as many CCM Gross Omnibus Single Sub-Account Structures as it requires.

Article 5.2.1.3

Each CCM Net Omnibus Segregated Account Client must be allocated to one CCM Client Trade Account, one CCM Client Margin Account and one CCM Client Collateral Account.

Each CCM Gross Omnibus Segregated Account Client must be allocated to a CCM Gross Omnibus Sub-Account Structure.

Each CCM Individual Segregated Account Client must be allocated to one CCM ~~Direct Client Segregated Account Structure and, if such CCM Individual Segregated Account Client provides clearing services to CCM Indirect Clients, it must also be allocated to a CCM Indirect Client~~Individual Segregated Account Structure.

Article 5.2.1.4

~~Each CCM Client that provides indirect client clearing services to CCM Indirect Clients must be allocated to one or more CCM Indirect Client Net Segregated Account Structure(s) in which the Cleared Transactions referable to the relevant CCM Indirect Clients of such CCM Client are registered and, upon request by that CCM Client on behalf of one or more of its CCM Indirect Clients, to one or more CCM Indirect Client Gross Segregated Account Structure(s) in which the Cleared Transactions referable to the relevant CCM Indirect Client(s) of that CCM Client are registered.~~

Subject to Article 5.2.1.1 above, a CCM Client of a CCM may request to be allocated to:

- (i) another category of CCM Client Account Structure referred to in Article 5.2.1.1 above; or
- (ii) as the case may be, another CCM Gross Omnibus Sub-Account Structure,

of that CCM provided, however, that at the time of election, the relevant CCM is not a Defaulting Clearing Member. A CCM Client may also, on behalf of one or more CCM Indirect Clients, request allocation to another category of CCM Indirect Client Segregated Account Structure.

~~Article 5.2.1.5~~ **Article 5.2.1.4**

Where such an election is made, the relevant CCM must notify LCH SA of such election and LCH SA shall reflect it in its books and records as soon as reasonably practicable following receipt of such notification.

Article 5.2.2.1

LCH SA shall open one CCM Client Trade Account:

- (i) for each CCM Omnibus Segregated Account Client;

- (ii) ~~in the CCM Direct Client Segregated Account Structure of~~ each CCM Individual Segregated Account Client; and
- (iii) ~~in the~~ for each CCM Indirect Client belonging to a CCM Indirect Client Segregated Account Structure ~~of each CCM Individual Segregated Account Client which provides clearing services to CCM Indirect Clients.~~

Article 5.2.3.1

LCH SA shall open:

- (i) one CCM Individual Segregated Client Margin Account ~~in the CCM Direct Client Segregated Account Structure of~~ each CCM Individual Segregated Account Client for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Individual Segregated Account Client;
- ~~(ii) — one CCM Indirect Client Segregated Margin Account in the CCM Indirect Client Segregated Account Structure of each CCM Individual Segregated Account Client providing clearing services to CCM Indirect Clients for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Individual Segregated Account Client in respect of its CCM Indirect Clients; and~~
- ~~(iii)~~(ii) one CCM Net Omnibus Segregated Client Margin Account for each CCM Net Omnibus Client Set for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Net Omnibus Client Set;~~;~~
- ~~(iv)~~(iii) one CCM Gross Omnibus Multi Sub-Account Client Margin Account for each CCM Gross Omnibus Multi Sub-Account Client Set for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Gross Omnibus Multi Sub-Account Client Set;
- (iv) one CCM Gross Omnibus Single Sub-Account Client Margin Account for each CCM Gross Omnibus Single Sub-Account Client for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Gross Omnibus Single Sub-Account Client;~~;~~
- (v) one CCM Indirect Client Net Segregated Margin Account for each CCM Indirect Net Client Set for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Indirect Net Client Set; and
- ~~(v)~~(vi) one CCM Indirect Client Gross Segregated Margin Account for each CCM Indirect Client belonging to the relevant CCM Indirect Client Gross

Segregated Account Structure for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Indirect Client.

Article 5.2.3.2

Client Cleared Transactions registered in a CCM Client Trade Account of a CCM will be allocated to the corresponding CCM Client Margin Account of the CCM, for the purposes of determining the Open Positions attributable to:

- (i) the CCM Individual Segregated Account Client;
- ~~(ii) CCM Indirect Clients of a CCM Individual Segregated Account Client;~~
- (iii) the relevant CCM Net Omnibus Client Set; ~~or~~
- ~~(i)(iii)~~ within a CCM Gross Omnibus Segregated Account Structure:
 - (a) the CCM Gross Omnibus Single Sub-Account Client; or
 - (b) the relevant CCM Gross Omnibus Multi Sub-Account Client Set;
- (iv) the relevant CCM Indirect Net Client Set; or
- ~~(ii)(v)~~ each CCM Indirect Client belonging to the relevant CCM Indirect Client Gross Segregated Account Structure, as the case may be.

Article 5.2.3.3

Calculation of Open Positions attributable to a CCM Individual Segregated Account Client, ~~its CCM Indirect Clients, if applicable,~~ a CCM Net Omnibus Client Set, a CCM Gross Omnibus Multi Sub-Account Client Set ~~and,~~ a CCM Gross Omnibus Single Sub-Account Client, a CCM Indirect Net Client Set and a CCM Indirect Client belonging to a CCM Indirect Client Gross Segregated Account Structure, and their recording in the relevant CCM Client Margin Account, will be carried out by LCH SA in accordance with the rules set out in Section 2 of the Procedures.

Article 5.2.4.3

LCH SA shall open one CCM Client Collateral Account:

- (i) ~~in the CCM Direct Client Segregated Account Structure of~~ each CCM Individual Segregated Account Client for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Individual Segregated Account Client and CCM Client Excess Collateral if any;
- ~~(ii) in the CCM Indirect Client Segregated Account Structure of each CCM Individual Segregated Account Client providing clearing services to CCM Indirect Clients for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Individual Segregated Account Client in respect of its CCM Indirect Clients, and CCM Client Excess Collateral in respect of its CCM Indirect Clients, if any;~~
- (iii) for each CCM Net Omnibus Client Set for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Net Omnibus Segregated Account Clients and CCM Client Excess Collateral if any; ~~and~~
- ~~(iiiiv)~~ for each CCM Gross Omnibus Client Set for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Gross Omnibus Segregated Account Clients and CCM Client Excess Collateral if any; ~~and~~
- (iv) in each CCM Indirect Client Segregated Account Structure of each CCM Client providing clearing services to CCM Indirect Clients for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Client in respect of its CCM Indirect Clients, and CCM Client Excess Collateral in respect of its CCM Indirect Clients, if any.

Article 5.3.2.1

Upon the instruction of a CCM Individual Segregated Account Client, a Receiving Clearing Member shall request LCH SA (as set out in Section 5 of the Procedures) to transfer:

- (a) the entire portfolio (and not less than an entire portfolio) of:
 - ~~(x) —~~ Client Cleared Transactions registered in the CCM ~~Direct Client~~Individual Segregated Account Structure of that CCM Individual Segregated Account Client; ~~and/or~~

~~(y) Client Cleared Transactions registered in the CCM Indirect Client Segregated Account Structure of that CCM Individual Segregated Account Client,~~

to the relevant CCM Client Trade Account(s) of the Receiving Clearing Member; and

- (b) if also requested by the Receiving Clearing Member, all Client Assets attributable to such CCM Individual Segregated Account Client ~~and all its CCM Indirect Clients (if applicable)~~ registered in the Carrying Clearing Member's relevant CCM Client Collateral Account(s) to the Receiving Clearing Member's relevant CCM Client Collateral Account(s).

Subject to paragraph (vii) hereof, any Carrying Clearing Member expressly and irrevocably agrees to such transfers and acknowledges that they may be implemented by LCH SA, in accordance with the conditions set forth herein, without its involvement.

It is a condition precedent to any such transfer of Client Cleared Transactions and/or relevant Client Assets (as the case may be) that:

- (i) such CCM Individual Segregated Account Client has not become insolvent (such CCM Individual Segregated Account Client to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in Section 5 of the Procedures or as otherwise reasonably determined by LCH SA);

~~(ii) where the entire portfolio of Client Cleared Transactions of all the CCM Indirect Clients of that CCM Individual Segregated Account Client is to be transferred, none of the CCM Indirect Clients has become insolvent (such CCM Indirect Clients to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member);~~

- (iii) the Receiving Clearing Member and the Carrying Clearing Member are CCMs;

- ~~(iiiv)~~ neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member;

- (iv) where Client Assets to be transferred simultaneously with the transfer of the Client Cleared Transactions comprise Pledged Eligible Collateral, the Receiving Clearing Member has entered into a Pledge Agreement with LCH SA and has opened with LCH SA a pledged securities account at Euroclear Bank for the purpose of holding the relevant Eligible Collateral in respect of its CCM Clients;

- (vi) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and
- (vii) the Carrying Clearing Member has not rejected such transfer (it being presumed by LCH SA that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Section 5 of the Procedures or as otherwise reasonably determined by LCH SA).

For the purposes of Article 5.3.2.1(vii) above, the Carrying Clearing Member will be entitled to reject the transfer of the relevant Client Cleared Transactions only if: (a) the relevant CCM Individual Segregated Account Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member, including any increased Margin due and payable that may result from the proposed transfer; (b) the transfer of the relevant Client Cleared Transactions recorded in the CCM Individual Segregated Account Structure would result in the CCM Individual Segregated Account Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member; or (c) such rejection is in accordance with the terms agreed as between the Carrying Clearing Member and the relevant CCM Individual Segregated Account Client.

Article 5.3.2.4

Upon the instruction of a CCM Gross Omnibus Single Sub-Account Client, a Receiving Clearing Member shall request LCH SA (as set out in Section 5 of the Procedures) to transfer:

- (a) the entire portfolio (and not less than an entire portfolio) of Client Cleared Transactions registered in the CCM Gross Omnibus Single Sub-Account Structure of that CCM Gross Omnibus Single Sub-Account Client to the relevant CCM Client Trade Account of the Receiving Clearing Member; and
- (b) if also requested by the Receiving Clearing Member, all Client Assets relating to the CCM Cleared Transactions that are being transferred to a Receiving Clearing Member designated by such CCM Gross Omnibus ~~Multi-Single~~ Sub-Account Clients (as set out in Section 5 of the Procedures), from the Carrying Clearing Member's relevant CCM Client Collateral Account to the Receiving Clearing Member's relevant CCM Client Collateral Account.

Subject to paragraph (vi) hereof, any Carrying Clearing Member expressly and irrevocably agrees to such transfers and acknowledges that they may be implemented by LCH SA, in accordance with the conditions set forth herein, without its involvement.

It is a condition precedent to any such transfer of Client Cleared Transactions and/or relevant Client Assets (as the case may be) that:

- (i) such CCM Gross Omnibus Single Sub-Account Client has not become insolvent (such CCM Gross Omnibus Single Sub-Account Client to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in Section 5 of the Procedures or as otherwise reasonably determined by LCH SA);
- (ii) the Receiving Clearing Member and the Carrying Clearing Member are CCMs;
- (iii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member;
- (iv) where Client Assets to be transferred simultaneously with the transfer of the Client Cleared Transactions comprise Pledged Eligible Collateral, the Receiving Clearing Member has entered into a Pledge Agreement with LCH SA and has opened with LCH SA a pledged securities account at Euroclear Bank for the purpose of holding the relevant Eligible Collateral in respect of its CCM Clients;
- (v) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and
- (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by LCH SA that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Section 5 of the Procedures or as otherwise reasonably determined by LCH SA).

For the purposes of Article 5.3.2.4(vi) above, the Carrying Clearing Member will be entitled to reject the transfer of the relevant Client Cleared Transactions only if: (a) the relevant CCM Gross Omnibus Single Sub-Account Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member, including any increased Margin due and payable that may result from the proposed transfer; (b) the transfer of the relevant Client Cleared Transactions recorded in the CCM Gross Omnibus Single Sub-Account Structure would result in the CCM Gross Omnibus Single Sub-Account Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member; or (c) such rejection is in accordance with the terms agreed as between the Carrying Clearing Member and the relevant CCM Gross Omnibus Single Sub-Account Client.

Article 5.3.2.5

Upon the instruction of a CCM Client of a Carrying Clearing Member that provides indirect clearing services to CCM Indirect Clients, the Receiving Clearing Member shall request LCH SA (as set out in Section 5 of the Procedures) to transfer:

- (a) the entire portfolio (and not less than an entire portfolio) of Client Cleared Transactions registered in the relevant CCM Indirect Client Segregated Account Structure to the relevant CCM Client Trade Accounts of the Receiving Clearing Member; and
- (b) if also requested by the Receiving Clearing Member, all Client Assets attributable to such CCM Indirect Client Segregated Account Structure from the Carrying Clearing Member's relevant CCM Client Collateral Account to the Receiving Clearing Member's relevant CCM Client Collateral Account. Subject to paragraph (vii) hereof, any Carrying Clearing Member expressly and irrevocably agrees to such transfers and acknowledges that they may be implemented by LCH SA, in accordance with the conditions set forth herein, without its involvement.

It is a condition precedent to any such transfer of Client Cleared Transactions and/or relevant Client Assets (as the case may be) that:

- (i) such CCM Client has not become insolvent (such CCM Client to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in Section 5 of the Procedures or as otherwise reasonably determined by LCH SA);
- (ii) none of the CCM Indirect Clients has become insolvent (such CCM Indirect Clients to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member);
- (iii) the Receiving Clearing Member and the Carrying Clearing Member are CCMs;
- (iv) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member;
- (v) where Client Assets, to be transferred simultaneously with the transfer of the Client Cleared Transactions, comprise Pledged Eligible Collateral, the Receiving Clearing Member has entered into a Pledge Agreement with LCH SA and has opened with LCH SA a pledged securities account at Euroclear Bank for the purpose of holding the relevant Eligible Collateral in respect of its CCM Clients;
- (vi) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and
- (vii) the Carrying Clearing Member has not rejected such transfer (it being presumed by LCH SA that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Section 5 of the Procedures or as otherwise reasonably determined by LCH SA).

For the purposes of Article 5.3.2.5(vii) above, the Carrying Clearing Member will be entitled to reject the transfer of the relevant Client Cleared Transactions

only if: (a) the relevant CCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member, including any increased Margin due and payable that may result from the proposed transfer; (b) the transfer of the Client Cleared Transactions would result in the CCM Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member; or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant CCM Client.

Article 5.3.2.65

If, a transfer is not effected due to one of the conditions in Article 5.3.2.1, Article 5.3.2.2, Article 5.3.2.3 ~~or~~, Article 5.3.2.4 or Article 5.3.2.5 not being satisfied but the Receiving Clearing Member wishes to proceed with such transfer, it shall be required to submit a new request to transfer in accordance with Article 5.3.2.1, Article 5.3.2.2, Article 5.3.2.3 ~~or~~, Article 5.3.2.4 or Article 5.3.2.5 (as applicable).

Article 5.3.3.1

Upon the instruction of a CCM Individual Segregated Account Client, a Receiving Clearing Member shall request LCH SA (as set out in Section 5 of the Procedures) to transfer:

- ~~(a) — a portion of the portfolio of Client Cleared Transactions registered in the CCM ~~Direct Client~~Individual Segregated Account Structure of that CCM Individual Segregated Account Client; and/or~~
- ~~(b) — a portion of the portfolio of Client Cleared Transactions registered in the CCM Indirect Client Segregated Account Structure of that CCM Individual Segregated Account Client,~~

to the relevant CCM Client Trade Account of the Receiving Clearing Member.

Subject to paragraph (vi) hereof, any Carrying Clearing Member expressly and irrevocably agrees to such transfer and acknowledges that it may be implemented by LCH SA, in accordance with the conditions set forth herein, without its involvement.

Where a request is made in accordance with this Article 5.3.3.1, no Client Assets shall be permitted to be transferred from the Carrying Clearing Member's

relevant CCM Client Collateral Account to the Receiving Clearing Member's relevant CCM Client Collateral Account(s).

It is a condition precedent to any such transfer of the Client Cleared Transactions that:

- (i) such CCM Individual Segregated Account Client has not become insolvent (such CCM Individual Segregated Account Client to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in Section 5 of the Procedures or as otherwise reasonably determined by LCH SA);
- ~~(ii) where Client Cleared Transactions of CCM Indirect Clients of that CCM Individual Segregated Account Client are to be transferred, none of the relevant CCM Indirect Clients has become insolvent (such CCM Indirect Clients to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member);~~
- ~~(iii)~~(ii) the Receiving Clearing Member and the Carrying Clearing Member are CCMs;
- ~~(iv)~~(iii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member;
- ~~(v)~~(iv) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and
- ~~(vi)~~(v) the Carrying Clearing Member has not rejected such transfer (it being presumed by LCH SA that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in Section 5 of the Procedures or as otherwise reasonably determined by LCH SA).

For the purposes of Article 5.3.3.1(vi) above, the Carrying Clearing Member may be entitled to reject the transfer of the relevant Client Cleared Transactions only if; (a) the CCM Individual Segregated Account Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member, including any increased Margin due and payable that may result from the proposed transfer; (b) the transfer of the relevant Client Cleared Transactions recorded in the CCM Individual Segregated Account Structure would result in the CCM Individual Segregated Account Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member; or (c) such rejection is in accordance with the terms agreed as between the Carrying Clearing Member and the relevant CCM Individual Segregated Account Client.

Article 5.3.3.5

Upon the instruction of a CCM Client of a Carrying Clearing Member that provides indirect clearing services to CCM Indirect Clients, in circumstances where (a) one or more of the CCM Indirect Clients within the relevant CCM Indirect Client Segregated Account Structure do not wish to transfer all of the relevant Client Cleared Transactions to the Receiving Clearing Member; or (b) a CCM Indirect Client within the relevant CCM Indirect Client Segregated Account Structure wishes to transfer a portion of its portfolio of Client Cleared Transactions to the Receiving Clearing Member, the Receiving Clearing Member shall request LCH SA (as set out in Section 5 of the Procedures) to transfer some but not all of the relevant Client Cleared Transactions to the relevant CCM Client Trade Account of the Receiving Clearing Member. Subject to paragraph (vi) hereof, any Carrying Clearing Member expressly and irrevocably agrees to such transfers and acknowledges that they may be implemented by LCH SA, in accordance with the conditions set forth herein, without its involvement.

Where a request is made in accordance with this Article 5.3.3.5, no Client Assets shall be permitted to be transferred from the Carrying Clearing Member's relevant CCM Client Collateral Account to the Receiving Clearing Member's relevant CCM Client Collateral Account.

It is a condition precedent to any such transfer of Client Cleared Transactions that:

- (i) such CCM Client has not become insolvent (such CCM Client to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in Section 5 of the Procedures or as otherwise reasonably determined by LCH SA);
- (ii) none of the CCM Indirect Clients has become insolvent (such CCM Indirect Clients to be presumed to be solvent by LCH SA unless evidenced to the contrary by the Carrying Clearing Member);
- (iii) the Receiving Clearing Member and the Carrying Clearing Member are CCMs;
- (iv) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member;
- (v) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and
- (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by LCH SA that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Section 5 of the Procedures or as

otherwise reasonably determined by LCH SA).

For the purposes of Article 5.3.3.5(vi) above, the Carrying Clearing Member will be entitled to reject the transfer of the relevant Client Cleared Transactions only if: (a) the relevant CCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member, including any increased Margin due and payable that may result from the proposed transfer; (b) the transfer of the Client Cleared Transactions would result in the CCM Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member; or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant CCM Client.

Article 5.3.4.1

In relation to the circumstances set out in Section 5.3.2, for the purpose of a transfer of Client Assets:

- (i) in accordance with Article 5.3.2.1 ~~or~~, Article 5.3.2.2, or Article 5.3.2.5, LCH SA shall notify the Receiving Clearing Member of the Client Assets which are to be transferred; or
- (ii) in accordance with Article 5.3.2.3 or Article 5.3.2.4, upon request from LCH SA, the Carrying Clearing Member shall notify LCH SA of the Client Assets which are attributable to the transferring CCM Gross Omnibus Multi Sub-Account Client Set or CCM Gross Omnibus Single Sub-Account Client (as the case may be) and, along with the Receiving Clearing Member, shall take such actions and provide such information to LCH SA in connection with the transfer as may be required by LCH SA. In the event that the Carrying Clearing Member fails to notify LCH SA of the Client Assets that are attributable to the relevant CCM Gross Omnibus Multi Sub-Account Client Set or CCM Gross Omnibus Single Sub-Account Client, LCH SA shall transfer such Collateral from the CCM Client Collateral Account of the Carrying Clearing Member's relevant CCM Gross Omnibus Segregated Account Structure to the Receiving Clearing Member's relevant CCM Client Collateral Account as it deems appropriate and as set out in Section 5 of the Procedures.

Article 5.3.4.2

Following such notification made in accordance with Article 5.3.4.1, the Receiving Clearing Member may elect to reject the transfer of some or all of the Client Assets. Any such election will not prevent the transfer of the relevant Client Cleared Transactions and any related Client Assets which have been accepted by the Receiving Clearing Member, provided that the conditions set out in sub-paragraphs (i) to (vii) of Article 5.3.2.1, sub-paragraphs (i) to (vi) of

Article 5.3.2.2, sub-paragraphs (i) to (vi) of Article 5.3.2.3 ~~or~~, sub-paragraphs (i) to (vi) of Article 5.3.2.~~2.4~~, or sub-paragraphs (i) to (vii) of Article 5.3.2.5 (as applicable) are satisfied in relation to such transfer.

Article 5.3.5.1

- (i) Further to the satisfaction of the conditions set out in Article 5.3.2.1, Article 5.3.2.2, Article 5.3.2.3, Article 5.3.2.4, Article 5.3.2.5, Article 5.3.3.1, Article 5.3.3.2, Article 5.3.3.3 ~~or~~, Article 5.3.3.4 or Article 5.3.3.5 (as appropriate) above, and provided that LCH SA does not determine, in its sole discretion, that the transfer cannot be effected under this CDS Clearing Rule Book or the Procedures, LCH SA shall transfer the relevant Client Cleared Transaction(s) to the relevant CCM Client Trade Account(s) of the Receiving Clearing Member for the benefit of the relevant CCM Client(s)- or, where applicable, for the benefit of its/their CCM Indirect Client(s). Such Client Cleared Transaction(s) will be processed in accordance with CHAPTER 1 of TITLE III.
- (ii) In the case where a transfer of Client Cleared Transactions, pursuant to Article 5.3.2.1, Article 5.3.2.2, Article 5.3.2.3 ~~or~~, Article 5.3.2.4 or Article 5.3.2.5 will include the transfer of the related Client Assets:
 - (a) In respect of Client Assets which have been transferred by the Carrying Clearing Member to LCH SA on a full title transfer basis in accordance with Article 5.3.2.1, Article 5.3.2.2, Article 5.3.2.3 ~~or~~, Article 5.3.2.4 or Article 5.3.2.5, such transfer shall be effected as follows:
 - (A) the Carrying Clearing Member shall relinquish all rights to such Client Assets (including, for the avoidance of doubt, any beneficial interest and/or equity of redemption in respect thereof);
 - (B) such Client Assets shall immediately upon such relinquishment be held by LCH SA on behalf of the Receiving Clearing Member; and
 - (C) the Receiving Clearing Member's rights to such Client Assets arising as described in paragraph (B) above shall become, in respect of the relevant Client Cleared Transactions, subject to the title transfer security arrangements entered into between the Receiving Clearing Member and LCH SA in relation to the provision of cover.
 - (b) In respect of Client Assets that are subject to the Pledge Agreement entered into between the Carrying Clearing Member and LCH SA in relation to the provision of Collateral, in accordance with Article 5.2.4.2, such transfer shall be effected in accordance with Section 3 of the

Procedures.

- (iii) For the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Client Assets transferred.
- (iv) The transfer of the Client Cleared Transactions and associated Client Assets shall be deemed to occur simultaneously, and the transfer of the Client Cleared Transactions shall be conditional on the transfer of the related Client Assets, and vice versa.
- (v) If the transfer of the Client Cleared Transactions and associated Client Assets is not completed for any reason, then any transfer or registration of Client Assets or Client Cleared Transactions shall be immediately unwound and such transfer or registration shall be deemed never to have occurred.

Article 5.3.5.4

The Carrying Clearing Member agrees to indemnify LCH SA in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by LCH SA (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than in compliance with the grounds set out in the final paragraph of Article 5.3.2.1, Article 5.3.2.2, Article 5.3.2.3, Article 5.3.2.4, [Article 5.3.2.5](#), Article 5.3.3.1, Article 5.3.3.2, Article 5.3.3.3 ~~or~~, Article 5.3.3.4 [or Article 5.3.3.5](#) (as the case may be).

Article 5.4.1.2

If at any time, an early termination date, howsoever described in the relevant indirect clearing arrangement in place between a CCM Client and a CCM Indirect Client, occurs in respect of one or more transactions entered into between such CCM Client and such CCM Indirect Client and, in turn, triggers the early termination of the corresponding Deemed Client Transaction(s), and provided that the relevant CCM, at the time of such early termination date, is not a Defaulting Clearing Member, and an early termination date has not also occurred in respect of all Deemed Client Transaction(s), as described in Article 5.4.1.3, that CCM may instruct LCH SA to transfer the Client Cleared Transactions registered in the relevant CCM Indirect Client Segregated Account Structure to ~~the relevant another~~ CCM ~~Client's CCM Direct~~ Client ~~Segregated~~ Account Structure, in accordance with Section 5 of the Procedures.

Article 5.4.1.3

If at any time, an early termination date, howsoever described in the relevant CDS Client Clearing Agreement, occurs in respect of all Deemed Client Transactions which have been entered into in relation to Client Cleared Transactions registered in a CCM Indirect Client Segregated Account Structure, and provided that the relevant CCM, at the time of such early termination date, is not a Defaulting Clearing Member, that CCM may instruct LCH SA to ~~take one of the following steps in relation to Client Cleared Transactions registered in a CCM Indirect Client Segregated Account Structure:~~

~~(i) transfer all Client Cleared Transactions registered in the relevant CCM Indirect Client Segregated Account Structure to the House Trade Account of such CCM; or~~

~~(i)(ii) in relation to Client Cleared Transactions registered in a CCM Indirect Client Gross Segregated Account Structure, in circumstances where such CCM notifies: (a) a single Backup Client in respect of all Client Cleared Transactions registered in the relevant CCM Indirect Client Segregated Account Structure, Gross Segregated Account Structure; or (b) with respect to each CCM Client Trade Account of the relevant CCM Indirect Client Gross Segregated Account Structure, a single Backup Client in respect of all Client Cleared Transactions registered in that CCM Client Trade Account; and further provided that none of the relevant CCM Indirect Clients has become insolvent (such CCM Indirect Clients to be presumed to be solvent by LCH SA unless evidenced to the contrary by the CCM), transfer to the appointed Backup Client all of the relevant Client Cleared Transactions and Client Assets registered in the relevant CCM Indirect Client Gross Segregated Account Structure; or~~

~~(ii) transfer all Client Cleared Transactions registered in the relevant CCM Indirect Client Segregated Account Structure to the House Trade Account of such CCM,~~

~~each case in accordance with the conditions set forth in Section 5 of the Procedures, provided that, where a transfer described in (ii)(b) above is to a Backup Client of a different CCM, such transfer will be subject to certain conditions precedent as LCH SA may determine in its sole discretion.~~ For the avoidance of doubt, the list above is not exhaustive and LCH SA may take any steps or proceedings other than those referred to in this Article 5.4.1.3, in accordance with the instructions of the CCM.

Article 5.4.1.5

LCH SA shall act solely upon the instructions of the CCM to perform the process set out in Article 5.4.1.3 and Section 5 of the Procedures and shall not incur any liability to the relevant CCM, CCM ~~Individual Segregated Account~~-Client or CCM Indirect Client as a result thereof.

The CCM agrees to indemnify and hold LCH SA harmless from and against any and all loss, liability, damage, cost, penalty, fine, tax or expense (including, without limitation, reasonable attorney's fees, cost of collection, and any reasonable cost incurred in successfully defending against any claim asserted by the CCM, CCM ~~Individual Segregated Account~~ Client or the CCM Indirect Client, as the case may be) in connection with any steps or proceedings taken by LCH SA pursuant to Article 5.4.1.3 or as a result of the application of Article 5.4.1.3.

Article 6.2.1.4

For the avoidance of doubt, an FCM Clearing Member may request LCH SA to open one or more CCM Indirect Client Segregated Account Structures, provided that such FCM Clearing Member demonstrates, to LCH SA's reasonable satisfaction, that it is able to perform its obligations in respect of such CCM Indirect Client Segregated Account Structures in accordance with Applicable Law.

APPENDIX 1 CDS DEFAULT MANAGEMENT PROCESS

1.1 Definitions

"Auction Member Representative" has the meaning set out in Clause 5.4.1;

~~"Auction Participant" means each Non-Defaulting Clearing Member or, acting in the place of a Non-Defaulting Clearing Member, an affiliated Clearing Member or alternatively, a non-clearing member Affiliate that clears through the Clearing Member, or an LCH Approved Outsourcing Agent of such Non-Defaulting Clearing Member, in any case which LCH SA has previously determined is capable of successfully participating in the CDS Default Management Process in accordance with Article 2.2.1.1;~~

"Bid" means a bid submitted to LCH SA by ~~an Auction Participant~~ Non-Defaulting Clearing Member as part of Competitive Bidding;

"Bid Price" means the price submitted to LCH SA by ~~an Auction Participant~~ Non-Defaulting Clearing Member representing the nominal price that ~~an Auction Participant~~ Non-Defaulting Clearing Member would either:

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

in each case in order to accept the registration of the Auction Transactions reflecting the Auction Package;
" Bid Size " means, for any Bid, the specified percentage of the Auction Package or the Residual Auction Package, as the case may be, as set out by an Auction Participant <u>Non-Defaulting Clearing Member</u> ;
" Competitive Bidding " means the competitive auction process in which Auction Participants <u>Non-Defaulting Clearing Members</u> submit Bids for Auction Package(s), described in Clause 5 of the CDS Default Management Process, as may be supplemented, from time to time, by the CDS Default Management Guidance Manual;
" DMG Member " means a Clearing Member representative <u>Member's DMG Representative</u> within the CDS Default Management Group;
" Initial Transfer Payable " means the amount an Auction Participant <u>Non-Defaulting Clearing Member</u> or a Non Bidder, as appropriate, must pay to LCH SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Initial Winning Bid(s), as determined in accordance with Clause 5.6.1(iii) or 5.6.3 (iii), as the case may be;
" Initial Transfer Receivable " means the amount an Auction Participant <u>Non-Defaulting Clearing Member</u> or a Non Bidder, as appropriate, must receive from LCH SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Initial Winning Bid(s), as determined in accordance with Clause 5.6.1(iii) or 5.6.3 (iii), as the case may be;
" Initial Winning Bidder " means an Auction Participant <u>Non-Defaulting Clearing Member</u> or Non Bidder, as the case may be, holding an Initial Winning Bid who is notified of this pursuant to Clause 5.6.4;
" LCH Transfer Cost " means the cost to LCH SA of registering all Auction Transactions making up the Auction Package within the Account Structure of one or more Auction Participants <u>Non-Defaulting Clearing Members</u> following the conclusion of Competitive Bidding;
" LCH Transfer Receipt " means the amount to be received by LCH SA for registering all Auction Transactions making up the Auction Package within the Account Structure of one or more Auction Participants <u>Non-Defaulting Clearing Members</u> following the conclusion of Competitive Bidding;
" Loss Distribution Period " means the period from, but excluding, the day on which an Event of Default is declared with respect to any Clearing Member

pursuant to Article 4.3.1.2 to but excluding the earlier of:

- (i) the Clearing Day on which the Transfer Positions relating to any Auction Package(s) in connection with that Defaulting Clearing Member, or, if any Event of Default is declared pursuant to Article 4.3.1.2 with respect to any other Clearing Member prior to the end of a Loss Distribution Period, any subsequent Defaulting Clearing Member, have been registered in the Account Structure of the relevant ~~Auction Participants~~Non-Defaulting Clearing Members and all payments required to be made by such ~~Auction Participants~~Non-Defaulting Clearing Members and/or LCH SA have been made in full; or
- (ii) the Early Termination Trigger Date;

"**Non Bidder**" means ~~an Auction Participant~~a Non-Defaulting Clearing Member who does not submit Market Bid(s) in an amount equal to its Minimum Bid Size by the Bid Deadline (and the expiration of any grace period granted by LCH SA, in consultation with the CDS Default Management Group, pursuant to Clause 5.4.3) provided that such ~~Auction Participant~~Non-Defaulting Clearing Member is required to bid for the relevant Auction Package(s) in accordance with Clause 5.4.1;

"**Non Market Bid**" means a Bid which LCH SA, having consulted with the CDS Default Management Group, has determined, in its sole discretion, has been submitted at a Bid Price which does not satisfy the Market Bid Metric (unless LCH SA determines otherwise in accordance with Clause 5.4.8) in respect of the relevant Auction Package subject that, if ~~an Auction Participant~~a Non-Defaulting Clearing Member has submitted Market Bid(s) in respect of an Auction Package which, in aggregate, equal or are in excess of its Minimum Bid Size, LCH SA shall not be entitled to classify such ~~Auction Participant~~Non-Defaulting Clearing Member as a Non Bidder in respect of other Bid(s) submitted for the same Auction Package which could otherwise be classified as Non Market Bid(s);

"**Recalculated Minimum Bid Size**" means, for each ~~Auction Participant~~Non-Defaulting Clearing Member, the minimum percentage of the Residual Auction Portfolio, calculated in accordance with Clause 5.9.1, for which ~~an Auction Participant~~a Non-Defaulting Clearing Member is required to submit Bid(s);

"**Residual Transfer Payable**" means the amount ~~an Auction Participant~~a Non-Defaulting Clearing Member or Non Bidder, as appropriate, must pay to LCH SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Residual Winning Bid(s), as determined in

accordance with Clause 5.6.1(iii) or 5.6.3 (iii), as the case may be, pursuant to Clause 5.9;
" Residual Transfer Receivable " means the amount an Auction Participant <u>Non-Defaulting Clearing Member</u> or Non Bidder, as appropriate, must receive from LCH SA in order to accept the registration of Auction Transactions reflecting the aggregate Bid Size(s) of its Residual Winning Bid(s), as determined in accordance with Clause 5.6.1(iii) or 5.6.3 (iii), as the case may be, pursuant to Clause 5.9;
" Residual Winning Bidder " means an Auction Participant <u>Non-Defaulting Clearing Member</u> or Non Bidder, as the case may be, holding a Residual Winning Bid who is notified of this pursuant to Clause 5.9.3;
" Transfer Positions " means the positions allocated to an Auction Participant <u>Non-Defaulting Clearing Member</u> pursuant to Clauses 5.6.2 and 5.8.1, if applicable;
<p>2.1.2 Competitive Auction</p> <p>LCH SA shall then auction the Auction Package(s) to Auction Participants <u>Non-Defaulting Clearing Members</u> through Competitive Bidding. LCH SA, in consultation with the CDS Default Management Group, shall be entitled to prescribe supplementary procedures for conduct of Competitive Bidding within the CDS Default Management Guidance Manual as it considers reasonably appropriate from time to time, but always with the aim of encouraging and rewarding participation in Competitive Bidding in line with the principles laid down in the CDS Default Management Process.</p>
<p>3.1 Continuing obligations</p> <p>The Clearing Member and, as applicable, any non-clearing member Auction Participant <u>Member Representative</u>, shall:</p> <p>3.1.1 be bound by and act in accordance with the CDS Default Management Process, to the extent required by LCH SA;</p> <p>3.1.2 enter Bid(s) for Auction Package(s) as part of, and in accordance with the provisions relating to, Competitive Bidding; and</p> <p>3.1.3 take all steps and execute all documents necessary or desirable to comply with its obligations as a Clearing Member or, <u>as applicable, any</u> Auction Participant <u>Member Representative</u> arising out of the CDS Default Management Process.</p>

3.2 Sole procedure

LCH SA agrees that:

- 3.2.1 porting or liquidation of Client Cleared Transactions pursuant to the CDS Client Clearing DMP where applicable, Competitive Bidding, as preceded by Hedging, shall be the only permitted method by which LCH SA shall offload the risk associated with the Defaulting Clearing Member's Cleared Transactions;
- 3.2.2 it shall not, under any circumstances, be permitted to invoke a non-competitive allocation procedure or Invoicing Back in respect of the Defaulting Clearing Member's Cleared Transactions; and
- 3.2.3 notwithstanding the application of the Loss Distribution Process set out in Clause 7, and absent the provisions of Clause 8 applying, it shall not be permitted to pay to ~~Auction Participants~~Non-Defaulting Clearing Members an amount less than the Initial Transfer Receivable or the Residual Transfer Receivable for each such ~~Auction Participant~~Non-Defaulting Clearing Member.

4.2 Stages

If a Clearing Member becomes a Defaulting Clearing Member, LCH SA shall:

[•]

- 4.2.3 take any action under Article 4.3.2.3 as it shall deem necessary in respect of the Relevant Client Cleared Transactions of the Defaulting Clearing Member and any Collateral recorded in the Client Collateral Account(s) of the Defaulting Clearing Member (provided that any such action taken in respect of a Relevant Client Cleared Transaction is clearly referable to the relevant CCM Individual Segregated Account Client, CCM Net Omnibus Segregated Account Client, CCM Gross Omnibus Single Sub-Account Client, CCM Gross Omnibus Multi Sub-Account Client, CCM Indirect Client or FCM Client, as applicable);

[•]

4.2.5 ascertain whether:

- (i) if the Defaulting Clearing Member is a CCM:
- (a) each CCM Individual Segregated Account Client of the Defaulting Clearing Member has appointed a Backup Clearing Member;
 - (b) each of the CCM Net Omnibus Segregated Account Clients attributable to a single CCM Net Omnibus Segregated Account Structure of the Defaulting Clearing Member has appointed a single Backup Clearing Member;
 - (c) with respect to each CCM Gross Omnibus Segregated Account Structure of the Defaulting Clearing Member, each of the CCM Gross Omnibus Segregated Account Clients attributable to a single CCM Gross Omnibus Sub-Account Structure has appointed a single Backup Clearing Member; ~~and~~
 - (d) each CCM Indirect Gross Account Segregated Client of the Defaulting Clearing Member has appointed a single Backup Clearing Member;
and
- (ii) if the Defaulting Clearing Member is an FCM Clearing Member, each of the FCM Clients of the Defaulting Clearing Member has appointed a Backup Clearing Member;
- within the compulsory timeframe as set out in Clause 4.3.1 or Clause 4.3.2 below as the case may be;

[•]

4.2.8 where a Backup Clearing Member has been appointed in accordance with Clause 4.3.1 or Clause 4.3.2 as the case may be, send details of the open Relevant Client Cleared Transactions and Ported Collateral to the nominated Backup Clearing Member in respect of (i) each CCM Client (and, where relevant, each CCM Indirect Client belonging to a CCM Indirect Client Gross Segregated Account Structure) of the Defaulting Clearing Member that is a CCM, or (ii) each FCM Client of the Defaulting Clearing Member that is an FCM Clearing Member;

[•]

4.3 Portability of the Relevant Client Cleared Transactions

4.3.1 Provided that (a) (I) a CCM Individual Segregated Account Client of a Defaulting Clearing Member that is a CCM, (II) a CCM Gross Omnibus Single Sub-

Account Client of a Defaulting Clearing Member that is a CCM ~~or (III, (III) a CCM Indirect Gross Segregated Account Client of a Defaulting Clearing Member that is a CCM, or (IV)~~ an FCM Client of a Defaulting Clearing Member that is an FCM Clearing Member has appointed a Backup Clearing Member and informed LCH SA of the identity of such Backup Clearing Member at such time as determined by LCH SA; (b) within such period as LCH SA may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Article 4.3.1.3, LCH SA has received confirmation from the Backup Clearing Member of its unconditional agreement (such agreement to be in such form as LCH SA may require at the relevant time) to act as Backup Clearing Member in relation to all the Relevant Client Cleared Transactions registered in the Client Trade Account~~(s)~~ of (I) the relevant CCM Individual Segregated Account Structure, (II) the relevant CCM Gross Omnibus Single Sub-Account Structure ~~or (III, (III) the relevant CCM Indirect Client Gross Segregated Account Structure, or (IV)~~ the relevant FCM Client Account Structure and the receipt of the related Ported Collateral; (c) LCH SA has received confirmation from the relevant Client (in respect of such matters and in such form as LCH SA may require at the relevant time); and (d) if the Defaulting Clearing Member is a CCM, (I) such Defaulting Clearing Member has transferred ownership of the Client Pledged Eligible Collateral to LCH SA in accordance with the CDS Admission Agreement and Section 3 of the Procedures or LCH SA has enforced the security interest granted to it under, and in accordance with, the Pledge Agreement by appropriating the Defaulting Clearing Member's Client Pledged Eligible Collateral (if any) in accordance with Article 4.3.2.6:

- (i) LCH SA shall either: (a) transfer all of the open Relevant Client Cleared Transactions entered into by the Defaulting Clearing Member in respect of the relevant Client to the appointed Backup Clearing Member; or (b) terminate and close out such Relevant Client Cleared Transactions at their market value (as determined by LCH SA in its discretion) and enter into replacement Cleared Transactions on equivalent terms to such Relevant Client Cleared Transactions with the appointed Backup Clearing Member in respect of the relevant Client. Transferred or replacement Relevant Client Cleared Transactions will be registered in a Client Trade Account of the Backup Clearing Member and the Ported Collateral (where transferred in accordance with paragraph (ii) of this Clause 4.3.1) will be credited to the relevant Client Collateral Account of the Backup Clearing Member overnight, in accordance with this Clause 4.3.1;
- (ii) where the relevant Client instructs a transfer of the Ported Collateral recorded in the relevant Client Collateral Account (including the CCM Client Collateral Account of a CCM Indirect Client Gross Segregated Account Structure, if applicable) and attributable to the relevant CCM Client Margin Account, to the appointed Backup Clearing Member, LCH SA shall give effect to such instruction; and
- (iii) the amount due to be returned to the Defaulting Clearing Member in respect of the relevant Client shall be reduced by an amount equal to

the value of the Ported Collateral transferred to the Backup Clearing Member, as referred to in paragraph (ii) of this Clause 4.3.1.

[•]

4.4 Non-portability of the Relevant Client Cleared Transactions

In relation to each Client Account Structure in respect of which the Defaulting Clearing Member has Non-Ported Cleared Transactions, LCH SA shall:

[•]

4.4.3 calculate an amount (the "CDS Client Clearing Entitlement") equal to:

- (i) a pro rata share of the value (whether positive value or negative) arising from the liquidation of such Defaulting Clearing Member's Non-Ported Cleared Transactions such pro rata share being determined in accordance with the methodology set out in Clause 4.5.2; plus
- (ii) (a) if the Defaulting Clearing Member is a CCM, in respect of:
 - (I) a CCM Individual Segregated Account Structure, the liquidation value of the Client Assets recorded in the relevant Client Collateral Account(s); or
 - (II) a CCM Net Omnibus Segregated Account Client ~~or~~, a CCM Gross Omnibus Segregated Account Client or a CCM Indirect Client belonging to a CCM Indirect Client Segregated Account Structure, a pro rata share of the liquidation value of the Client Assets recorded in the relevant Client Collateral Account, such pro rata share being determined by LCH SA in its sole discretion;
- (b) if the Defaulting Clearing Member is an FCM Clearing Member, in respect of each FCM Client, the value of the Client Assets attributable to such FCM Client's FCM Client Financial Account; minus
- (iii) a pro rata share of the costs of any Hedging undertaken, such pro rata share being determined in accordance with the methodology set out in Clause 4.5.2; minus
- (iv) a pro rata share of any costs, liabilities and expenses incurred or borne by LCH SA in connection with the implementation of the CDS Client DMP including, in particular, costs and amounts referred to in (i) and (iii) of this Clause 4.4.3, such pro rata share being determined in

accordance with the methodology set out in Clause 4.5.2;

[•]

4.5 Calculation process

[•]

4.5.2 When Non-Ported Cleared Transactions attributable to different Clients are dealt with as a single Auction Package, the *pro rata* share ("**PRS**") of the amounts specified in (i), (iii) and (iv) of Clause 4.4.3 should be determined on the basis of the following formula:

$$PRS = \frac{A}{B}$$

Where:

A is either: (i) if the Defaulting Clearing Member is a CCM, (a) the last Client Margin Requirement for the CCM Client Margin Account~~(s)~~ maintained by the Defaulting Clearing Member in respect of (I) a CCM Individual Segregated Account ~~Structure or Client~~, (II) a CCM Gross Omnibus Single Sub-Account ~~Structure Client~~, or (III) a CCM Indirect Gross Segregated Account Client (as applicable) calculated and satisfied prior to the Event of Default occurring; or (b) a portion of the last Client Margin Requirement for the Client Margin Account maintained by the Defaulting Clearing Member in respect of (I) a CCM Net Omnibus Segregated Account ~~Structure or~~, (II) a CCM Gross Omnibus Multi Sub-Account Structure, or (III) a CCM Indirect Client Net Segregated Account Structure (as applicable) calculated and satisfied prior to the Event of Default occurring as attributed to the relevant CCM Net Omnibus Segregated Account Client in such CCM Net Omnibus Segregated Account ~~Structure or~~, the relevant CCM Gross Omnibus Multi Sub-Account Client in such CCM Gross Omnibus Multi Sub-Account Structure, or the relevant CCM Indirect Client in such CCM Indirect Client Net Segregated Account Structure (as applicable), such portion being determined by LCH SA in its sole discretion; or (ii) if the Defaulting Clearing Member is an FCM Clearing Member, the last Client Margin Requirement for the FCM Client Margin Account maintained by the FCM Clearing Member on behalf of an FCM Client calculated and satisfied prior to the Event of Default occurring; and

B is the last Client Margin Requirement for each Client Margin Account of the Defaulting Clearing Member in which the Non-Ported Cleared Transactions which are the subject of the relevant Auction Package are contained, calculated and satisfied prior to the Event of Default occurring.

5.1 Principles of Competitive Bidding

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

- (i) all Non-Defaulting Clearing Members ~~(directly or through an Affiliate or an LCH Approved Outsourcing Agent acting in its place as the Auction Participant)~~ shall be required to participate in Competitive Bidding; without prejudice to Clause 5.4.1;
- (ii) ~~all Auction Participants~~ all Non-Defaulting Clearing Members should be encouraged and incentivised to participate in Competitive Bidding; and
- (iii) Competitive Bidding should be structured to ensure that the risk associated with the Defaulting Clearing Member is offloaded by the cancellation of the Defaulting Clearing Member's Cleared Transactions at a price set in a commercially reasonable manner and their replacement with equivalent Cleared Transactions registered within the Account Structure of Non-Defaulting Clearing Member(s).

5.4.1 Participation in Competitive Bidding

~~All Auction Participants~~ All Non-Defaulting Clearing Members are required to participate in Competitive Bidding for each Auction Package notwithstanding that any ~~Auction Participant~~ Non-Defaulting Clearing Member may not have registered within its Account Structure a Cleared Transaction of the type included in the relevant Transaction Category for an Auction Package, save where:

- (i) an Auction Package comprises Single Name Cleared Transactions whose Reference Entity is the ~~Auction Participant~~ Non-Defaulting Clearing Member, in which case that ~~Auction Participant~~ Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for that Auction Package;
- (ii) ~~an Auction Participant~~ a Non-Defaulting Clearing Member is a Select Member, in which case such ~~Auction Participant~~ Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for an Auction Package containing any Cleared Transaction that does not belong to any Product Family as set out in that Select Member's Product Family Form in force on the Business Day immediately preceding the CDS Post-Default Period;
- (iii) ~~an Auction Participant~~ a Non-Defaulting Clearing Member is not registered for the Index Swaption Clearing Service in accordance with Section 1

of the Procedures, in which case such ~~Auction Participant~~Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for an Auction Package containing any Index Swaption Cleared Transaction; and

(iv) LCH SA reasonably considers on a non-discriminatory basis that such ~~Auction Participant~~Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for that Auction Package.

Where two or more ~~Auction Participants~~Non-Defaulting Clearing Members within a Financial Group request LCH SA to treat them as a single ~~Auction Participant~~Non-Defaulting Clearing Member for the purpose of requiring participation in Competitive Bidding under this Clause 5.4.1, LCH SA shall consent to such a request.

A Non-Defaulting Clearing Member may appoint an affiliated Non-Defaulting Clearing Member, a non-clearing member Affiliate that clears through that Non-Defaulting Clearing Member or an LCH Approved Outsourcing Agent, in any case which has consented to such appointment and shall meet all the requirements imposed by LCH SA from time to time (including executing any documents reasonably requested by LCH SA) and LCH SA has previously determined is capable of successfully participating in the CDS Default Management Process in accordance with Article 2.2.1.1 (the "Auction Member Representative"), which, acting in the place of that Non-Defaulting Clearing Member, shall submit Bid(s) for the relevant Auction Package(s) as part of, and in accordance with the provisions relating to, Competitive Bidding. Until such time as the requirement as set out in Clause 5.4.4 in respect of that Non-Defaulting Clearing Member is satisfied, such Non-Defaulting Clearing Member shall remain liable to perform its obligations under the CDS Default Management Process.

5.4.2 Bidding Process

Subject to Clause 9 and in accordance with the procedure set out in the CDS Default Management Guidance Manual, LCH SA, in consultation with the CDS Default Management Group shall determine, and notify to each ~~Auction Participant~~Non-Defaulting Clearing Member, and, as applicable, its Auction Member Representative, the following:

(i) the number of Auction Packages, the size and direction of each Auction Package and such other information as may reasonably be considered necessary for the ~~Auction Participants~~Non-Defaulting Clearing Members to receive;

- (ii) the number of ~~Auction Participants~~Non-Defaulting Clearing Members required to participate in the Competitive Bidding for that Auction Package pursuant to Clause 5.4.1, taking into account the treatment of ~~Auction Participants~~Non-Defaulting Clearing Members within a Financial Group as a single ~~Auction Participant~~Non-Defaulting Clearing Member;
- (iii) the Minimum Bid Size Denominator;
- (iv) in respect of each Auction Package, the Minimum Bid Size for each ~~Auction Participant~~Non-Defaulting Clearing Member required to participate in the Competitive Bidding for that Auction Package pursuant to Clause 5.4.1;
- (v) the identity of the Nominated Representative; and
- (vi) the Bid Deadline.

5.4.3 Bidding

Each ~~Auction Participant~~Non-Defaulting Clearing Member who participates in Competitive Bidding for an Auction Package is required to submit ~~their~~its Bid(s) in accordance with Clauses 5.4.4 to 5.4.7 below, to the Nominated Representative. Each Bid will specify the Bid Size and the Bid Price. ~~By submitting a Bid, an Auction Participant~~

~~Where a Non-Defaulting Clearing Member has appointed an Auction Member Representative in accordance with Clause 5.4.1, the Bid will also specify whether it has been submitted by the Auction Member Representative on behalf of that Non-Defaulting Clearing Member or, as applicable, for the own account of that Auction Member Representative. In the absence of such information, LCH SA will allocate the relevant Bid(s) received from the relevant Auction Member Representative as follows:~~

- ~~(i) it shall rank these Bids from best to worst, such that the Bid with the best Bid Price which would ensure the best commercial result for LCH SA shall be regarded as the “best”, and shall repeat such determination until all relevant Bids are ranked according to their Bid Price;~~
- ~~(ii) it shall calculate the aggregate of the uncovered Minimum Bid Size of each Non-Defaulting Clearing Member in the place of which that Auction Member Representative is acting;~~

(iii) where the calculation made under sub-paragraph (ii) above produces a figure greater than 0, it shall:

(a) allocate the Bid with the best Bid Price amongst each of the relevant Non-Defaulting Clearing Members *pro rata* the relevant uncovered Minimum Bid Size of each Non-Defaulting Clearing Member to the extent necessary for covering the relevant Minimum Bid Size; and

(b) repeat the process with each successive Bid with the best Bid Price until such time as the requirement set out in Clause 5.4.4 in respect of each relevant Non-Defaulting Clearing Member is satisfied; and

(iv) it shall allocate the remaining Bid(s) to the Auction Member Representative.

By submitting a Bid, a Non-Defaulting Clearing Member, or as applicable, the Auction Member Representative pursuant to Clause 6.1, represents that it will accept the registration of Auction Transactions equivalent to the Bid Size of the Bid at a cost determined in accordance with these provisions.

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

Where Bids are received after the Bid Deadline (and the expiration of any grace period granted by LCH SA, pursuant to this Clause 5.4.3), LCH SA may, in its absolute discretion, reject a Bid on the grounds that it would prevent the CDS Default Management Process being completed within the targeted timeframe set out in Clause 2.1.

5.4.4 Minimum Bid Size

For each Auction Package, each ~~Auction Participant~~Non-Defaulting Clearing Member who is required to bid for that Auction Package in accordance with Clause 5.4.1 above shall be required to submit Bid(s) in an amount equal to or greater than its Minimum Bid Size. The Minimum Bid Size ("MBS") shall be calculated by LCH SA in accordance with the following formula and expressed as a percentage:

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

Where:

A is the amount of the ~~Auction Participant's~~Non-Defaulting Clearing Member's contribution to the CDS Default Fund as at the last revaluation date prior to the declaration of the relevant Event of Default by LCH SA in accordance with Article 4.4.1.3. For the purposes of this calculation, ~~an Auction Participant's~~a Non-Defaulting Clearing Member's contribution shall be the aggregate of its Contribution and the Contribution of any other Clearing Member in its Financial Group and with whom it is being treated as a single ~~Auction Participant~~Non-Defaulting Clearing Member, pursuant to Clause 5.4.1.

B is the sum of Contributions of all ~~Auction Participants~~Non-Defaulting Clearing Members who are required to bid for that Auction Package in accordance with Clause 5.4.1 above, as at the last revaluation date of the CDS Default Fund prior to the declaration of the relevant Event of Default by LCH SA in accordance with Article 4.4.1.5 and Article 4.4.1.6.

C is the Minimum Bid Size Denominator.

5.4.5 Satisfying the Minimum Bid Size

~~An Auction Participant~~A Non-Defaulting Clearing Member can satisfy the requirement set out in Clause 5.4.4 by submitting multiple Bids with differing Bid Prices and Bid Sizes provided that, in aggregate, the Bid Size(s) of the Bids equals or exceeds the Minimum Bid Size. Accordingly, there is no requirement for ~~an Auction Participant~~a Non-Defaulting Clearing Member to submit a single Bid whose Bid Size equals the Minimum Bid Size, although it is entitled to do so.

5.4.6 Bids in excess of the Minimum Bid Size

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

5.4.7 Bid Price

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

5.4.8 Assessment of Non Market Bids

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

5.5 Non Bidders

For the avoidance of doubt, if:

5.5.1 ~~an Auction Participant~~a Non-Defaulting Clearing Member has submitted Market Bid(s) in respect of an Auction Package which, in aggregate, equal or are in excess of its Minimum Bid Size, LCH SA shall not be entitled to deem such ~~Auction Participant~~Non-Defaulting Clearing Member to be a Non Bidder in respect of other Bid(s) submitted for the same Auction Package which could otherwise be deemed Non Market Bid(s); and/or

5.5.2 ~~an Auction Participant~~a Non-Defaulting Clearing Member is not required to bid for an Auction Package in accordance with Clause 5.4.1 above, LCH SA shall not be entitled to deem such ~~Auction Participant~~Non-Defaulting Clearing Member to be a Non Bidder in respect of that Auction Package.

5.6.1 Calculation of the Initial Allocation Price

Following the earlier of the receipt of final Bids from all ~~Auction Participants~~Non-Defaulting Clearing Members and the Bid Deadline (and the expiration of any grace period granted by LCH SA pursuant to Clause 5.4.3), LCH SA, in consultation with the CDS Default Management Group, will determine the Initial Allocation Price, the Initial Transfer Payable and the Initial Transfer Receivable on the following basis:

- (i) it shall rank the Bids from best to worst, such that the Bid with the Bid Price which would ensure the best commercial result for LCH SA shall be regarded as the "best", and shall repeat such determination until all Bids are ranked according to their Bid Price. For these purposes, the "best commercial result" means the price at which LCH SA would receive the greatest amount or would have to pay the least amount in respect of the Auction Package;
- (ii) it shall determine the Initial Allocation Price as follows:
 - (a) it shall deem the Bid with the best Bid Price to be successful and shall allocate the Bid Size of such Bid against the Auction Package;
 - (b) it shall repeat the process with each successive Bid with the best Bid Price until such time as the Auction Package has been completely allocated, subject to adjustment pursuant to Clause 5.6.3 (i);
 - (c) if there is more than one Bid at the same Bid Price at which the entire Auction Package would be allocated, the Bids at that Bid Price shall be deemed allocated *pro rata* the relevant Bid Size of each Bid;
 - (d) each of the Bids (or parts thereof) which are allocated shall be deemed Initial Winning Bids and the worst Bid Price of all the Initial Winning Bids shall be the Initial Allocation Price; and
- (iii) the Initial Transfer Payable or Initial Transfer Receivable shall be determined for each ~~Auction Participant~~Non-Defaulting Clearing Member as the product of the aggregate of the Bid Sizes of that ~~Auction Participant's~~Non-Defaulting Clearing Member's Initial Winning Bids and the Initial Allocation Price.

5.6.2 Process of Allocation

LCH SA, in consultation with the CDS Default Management Group, shall allocate each Auction Package amongst each of the Initial Winning Bids in a fair and consistent manner. Accordingly, ~~an Auction Participant~~a Non-Defaulting Clearing Member with one or more Initial Winning Bids in respect of an Auction Package shall be allocated a percentage of each of the Auction Transactions equal to the aggregate of the Bid Size of its Initial Winning Bids.

5.6.3 Non Bidders

Where Non Bidders are identified:

- (i) LCH SA shall adjust the procedure for calculating the Initial Allocation Price, the Initial Transfer Payable and the Initial Transfer Receivable for ~~Auction Participants~~Non-Defaulting Clearing Members by conducting the process set out in Clause 5.6.1(ii)(a) but on the basis that n% of the Auction Package shall be allocated, where "n" is equal to 100 minus the aggregate of each Non Bidder's Auction Non Bidder Bid Size provided that where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is equal to or greater than 100, "n" is equal to 0;
- (ii) each Non Bidder shall be deemed to have submitted a single Bid with a Bid Size equal to their Auction Non Bidder Bid Size and a Bid Price equal to the Initial Allocation Price minus EUR 0.01 (where it is due an Initial Transfer Receivable in respect of the Auction Package) or plus EUR 0.01 (where it is required to make an Initial Transfer Payable in respect of the Auction Package) (the "**Non Bidder Allocation Price**") provided that:
 - (a) where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is equal to or greater than 100, the Non Bidder Allocation Price shall be equal to the best Bid Price received for that Auction Package minus EUR 0.01 (where it is due an Initial Transfer Receivable in respect of the Auction Package) or plus EUR 0.01 (where it is required to make an Initial Transfer Payable in respect of the Auction Package); and
 - (b) where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is greater than 100, the Auction Package shall be deemed allocated *pro rata* the relevant Auction Non Bidder Bid Size of each Non Bidder; and
- (iii) the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder shall then be determined as the product of the relevant Non Bidder's Auction Non Bidder Bid Size and the Non Bidder Allocation Price.

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

5.6.4 Notification of Initial Allocation Price

Following the calculation of:

- (i) the Initial Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each ~~Auction Participant~~Non-Defaulting Clearing

Member (excluding Non Bidders); and

(ii) the Non Bidder Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder, and provided that LCH SA has determined that it has sufficient financial resources in accordance with Clause 5.10 and that it does not need to hold a second round of Competitive Bidding in accordance with Clause 5.7.1, LCH SA will notify all ~~Auction Participants~~Non-Defaulting Clearing Members, and, as applicable, Auction Member Representatives, that the Competitive Bidding process for the relevant Auction Package has been concluded and shall additionally notify each Non-Defaulting Clearing Member with an Initial Winning Bid(s), and, as applicable, its Auction Member Representative, the details of the Initial Allocation Price or Non Bidder Allocation Prices (as the case may be) and the Initial Transfer Payable or Initial Transfer Receivable. Subject to Clause 6.3.2, an Initial Winning Bidder shall be contractually bound to accept registration of the Transfer Positions within its Account Structure in accordance with Clause 6.1.

5.7.2 Participation in a second round of Competitive Bidding

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

LCH SA, in consultation with the CDS Default Management Group, shall determine the percentage of the original Auction Package which will be subject to the second Competitive Bidding (such portion being referred to in the remainder of this Clause 5 as the "**Residual Auction Package**"). However LCH SA shall not be permitted to determine that more than 20 per cent. of the relevant Auction Package shall form the Residual Auction Package, unless a minor increase to such percentage would have, in the reasonable determination of LCH SA and the CDS Default Management Group, a material impact on the LCH Transfer Cost or LCH Transfer Receipt, as applicable, which it is expected will be generated as a result of the second round of Competitive Bidding.

5.8.2 Notification of recalculated Initial Allocation Price

Following any recalculation of:

(i) the Initial Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each ~~Auction Participant~~Non-Defaulting Clearing

Member (excluding Non Bidders); and

(ii) the Non Bidder Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder, pursuant to Clause 5.8.1, provided it has determined that it has sufficient financial resources in accordance with Clause 5.10, LCH SA will notify all Non-Defaulting Clearing Members and, as applicable, Auction Participants Member Representatives, of the results of the Competitive Bidding process including, for each Non-Defaulting Clearing Member with an Initial Winning Bid(s), and as applicable, its Auction Member Representative, the details of the Initial Allocation Price or Non Bidder Allocation Prices (as the case may be) and the Initial Transfer Payable or Initial Transfer Receivable. Subject to Clause 6.3.2, an Initial Winning Bidder shall be contractually bound to accept registration of the Transfer Positions within its Account Structure in accordance with Clause 6.1.

5.9.1 Recalculated Minimum Bid Size

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

- (i) where the aggregate of the Bid Sizes of ~~an Auction Participant's~~ a Non-Defaulting Clearing Member's Initial Winning Bids for the related Auction Package exceeds that ~~Auction Participant's~~ Non-Defaulting Clearing Member's original Minimum Bid Size calculated in accordance with Clause 5.4.4, that ~~Auction Participant~~ Non-Defaulting Clearing Member will have its Minimum Bid Size for the Residual Auction Package reduced by an amount equal to the Bid Credit. For these purposes, the "Bid Credit" for any ~~Auction Participant~~ Non-Defaulting Clearing Member shall be the percentage difference between the Minimum Bid Size and the percentage of the aggregate of the Bid Sizes of that ~~Auction Participant's~~ Non-Defaulting Clearing Member's Initial Winning Bids;
- (ii) for each ~~Auction Participant~~ Non-Defaulting Clearing Member to whom a Bid Credit has not been ascribed, that ~~Auction Participant's~~ Non-Defaulting Clearing Member's Minimum Bid Size shall be increased by a *pro rata* share of the aggregate Bid Credits ascribed in relation to that Residual Auction Package.

5.9.3 Notification of Residual Allocation Price

Following the calculation of:

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

pursuant to Clause 5.9, LCH SA will notify all Non-Defaulting Clearing Members, and, as applicable, Auction Participants~~Member Representatives~~, of the results of the second round of Competitive Bidding including, for each Non-Defaulting Clearing Member with a Residual Winning Bid(s), and, as applicable, its Auction Member Representative, the details of the Residual Allocation Price or Non Bidder Allocation Price (as the case may be) and the Residual Transfer Payable or Residual Transfer Receivable. Subject to Clause 6.3.2, a Residual Winning Bidder shall be contractually bound to accept registration of the Transfer Positions within its Account Structure in accordance with Clause 6.1.

5.10 LCH SA determination of financial resources

Following the determination of the Initial Allocation Price pursuant to the first round of Competitive Bidding (or Residual Allocation Price pursuant to the second round of Competitive Bidding, as the case may be), LCH SA shall determine whether it has sufficient financial resources to meet its obligations arising from such Competitive Bidding, including but not limited to the ability to credit a Winning Bidder with an Initial Transfer Receivable or a Residual Transfer Receivable, as the case may be.

If the calculation of the Distribution Haircut produces a figure greater than 1, LCH SA shall be required to determine that it does not have sufficient financial resources.

LCH SA may only notify Winning Bidders in accordance with Clause 5.6.4, Clause 5.8.2 or Clause 5.9.3, as appropriate, and perform its obligations pursuant to Clause 6 in respect of the relevant Transfer Positions if it has reasonably determined that it does have sufficient financial resources. If LCH SA determines that it does not have sufficient financial resources, it shall notify all ~~Auction Participants~~Non-Defaulting Clearing Members of the failure of Competitive Bidding and shall call an Early Termination Trigger Date in accordance with Clause 8 and, for the avoidance of doubt, no ~~Auction Participant~~Non-Defaulting Clearing Member shall be deemed to have a Winning Bid and LCH SA shall not be permitted to register any Transfer Positions within the Account Structure of any ~~Auction Participant~~Non-Defaulting Clearing Member.

6.1 Registration of Winning Bids

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

6.1.1 an Initial Winning Bidder by no later than 09.15 on the Clearing Day following conclusion of the first round of Competitive Bidding; and

6.1.2 a Residual Winning Bidder by no later than 09.15 on the Clearing Day following conclusion of the second round of Competitive Bidding.

Where the Initial Winning Bidder and/or Residual Winning Bidder is a Non-Defaulting Clearing Member which has appointed an Auction Member Representative that is also a Non-Defaulting Clearing Member in accordance with Clause 5.4.1, that Initial Winning Bidder and/or Residual Winning Bidder may request LCH SA to register the Transfer Positions within the House Account Structure of its Auction Member Representative, subject to such Auction Member Representative consenting to such transfer and meeting all the requirements imposed by LCH SA from time to time in relation to accepting such rights and obligations (including executing any documents reasonably requested by LCH SA), and subject to (i) LCH SA's determination in its reasonable discretion that the transfer would not be likely to result in a material and adverse impact on LCH SA, the CDS Clearing Service or another Clearing Member; and (ii) such Auction Member Representative is a Clearing Member and who, at the time of the registration of the Transfer Positions, is a Non-Defaulting Clearing Member. Until such time as such registration of the Transfer Positions has been effected, the Non-Defaulting Clearing Member shall remain liable to perform its obligations (including in respect of the Transfer Positions to be registered) under the CDS Default Management Process and in particular, where conditions (i) and (ii) are not satisfied, the Transfer Positions will be registered within its House Account Structure by the times set out in Clauses 6.1.1 or 6.1.2.

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

In the event LCH SA shall register Transfer Positions that include:

- (i) any Index Cleared Transaction and/or Single Name Cleared Transaction in the House Account Structure of a Select Member whose current Product Family Form does not include the Product Family to which the category of such Cleared Transaction belongs, an update of its Product Family Form shall be carried out in accordance with Article 3.1.6.8;
- (ii) any Index Swaption Cleared Transaction in the House Account Structure of a Clearing Member that is:

- (a) a General Member or a Select Member which is not registered for the Index Swaption Clearing Service: that Clearing Member will be automatically registered for the Index Swaption Clearing Service and in respect of a Select Member, its Product Family Form will be automatically updated by adding the relevant new Product Family(ies). The registration for the Index Swaption Clearing Service shall be deemed to have occurred at the time of registration of the relevant Transfer Positions in the House Account Structure of that Clearing Member and in respect of a Select Member, the update of its Product Family Form shall be carried out in accordance with Article 3.1.6.8; or
- (b) Select Member which is registered for the Index Swaption Clearing Service, but whose current Product Family Form does not include the Product Family to which the relevant Index Swaption Cleared Transaction belongs, the update of its Product Family Form shall be carried out in accordance with Article 3.1.6.8.

6.2 Registration Obligations

In order to effect the registration of the Transfer Positions within a Winning Bidder's House Account Structure, as contemplated by Clause 6.1, LCH SA shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. ~~Winning Bidders~~Winning Bidders, or, as applicable, Auction Member Representatives pursuant to Clause 6.1, will be required to comply with such requirements as may be established by LCH SA, after consultation with the CDS Default Management Group, to effect the registration of the Transfer Positions. In particular:

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

6.3.1 Winning Bidder failure

In the event that registration of a Transfer Position in accordance with Clause 6.1 requires the Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, to pay to LCH SA an amount reflecting an Initial Transfer Payable or a Residual Transfer Payable, as the case may be, any failure by the Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, to pay such amount or to provide Collateral to LCH SA as Margin in respect of the Transfer Position shall constitute a Payment Failure- with respect to the relevant Winning Bidder (but excluding the Auction Member Representative acting as such pursuant to Clause 6.1).

6.3.2 LCH SA failure

- (i) LCH SA shall not be permitted to register any Transfer Position with a Winning Bidder, or, as applicable, an Auction Member Representative pursuant to Clause 6.1, unless it is satisfied that its financial resources are sufficient to credit each Winning Bidder, or, as applicable, each Auction Member Representative pursuant to Clause 6.1, with its Initial Transfer Receivable or Residual Transfer Receivable, as the case may be.
- (ii) If LCH SA fails to credit such amount to the relevant Winning Bidder, ~~either~~ or, as applicable, the relevant Auction Member Representative pursuant to Clause 6.1, either:
 - (a) prior to or simultaneously with calling for or returning, as the case may be, any Collateral taking into consideration the Open Positions reflecting such Transfer Positions; or
 - (b) if, in order to credit the required amounts to the Winner Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, LCH SA is dependent on Additional Contribution Amounts from Non-Defaulting Clearing Members being received in the same payment window as the payment or receipt of such Collateral, immediately after the payment window in which such Collateral shall be paid or received (as set out in Section 3 of the Procedures),

such registration of the Transfer Position shall be deemed void *ab initio* and unenforceable against the Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, and:

- (x) LCH SA shall not take any Open Positions reflecting such Transfer Positions into account for the purpose of calculating that Winning Bidder's Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1,'s House Margin Requirement on an ongoing

basis; and

- (y) to the extent a Collateral Call has already been made in respect of a Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, , taking account of Open Positions reflecting such Transfer Positions, and the relevant Winning Bidder, or, as applicable, the relevant Auction Member Representative pursuant to Clause 6.1, has transferred Collateral in satisfaction of its House Margin Requirement on that basis the amount of Collateral called in respect of the Open Positions reflecting such Transfer Positions shall be returned to the Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, in accordance with Section 3 of the Procedures.
- (iii) In the event that LCH SA does not receive sufficient available resources in the relevant payment window on account of the failure of one or more Non-Defaulting Clearing Members, LCH SA, in consultation with the CDS Default Management Group, may take such action as is required, including holding a further auction process. In the event that LCH SA reasonably believes, after consultation with the CDS Default Management Group, that it will have sufficient available resources following an additional request for Additional Contribution Amounts from the then Non-Defaulting Clearing Members, LCH SA shall call for such amounts in accordance with Section 6 of the Procedures no later than the first available payment window on the following Business Day and the registration of the Transfer Positions shall not be regarded as void *ab initio* until LCH SA has determined whether it has sufficient available resources following such payment window.

Notwithstanding any discretion provided to LCH SA in this paragraph (c), LCH SA shall be prohibited from determining not to credit each Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, with the full amount of its Initial Transfer Receivable or Residual Transfer Receivable and if it determines that it does not have, and will not have through the payment of Additional Contribution Amounts, sufficient available resources to credit such amounts, the registration of such Transfer Positions shall be deemed void *ab initio* in accordance with (b) above.

6.4 Off-setting

LCH SA agrees that it shall make provision for set-off by LCH SA of amounts owed by LCH SA to the Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, as a result of the operation of the CDS Default Management Process against sums owed by the Winning Bidder, or, as applicable, the Auction Member Representative pursuant to Clause 6.1, to LCH SA in respect thereof.

8.1 Early Termination Trigger

8.1.1 If, on any Loss Distribution Day, LCH SA determines either that:

- (i) the Clearing Member Adjustment Amount for any Non-Defaulting Clearing Member would be equal to or greater than the applicable Loss Distribution Cap Amount for such Non-Defaulting Clearing Member (as adjusted pursuant to Clause 7.3, as the case may be) on that Loss Distribution Day;
- (ii) LCH SA does not have sufficient financial resources available to make all payments required pursuant to Clause 5.10; or
- (iii) in respect of an Auction Package or, as the case may be, a Residual Auction Package, none of the ~~Auction Participants~~Non-Defaulting Clearing Members has submitted any Bid(s) by the Bid Deadline or the expiration of any grace period granted by LCH SA pursuant to Clause 5.4.3, (the "**Early Termination Trigger Date**"), neither LCH SA nor any Non-Defaulting Clearing Member shall be obliged to make any further payments or deliveries under any Cleared Transaction between them which would, but for this Clause 8.1, have fallen due for performance on or after the Early Termination Trigger Date, and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set off or otherwise) of the House LCH Repayment Amount and Client LCH Repayment Amount(s) and other payment and delivery obligations in relation to any Cleared Transactions and any other obligations pursuant to the CDS Clearing Documentation (including Collateral registered in any Collateral Accounts and other Collateral representing a Clearing Member's Contribution Requirement) shall be payable or deliverable on the Early Termination Trigger Date and in accordance with the provisions of this Clause **8**.

9.1 Notifications

Whenever the CDS Default Management Process is implemented by LCH SA in respect of a Defaulting Clearing Member, LCH SA will, with the assistance of the CDS Default Management Group, provide such ongoing information to Clearing Members as LCH SA deems reasonably appropriate in respect of the progress of the CDS Default Management Process.

In particular LCH SA shall notify each Clearing Member:

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9.1.3 whether or not a grace period has been granted to ~~Auction Participants~~Non-Defaulting Clearing Members as a whole, or a particular ~~Auction Participant~~Non-Defaulting Clearing Member, pursuant to Clause 5.4.3;

[•]

9.1.7 which Transfer Positions are to be registered within its Account Structure as a result of being deemed an Initial Winning Bidder or a Non Bidder, as the case may be, or, as applicable, acting as an Auction Member Representative pursuant to Clause 6.1, in respect of the first round of Competitive Bidding and in respect thereof:

- (i) what the procedure and timeline will be for registration of the Transfer Positions, arising from the first round of Competitive Bidding, within its Account Structure;
- (ii) prior to registering the Transfer Positions within its Account Structure, what the increase to the Winning Bidder's House Margin Requirement or Client Margin Requirement (as the case may be) will be;
- (iii) prior to registering the Transfer Positions within its Account Structure, what the Initial Transfer Payable, or the Initial Transfer Receivable, as appropriate, will be

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9.1.1.0 which Transfer Positions are to be registered within its Account Structure as a result of being deemed an Residual Winning Bidder or a Non Bidder, as the case may be, or, as applicable, acting as an Auction Member Representative pursuant to Clause 6.1, in respect of the second round of Competitive Bidding and in respect thereof:

- (i) what the procedure and timeline will be for registration of the Transfer Positions, arising from the second round of Competitive Bidding, within its Account Structure;
- (ii) prior to registering the Transfer Positions within its Account Structure, what the increase to the Winning Bidder's House Margin Requirement or

Client Margin Requirement (as the case may be) will be;

- (iii) prior to registering the Transfer Positions within its Account Structure, what the Residual Transfer Payable or the Residual Transfer Receivable, as appropriate, will be; and

[•]

9.3 Competitive Bidding

The Nominated Representative will ensure that the identity of each Non-Defaulting Clearing Member, or, as applicable, each Auction Participant Member Representative, is not revealed to the ~~Clearing Member representatives on the CDS Default Management Group~~ DMG Members.

10.1 Role

The CDS Default Management Committee shall meet at regular intervals (at least quarterly) in order to:

[•]

10.1.8 keep under review the manner in which ~~Auction Participants~~ Non-Defaulting Clearing Members should be encouraged and incentivised to participate in Competitive Bidding and the consequences (if any) for non-participation or non market participation in Competitive Bidding; and

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10.2 Composition

The CDS Default Management Committee shall be made up of the following individuals, each to be appointed by LCH SA, in consultation with the Risk Committee:

10.2.1 representatives nominated by each of the Clearing Members (including, without limitation, those DMG Representatives that have been appointed, or will be appointed within the next 6 months, on behalf of a Clearing Member to the CDS Default Management Group in accordance with the DMG Rotation Plan or representatives from an Affiliate whom a Clearing Member may appoint) with appropriate skills and expertise who shall participate in the design and testing, etc. of the CDS Default Management Process;

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11.2.2 Appointment of Clearing Member representatives

Each Clearing Member is required to notify LCH SA of at least two representatives, and for that purpose may appoint representatives from an Affiliate, that can be called upon to participate, on behalf of that Clearing Member, as a member of the CDS Default Management Group in accordance with a rotational plan maintained by the CDS Default Management Committee in accordance with Clause 10.1.6 above ("**DMG Representatives**").

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11.3.1 Clearing Member undertakings

Each Clearing Member who makes available a DMG Member agrees, and shall procure that to, the extent applicable, its DMG Member agrees:

- (i) to ensure that its DMG Member will be fully available, at any time and for such periods of time as LCH SA may require during the course of an Event of Default, to perform his function as a member of the CDS Default Management Group including attending meetings, considering and advising LCH SA upon aspects of the CDS Default Management Process. The Clearing Member shall ensure that its DMG Member's other work commitments do not affect his availability for this purpose;
- (ii) to take all steps to respect the confidential capacity in which such a representative receives information through the CDS Default Management Group and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the CDS Default Management Process of any such confidential information by the Clearing Member ~~or~~, its DMG Member or, as applicable, the Clearing Member's Affiliate. Such procedures shall normally include, without limitation, the establishment of Information Barriers within the Clearing Member and, as applicable, within the Clearing Member's Affiliate; and
- (iii) to be bound by and to ensure that it and any of its or, as applicable, its Affiliate's, executives, directors or employees serving on the CDS Default Management Group complies with the attached Annex covering confidentiality, non-disclosure and other terms.

Annex - Confidentiality, non-disclosure and participation in the CDS Default Management Group

General obligations of the Clearing Member

1 Confidentiality

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1.4 The Clearing Member agrees to, and, as applicable, shall procure that its Affiliate, establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Information Barriers) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.