AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

**Décision relative à des modifications des règles de fonctionnement de la chambre de compensation Banque Centrale de Compensation SA (LCH SA) pour le service CDSClear visant à améliorer la cohérence et la lisibilité des dispositions relatives à la gestion du collatéral**

L'Autorité des marchés financiers,

Vu le code monétaire et financier, et notamment les articles L. 440-1 et L. 621.7 ;

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

Vu la demande de Banque Centrale de Compensation SA (LCH SA) en date du 9 juillet 2026 ;

Décide :

Article 1er

Sont approuvées les modifications des règles de fonctionnement de LCH SA telles qu'annexées à la présente décision.

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

Article 2ème

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

Fait à Paris, le 23 juillet 2026

Marie-Anne BARBAT-LAYANI

# LCH SA
# CDS Clearing Rule Book

~~22 May 2026~~ [•]

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# TITLE I

# GENERAL PROVISIONS
# &
# LEGAL FRAMEWORK

**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.

**Article 1.0.1.2**

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

**Article 1.0.1.3**

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

# CHAPTER 1 - DEFINITIONS AND INTERPRETATION

## Section 1.1.1 Terms defined in the CDS Clearing Rule Book

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

**2003 ISDA Credit Derivatives Definitions:** This term shall have the meaning set out in Part A of the CDS Clearing Supplement.

**2006 Definitions:** This term shall have the meaning set out in Part C of the CDS Clearing Supplement.

**2014 ISDA Credit Derivatives Definitions:** This term shall have the meaning set out in Part B of the CDS Clearing Supplement.

**Abandon:** This term shall have the meaning set out in Part C of the CDS Clearing Supplement.

**Abandonment:** This term shall have the meaning set out in Part C of the CDS Clearing Supplement.

**Account Structure:** The House Account Structure and the Client Account Structure(s) of a CCM and an FCM/BD Clearing Member, respectively.

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

**ACPR:** The *Autorité de Contrôle Prudentiel et de Résolution* and any successor organisation.

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

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

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

**Affiliate:** With respect to a Clearing Member, any entity that controls, directly or indirectly, the Clearing Member, any entity controlled, directly or indirectly, by the Clearing Member or any entity directly or indirectly under common control with such Clearing Member. For this purpose, "control" of an entity or of a Clearing Member means ownership of a majority of the voting power of the entity or the Clearing Member. Solely for the purposes of classifying a Person as a Client or as an Affiliate of an FCM/BD Clearing Member that is an FCM with respect to Cleared Swaps positions, the term "Affiliate" also means any Person enumerated in the definition of Cleared Swaps Proprietary Account in CFTC Regulation 22.1 whose account, when carried by such FCM/BD Clearing Member would be considered a proprietary account thereunder.

**Allocated Client Collateral Buffer:** The CCM Allocated Client Collateral Buffer or the FCM/BD Allocated Client Collateral Buffer, as the context requires.

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

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

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

**Approved Trade Source System:** An entity as specified in a Clearing Notice, 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 CDS Dealer, a Client or a CCM Indirect Client that is a direct participant in an Approved Trade Source System.

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

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

**Available Client Collateral Buffer**: The CCM Available Client Collateral Buffer or the FCM/BD Available Client Collateral Buffer, as the context requires.

**Average CDSClear Total Margin:** In respect of any Clearing Day, the average over the last sixty Clearing Days of the sum of all the Margins (excluding Variation Margins) calculated by LCH SA in respect of the Account Structures of all the Clearing Members.

**Average Group Total Margin:** In respect of any Clearing Day, the average over the last sixty Clearing Days of the sum of all the Margins (excluding Variation Margins) calculated by LCH SA in respect of all the Account Structure(s) of the Clearing Members belonging to the same Financial Group.

**Backloading Failure:** With respect to a Clearing Member due to have a Cleared Transaction, arising from a Backloading Transaction, registered in any of its Trade Accounts, the failure by such Clearing Member to transfer the Required Collateral Amount to LCH SA at the relevant Morning Call and/or to make Cash Payments and/or to make Variation Margin Collateral Transfers at the same time as that Morning Call.

**Backloading Failure Notice:** A notice in writing setting out details of the occurrence of a Backloading Failure (which, for the avoidance of doubt, shall not identify, directly or indirectly, the relevant Clearing Member(s) subject to such Backloading Failure).

**Backloading Transaction:** A Weekly Backloading Transaction or a Daily Backloading Transaction.

**Backloading Transaction Reports:** This term shall have the meaning set out in Section 5 of the Procedures.

**Backup Clearing Member:** In relation to Client Cleared Transactions, the Clearing Member indicated by the relevant Client as acting as such and notified to LCH SA from time to time, provided that:

(i) only an FCM/BD Clearing Member may serve as Backup Clearing Member of an FCM/BD Client; and

(ii) only a CCM may serve as Backup Clearing Member of a CCM Client.

**Backup Client:** In relation to Client Cleared Transactions registered in a CCM Indirect Client Segregated Account Structure, the CCM Client indicated by the relevant CCM as acting as such and notified to LCH SA from time to time.

**Bank Recovery and Resolution Directive:** Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

**BD:** A legal entity that is a broker or dealer as defined in 3(a)(4) or 3(a)(5) of the Exchange Act, respectively, and is registered in such capacity with the SEC and a member in good standing of FINRA.

**Bilateral Trades Report:** This term shall have the meaning set out in Section 5 of the Procedures.

**Business Day:** Any day that is not a holiday in the TARGET2 calendar.

**Carrying Clearing Member:** The Clearing Member in whose Client Trade Account(s) and CCM Client Collateral Account(s) (with respect to a CCM) or FCM/BD Client Financial Account(s) (with respect to an FCM/BD Clearing Member) Client Cleared Transactions and associated Client Assets, which are to be transferred (in whole or in part) to a Receiving Clearing Member in accordance with TITLE V, CHAPTER 3 or TITLE VI, CHAPTER 3 (as applicable), are registered.

**Cash Collateral:** Any cash provided in an Eligible Currency which is transferred to LCH SA by way of full title transfer in accordance with Section 3 of the Procedures for the purpose of satisfying a Clearing Member's Margin Requirements and/or its Contribution Requirement and/or novating Original Transactions, as the case may be.

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

(i) cash amounts due upon the occurrence of Credit Events;

(ii) Price Alignment Interest;

(iii) Price Alignment Amount;

(iv) Fixed Amounts;

(v) NPV Payments;

(vi) Initial Payment Amount;

(vii) Premiums;

(viii) any fees due to LCH SA;

(ix) cash amounts due in connection with an MTM Change; or

(x) any other cash amounts (other than Cash Collateral).

**Cash Payment Day:** With respect to a Cleared Transaction with a CDS Contractual Currency:

(i) in Euro: a Business Day; or

(ii) in US Dollar:

(a) a Business Day that is a day on which commercial banks in New York City are open for business; or

(b) with respect to cash amounts due upon the occurrence of Credit Events only as referred to in the definition of Cash Payment, any day that is a day on which commercial banks in New York City are open for business.

**CCM:** Any legal entity admitted as a clearing member in accordance with the CDS Clearing Rules and party to the CDS Admission Agreement, provided that if such entity is an FCM/BD, it has satisfied LCH SA that it is able to provide the CDS Client Clearing Services in accordance with Title V prior to offering such services.

**CCM Allocated Client Collateral Buffer:** The portion of the CCM Client Collateral Buffer which, at the relevant time, is allocated to a CCM Client Account Structure in accordance with Article 4.2.2.4 and Section 2 of the Procedures.

**CCM Available Client Collateral Buffer:** The portion of the CCM Client Collateral Buffer which, at the relevant time, is not allocated to any CCM Client Account Structure.

**CCM Cleared Transaction**: A CDS or an Index Swaption between LCH SA and a CCM acting either in its own name and for its own account (in respect of a House Cleared Transaction) or as *commissionnaire* in its own name and for the account of a Client (in respect of a Client Cleared Transaction), registered in any Trade Account of such CCM and resulting from:

(i) the novation of an Original Transaction;

(ii) the creation of an Exercise Cleared Transaction, a Swaption Restructuring Cleared Transaction, a Spin-off Single Name Cleared Transaction, a Restructuring Cleared Transaction, a Resulting Single Name Cleared Transaction or a Physically Settled Cleared Transaction (where applicable) pursuant to the CDS Clearing Supplement;

(iii) the compression of existing Cleared Transactions to a single Cleared Transaction pursuant to TITLE III, CHAPTER 3;

(iv) LCH SA and a CCM entering into hedging transactions pursuant to the CDS Default Management Process;

(v) the porting of Client Cleared Transactions pursuant to TITLE V, CHAPTER 3;

(vi) the porting of the Relevant Client Cleared Transactions pursuant to Clause 4.3 of the CDS Default Management Process; or

(vii) the registration of Transfer Positions pursuant to Clause 6 of the CDS Default Management Process.

**CCM Client:** A CCM Individual Segregated Account Client, a CCM Net Omnibus Segregated Account Client, a CCM Gross Omnibus Segregated Account Client, a CCM Indirect Net Segregated Account Client and/or a CCM Indirect Gross Segregated Account Client. For the avoidance of any doubt, a CDS Dealer shall not be considered as a CCM Client.

**CCM Client Account Structure:** A CCM Individual Segregated Account Structure, a CCM Net Omnibus Segregated Account Structure, a CCM Gross Omnibus 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 Client Collateral Account:** With respect to each CCM, an account opened in the books of LCH SA in relation to a CCM Client Account Structure to record the Collateral provided by a CCM for the purpose of satisfying the CCM Client Margin Requirement(s) for such CCM Client Account Structure and allowing the novation of Client Trade Legs of Eligible Intraday Transactions.

**CCM Client Collateral Buffer:** The aggregate value of Collateral transferred by a CCM to LCH SA and recorded in such CCM's CCM House Collateral Account for the purpose of:

(i) allocating Collateral to a CCM Client Account Structure in accordance with Article 4.2.2.4 and Section 2 of the Procedures to satisfy a positive Intraday Novation Margin Requirement for Eligible Intraday Transactions comprising one or more Client Trade Leg(s);

(ii) covering the CCM's House Cleared Transactions subsequent to an Event of Default occurring in respect of such CCM in accordance with Article 4.3.3.1; or

(iii) covering the CCM's House Cleared Transactions subsequent to an LCH Default in accordance with Article 1.3.1.6.

**CCM Client Collateral Buffer Shortfall:** The amount (if any) by which the CCM Client Collateral Buffer Threshold exceeds the CCM Client Collateral Buffer.

**CCM Client Collateral Buffer Threshold:** The minimum value of Collateral which a CCM wishes to maintain as CCM Client Collateral Buffer.

**CCM Client Excess Collateral:** With respect to:

(i) a CCM Net Omnibus Segregated Client Margin Account, 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) a CCM Gross Omnibus Segregated Account Structure or a CCM Indirect Client Gross 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 for all the CCM Client Margin Accounts of such CCM Gross Omnibus Segregated Account Structure or CCM Indirect Client Gross Segregated Account Structure, respectively.

**CCM Client Margin Account:** A CCM Individual Segregated Client Margin Account, a CCM Net Omnibus Segregated Client Margin Account, a CCM Gross Omnibus Single Sub-Account Client Margin Account, CCM Gross Omnibus Multi Sub-Account Client Margin Account or a CCM Indirect Client Segregated Margin Account, as the case may be.

**CCM Client Margin Requirement**: With respect to each CCM Client Margin Account of a CCM, an amount equal to:

(i) for all purposes other than the Morning Call: the aggregate of the Margins (other than Variation Margin and Credit Quality Margin), calculated by LCH SA on the basis of the Open Positions registered in such CCM Client Margin Account of the CCM plus any positions corresponding to Eligible Intraday Transactions pre-registered in accordance with Section 3.1.7; and

(ii) for the purposes of the Morning Call: the higher of the following two amounts:

  (a) the aggregate of the Margins (other than Variation Margin and Credit Quality Margin) in respect of the Open Positions registered in such CCM Client Margin Account; or

  (b) the aggregate of the Margins (other than Variation Margin and Credit Quality Margin) in respect of the Open Positions registered in such CCM Client Margin Account plus any positions corresponding to Irrevocable Backloading Transactions which are not Rejected Transactions and/or Cleared Transactions which are pre-registered in accordance with Section 3.1.7.

**CCM Client Margin Shortfall:** With respect to:

(i) a CCM Net Omnibus Segregated Client Margin Account, 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 Gross Omnibus Segregated Account Structure or a CCM Indirect Client Gross 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 or CCM Indirect Client Gross 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 Segregated Account Structure, if any.

**CCM Client Termination Amount:** For the purpose of Title I, Chapter 3, any net positive or negative amount, denominated in Euro and determined pursuant to and in accordance with Article 1.3.1.9 (ii)(a).

**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 the relevant Cleared Transactions cleared by such CCM in relation to such CCM Client.

**CCM Excess Collateral:** The CCM Client Excess Collateral or the CCM House Excess Collateral, as the case may be.

**CCM Excess Collateral Threshold:** The CCM House Excess Collateral Threshold or the CCM Client Collateral Buffer Threshold as applicable.

**CCM Gross Omnibus Client Set**: All the CCM Gross Omnibus Segregated Account Clients belonging to the same CCM Gross Omnibus Segregated Account Structure.

**CCM Gross Omnibus Multi Sub-Account Client:** A client of a CCM to which the CCM provides CDS Client Clearing Services and which has opted for a CCM Gross Omnibus Multi Sub-Account Structure.

**CCM Gross Omnibus Multi Sub-Account Client Margin Account:** An account opened by LCH SA in the name of a CCM for the benefit of a CCM Gross Omnibus Multi Sub-Account Client Set in the CDS Clearing System for risk management purposes, in which the Cleared Transactions of such CCM Gross Omnibus Multi Sub-Account Client Set are netted and corresponding Open Positions are registered, and such CCM Gross Omnibus Multi Sub-Account Client Set 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 and/or Client NPV Payment Requirement, as applicable, of the relevant CCM in respect of such CCM Gross Omnibus Multi Sub-Account Client Set.

**CCM Gross Omnibus Multi Sub-Account Client Set**: All the CCM Gross Omnibus Multi Sub-Account Clients belonging to the same CCM Gross Omnibus Multi Sub-Account Structure.

**CCM Gross Omnibus Multi Sub-Account Structure:** With respect to a CCM Gross Omnibus Segregated Account Structure, the sub-account structure consisting of:

(i) one or more CCM Client Trade Account(s) *per* CCM Gross Omnibus Multi Sub-Account Client belonging to such CCM Gross Omnibus Multi Sub-Account Structure;

(ii) a single CCM Gross Omnibus Multi Sub-Account Client Margin Account opened for the benefit of the relevant CCM Gross Omnibus Multi Sub-Account Client Set; and

(iii) a single CCM Client Collateral Account opened for the benefit of that CCM Gross Omnibus Client Set.

**CCM Gross Omnibus Segregated Account Client:** A CCM Gross Omnibus Multi Sub-Account Client or a CCM Gross Omnibus Single Sub-Account Client, as the case may be.

**CCM Gross Omnibus Segregated Account Structure:** With respect to a CCM, the Account Structure consisting of one or more CCM Gross Omnibus Multi Sub-Account Structure(s) and/or one or more CCM Gross Omnibus Single Sub-Account Structure(s) as linked together for that CCM Client Account Structure in accordance with TITLE V, CHAPTER 2.

**CCM Gross Omnibus Single Sub-Account Client:** A client of a CCM to which the CCM provides CDS Client Clearing Services and which has opted for a CCM Gross Omnibus Single Sub-Account Structure.

**CCM Gross Omnibus Single Sub-Account Client Margin Account:** An account opened by LCH SA in the name of a CCM for the benefit of a CCM Gross Omnibus Single Sub-Account Client in the CDS Clearing System for risk management purposes, in which the Cleared Transactions of the relevant CCM Gross Omnibus Single Sub-Account Structure are netted and corresponding Open Positions are registered, and any CCM Gross Omnibus Single Sub-Account Client related positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the relevant 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 or Client NPV Payment Requirement, as applicable, of the relevant CCM in respect of such CCM Gross Omnibus Single Sub-Account Structure.

**CCM Gross Omnibus Single Sub-Account Structure:** With respect to a CCM Gross Omnibus Segregated Account Structure, the sub-account structure consisting of:

(i) a CCM Client Trade Account *per* CCM Gross Omnibus Single Sub-Account Client;

(ii) a CCM Gross Omnibus Single Sub-Account Client Margin Account per CCM Gross Omnibus Single Sub-Account Client; and

(iii) a single CCM Client Collateral Account opened for the benefit of the relevant CCM Gross Omnibus Client Set.

**CCM Gross Omnibus Sub-Account Structure:** A CCM Gross Omnibus Multi Sub-Account Structure or a CCM Gross Omnibus Single Sub-Account Structure, as the case may be.

**CCM Gross Omnibus Sub-Account Balance:** In relation to each of the CCM Gross Omnibus Sub-Account Structure of a CCM Gross Omnibus 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 Client Margin Account of such CCM Gross Omnibus Sub-Account Structure and which is determined on the basis of the following formula:

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

Where:

**A** is the last CCM Client Margin Requirement calculated and satisfied for the CCM Client Margin Account of that CCM Gross Omnibus Sub-Account Structure; and

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

**CCM House Collateral Account:** With respect to each CCM, a house account opened in the books of LCH SA to record Collateral provided by such CCM:

(i) for the purpose of satisfying its CCM House Margin Requirement and novating House Trade Legs of Eligible Intraday Transactions

(ii) as CCM Client Collateral Buffer.

**CCM House Excess Collateral:** With respect to a CCM House Margin Account, the amount by which the CCM Margin Balance exceeds the CCM House Margin Requirement for such CCM House Margin Account.

**CCM House Excess Collateral Shortfall**: The amount (if any) by which the CCM House Excess Collateral Threshold exceeds the CCM House Excess Collateral.

**CCM House Excess Collateral Threshold:** The minimum value of Collateral, which a CCM wishes to maintain as CCM House Excess Collateral.

**CCM House Margin Account:** An account opened by LCH SA in the name of a CCM in the CDS Clearing System for risk management purposes, in which House Cleared Transactions are netted and corresponding Open Positions are registered, and any house 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 House Margin Requirement and House Variation Margin Requirement or House NPV Payment Requirement, as applicable, of the relevant CCM.

**CCM House Margin Requirement**: With respect to the CCM House Margin Account of each CCM, an amount equal to**:**

(i) for all purposes other than the Morning Call, the aggregate of the Margins (other than Variation Margin) calculated by LCH SA on the basis of the Open Positions registered in such CCM House Margin Account plus any positions corresponding to Eligible Intraday Transactions pre-registered in accordance with Section 3.1.7; and

(ii) for the purposes of the Morning Call, the higher of the following amounts:

(a) the aggregate of the Margins (other than Variation Margin) in respect of the Open Positions registered in such CCM House Margin Account; or

(b) the aggregate of the Margins (other than Variation Margin) in respect of the Open Positions registered in such CCM House Margin Account plus any positions corresponding to Irrevocable Backloading Transactions which are not Rejected Transactions.

**CCM House Margin Shortfall**: With respect to a CCM House Margin Account of a CCM, the amount by which the CCM House Margin Requirement for such CCM House Margin Account exceeds the CCM Margin Balance of the associated CCM House Collateral Account, if any.

**CCM Indirect Client:** A client of a CCM Indirect Net Segregated Account Client or a CCM Indirect Gross Segregated Account Client on whose account such CCM 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 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) one or more CCM Client Trade Account(s) *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 Client Trade Account 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 a CCM Indirect Gross Segregated Account Client, in which the Cleared Transactions registered within the relevant CCM Indirect Client Gross Segregated Account Structure and referable to a specific CCM Client Trade Account of a specific CCM Indirect Client of such CCM Indirect Gross Segregated Account Client are netted and corresponding Open Positions in respect of such CCM Indirect Client are registered, and any related positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the relevant 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 and/or Client NPV Payment Requirement, as applicable, related to the relevant CCM Indirect Client Gross Segregated Account Structure of the relevant CCM in respect of such CCM Indirect 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) one or more CCM Client Trade Account(s) *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

(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 and/or Client NPV Payment Requirement, as applicable, 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 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 has opted for a CCM Individual Segregated Account Structure.

**CCM Individual Segregated Account Structure:** With respect to a CCM, the Account Structure consisting of:

(i) a CCM Client Trade Account;

(ii) a CCM Individual Segregated Client Margin Account; and

(iii) a CCM Client Collateral Account,

*per* CCM Individual Segregated Account Client of such CCM.

**CCM Individual Segregated Client Margin Account:** An account opened by LCH SA in the name of a CCM for the benefit of a CCM Individual Segregated Account Client in the CDS Clearing System for risk management purposes, in which the Cleared Transactions registered in the relevant CCM Individual Segregated Account Structure are netted and corresponding Open Positions are registered, and any CCM Individual Segregated Account Client related positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in such 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 or Client NPV Payment Requirement, as applicable, of the relevant CCM in respect of such CCM Individual 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, 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.

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

**CCM Net Omnibus Segregated Account Client:** A client of a CCM to which the CCM provides CDS Client Clearing Services and which has opted for a CCM Net Omnibus Segregated Account Structure.

**CCM Net Omnibus Segregated Account Structure:** With respect to a CCM, the Account Structure consisting of:

(i) one or more CCM Client Trade Account(s) *per* CCM Net Omnibus Segregated Account Client belonging to such CCM Net Omnibus Segregated Account Structure;

(ii) a single CCM Net Omnibus Segregated Client Margin Account opened for the benefit of the relevant CCM Net Omnibus Client Set; and

(iii) a single CCM Client Collateral Account opened for the benefit of that CCM Net Omnibus Client Set.

**CCM Net Omnibus Segregated Client Margin Account:** An account opened by LCH SA in the name of a CCM for the benefit of a CCM Net Omnibus Client Set in the CDS Clearing System for risk management purposes, in which the Cleared Transactions of such CCM Net Omnibus Client Set are netted and corresponding Open Positions are registered, and such CCM Net Omnibus Client Set 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 and/or Client NPV Payment Requirement, as applicable, of the relevant CCM in respect of such CCM Net Omnibus Client Set.

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

**CCM Required Collateral Amount:** For each CCM, the sum of:

(i) the CCM House Margin Shortfall;

(ii) the CCM House Excess Collateral Shortfall;

(iii) the CCM Client Collateral Buffer Shortfall; and

(iv) the Total Client Margin Shortfall.

**CCM Unallocated Client Collateral:** Cash Collateral provided by a CCM to LCH SA in accordance with Article 4.2.2.3 and Section 3 of the Procedures which is identified as being for the account of one or more CCM Clients but where such CCM has not specified the CCM Client Collateral Account(s) in which such Cash Collateral should be recorded.

**CCM Unallocated Client Collateral Account:** With respect to each CCM, the client account opened in the books of LCH SA to record any CCM Unallocated Client Collateral.

**CCP Recovery and Resolution Regulation:** Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties.

**CDS:** A credit default swap transaction.

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

**CDS Buyer:** A Clearing Member that is party to an Index Cleared Transaction or a Single Name Cleared Transaction as protection buyer.

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

**CDS Clearing Documentation:** The CDS Admission Agreement, the CDS Clearing Rules, the CDS Clearing Supplement Documents, the Index Cleared Transaction Confirmation, the Index Swaption Cleared Transaction Confirmation and the Single Name Cleared Transaction Confirmation (including all exhibits, attachments, annexes, schedules and appendices thereto, and any document incorporated by

reference therein, if any), as each such document is amended from time to time. For the avoidance of doubt, the Select Member Forms do not form part of the CDS Clearing Documentation.

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

**CDS Clearing Rules:** This CDS Clearing Rule Book, the CDS Dispute Resolution Protocol, the Procedures, all related Clearing Notices and, in the case of an FCM/BD Clearing Member, the FCM/BD CDS Clearing Regulations, as each such document is amended from time to time.

**CDS Clearing Service:** The service provided by LCH SA in respect of clearing CDS and/or Index Swaptions in accordance with the CDS Clearing Documentation, including the special terms applicable to use of the service by a CCM pursuant to TITLE V and to use of the service by an FCM/BD Clearing Member pursuant to TITLE VI.

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

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

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

**CDS Client Clearing Agreement:** The client clearing agreement entered into between a Clearing Member and a Client which relates, in whole or in part, to the clearing of CDS and/or Index Swaptions through the CDS Clearing Service.

**CDS Client Clearing DMP or CDS Client Clearing Default Management Process:** The process set out in Clause 4 of the CDS Default Management Process and pursuant to which LCH SA will effect the porting of the Relevant Client Cleared Transactions or the liquidation of the Non-Ported Cleared Transactions.

**CDS Client Clearing Entitlement:** This term has the meaning set out in Clause 4.4.3 of the CDS Default Management Process.

**CDS Client Clearing Services:** Clearing services in respect of CDS and/or Index Swaptions provided by a Clearing Member to its Clients.

**CDS Contractual Currency:** The currency required under the terms of any Cleared Transaction and in respect of an Index Swaption, the currency required under the terms of the Underlying Index Transaction.

**CDS Dealer:** A Person admitted by LCH SA to the Register of CDS Dealers and who has not been removed from the Register of CDS Dealers. For the avoidance of any doubt, a CDS Dealer is not a Clearing Member.

**CDS Dealer Clearing Agreement:** A written agreement, in the form and on the terms prescribed by LCH SA between a CDS Dealer, a Clearing Member which is a CCM and LCH SA.

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

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

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

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

(i) the CDS Default Management Process; and

(ii) any auction process to liquidate a Self Referencing Transaction and enter into an equivalent Single Name Cleared Transaction.

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

(i) an Event of Default has been declared by LCH SA as occurring in respect of a Clearing Member, with the implementation of the CDS Default Management Process and liquidation of Cleared Transactions in accordance with this CDS Clearing Rule Book; or

(ii) an auction process pursuant to Section 9 of Part A or Part B, as applicable, of the CDS Clearing Supplement, needs to be implemented to liquidate a Self Referencing Transaction and enter into an equivalent Single Name Cleared Transaction.

**CDS Default Management Process:** The process in accordance with which LCH SA and the CDS Default Management Group will manage a default of a Clearing Member (including, to the extent appropriate, the CDS Client Clearing Default Management Process), as set out in Appendix 1.

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

**CDS Global Cash Call Document:** This term shall have the meaning set out in Section 5 of the Procedures.

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

**CDS Seller:** A Clearing Member that is party to an Index Cleared Transaction or a Single Name Cleared Transaction as protection seller.

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

**CEA**: The U.S. Commodity Exchange Act, as amended.

**CFTC**: The U.S. Commodity Futures Trading Commission, and any successor thereto.

**CFTC Regulations**: The rules and regulations promulgated by the CFTC and any interpretive guidance issued by the CFTC or its staff.

**Cleared Trades Report:** This term shall have the meaning set out in Section 5 of the Procedures.

**Cleared Transaction:** A CCM Cleared Transaction or an FCM/BD Cleared Transaction.

**Cleared Swap:** An FCM/BD Cleared Transaction (i) constituting a Cleared Swap as defined in CFTC Regulation 22.1 or (ii) constituting an FCM/BD Portfolio Margining Transaction.

**Cleared Swaps Customer:** (i) A Cleared Swaps Customer, as defined in CFTC Regulation 22.1, of an FCM/BD Clearing Member with respect to Cleared Swaps, that is an eligible contract participant as defined in Section 1a(18) of the CEA, other than subparagraph (C) thereof, or as may be further defined by CFTC Regulations, and (ii) a Person that is treated as a Cleared Swaps Customer in connection with maintaining FCM/BD Portfolio Margining Transactions in the FCM/BD Swaps Client Account Structure of an FCM/BD Clearing Member pursuant to the Portfolio Margining Program.

**Cleared Swaps Customer Collateral:** Cleared Swaps Customer Collateral, as defined in CFTC Regulation 22.1, with respect to Cleared Swaps, including with respect to any transaction constituting an SBS that is an FCM/BD Portfolio Margining Transaction.

**Clearing Agency:** A clearing agency as defined in Section 3(a)(23) of the Exchange Act and registered as such with the SEC.

**Clearing Day:** Any day on which LCH SA is open for business as set forth on the Website and in member notification from time to time.

**Clearing Eligibility Report:** The report containing the Weekly Backloading Transactions which is made available by LCH SA to each Clearing Member at such time set out in Section 5 of the Procedures.

**Clearing Member:** A General Member or a Select Member, as the context requires.

**Clearing Member Novation Acceptance Time:** The time when all relevant Clearing Members are deemed to have accepted a Daily Backloading Transaction or Weekly Backloading Transaction for clearing, where such Clearing Members indicate such deemed acceptance by meeting the Morning Call on the relevant Daily Backloading Novation Day or Weekly Backloading Novation Day, as applicable.

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

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

(i) provides guidance to all or a particular category of Clearing Members and/or the CDS Dealers, as applicable, on a matter of interpretation in connection with this CDS Clearing Rule Book, the CDS Clearing Supplement or the Procedures;

(ii) notifies all Clearing Members and/or the CDS Dealers, as applicable, of the existence or cessation of a Force Majeure Event occurring with respect to LCH SA in accordance with Article 1.2.11.2 (ii) and Article 1.2.11.2 (vi);

(iii) notifies all Clearing Members and/or the CDS Dealers, as applicable, of an LCH Default in accordance with Article 1.3.1.3;

(iv) notifies all Clearing Members and/or the CDS Dealers, as applicable, of the termination or suspension of a particular Clearing Member's membership of the CDS Clearing Service;

(v) notifies all Clearing Members and/or the CDS Dealers, as applicable, of the occurrence of an Event of Default in accordance with Article 4.3.1.3; or

(vi) such other Clearing Notices as may be required or contemplated by this CDS Clearing Rule Book, the CDS Clearing Supplement or the Procedures.

**Client:** A CCM Client, an FCM/BD Client, or both, as the context requires.

**Client Account Structure:** The CCM Client Account Structure or FCM/BD Client Account Structure, as the context requires.

**Client Assets:** Any Collateral transferred to LCH SA by a Clearing Member in respect of Client Cleared Transactions or Relevant Client Cleared Transactions, as applicable, along with accruals on such Client Cleared Transactions or Relevant Client Cleared Transactions (which accruals shall, for the avoidance of doubt, include Variation Margin or NPV Amounts, as applicable, which are payable by LCH SA to the Clearing Member in respect of the relevant Client Margin Account in accordance with Section 2 of the Procedures), and recorded in a Client Collateral Account. For the avoidance of doubt, Client Assets constituting FCM/BD Swaps Unallocated Client Excess Collateral are subject to restrictions on transfer and use as provided in the CDS Clearing Rules.

**Client Backloading Transaction:** An existing CDS or Index Swaption which:

(i) is registered in the TIW;

(ii) comprises one or more Client Trade Leg(s); and

(iii) is submitted for clearing by the relevant ATSS Participants via an Approved Trade Source System as part of the Daily Backloading Cycle.

**Client Cleared Transaction:** A Cleared Transaction registered in a Client Trade Account of a Clearing Member.

**Client Collateral Account:** A CCM Client Collateral Account or an FCM/BD Client Financial Account, as the context requires.

**Client Collateral Buffer:** The CCM Client Collateral Buffer (carried within the CCM House Account Structure) or the FCM/BD Client Collateral Buffer (carried within the FCM/BD Client Account Structure), as the context requires.

**Client Collateral Buffer Shortfall:** The CCM Client Collateral Buffer Shortfall or the FCM/BD Client Collateral Buffer Shortfall, as the context requires.

**Client Collateral Buffer Threshold:** The CCM Client Collateral Buffer Threshold or the FCM/BD Client Collateral Buffer Threshold, as the context requires.

**Client Excess Collateral**: The CCM Client Excess Collateral or the FCM/BD Client Excess Collateral, as the context requires.

**Client Margin Account:** A CCM Client Margin Account or an FCM/BD Client Margin Account, as the context requires.

**Client Margin Requirement:** The CCM Client Margin Requirement or the FCM/BD Client Margin Requirement, as the context requires.

**Client Margin Shortfall**: A CCM Client Margin Shortfall or an FCM/BD Client Margin Shortfall, as the context requires.

**Client NPV Payment Requirement**: The amount of NPV Amount calculated by LCH SA as being payable:

(i) by a Clearing Member to LCH SA; or

(ii) by LCH SA to a Clearing Member,

on the basis of the STM Cleared Transactions and, as the case may be, Irrevocable Backloading STM Transactions which are not Rejected Transactions and/or STM Cleared Transactions which are pre-registered in accordance with CHAPTER 4Section 3.1.7, allocated to the relevant Client Margin Account, in accordance with Section 2 of the Procedures.

**Client Pledged Eligible Collateral:** With respect to a CCM, the Pledged Eligible Collateral recorded in each CCM Client Collateral Account of such CCM.

**Client Portal Account:** This term shall have the meaning set out in Section 5 of the Procedures.

**Client Termination Amount:** The CCM Client Termination Amount or the FCM/BD Client Termination Amount.

**Client Trade Account:** A CCM Client Trade Account or an FCM/BD Client Trade Account, as the context requires.

**Client Trade Leg:** Any trade leg of a CDS in respect of which a Client acts as protection buyer or protection seller or any trade leg of an Index Swaption in respect of which a Client acts as Index Swaption buyer or Index Swaption seller.

**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.

**Client Variation Margin Requirement:** For each Client Margin Account of a Clearing Member, the amount of Variation Margin calculated by LCH SA as being payable:

(i) by such Clearing Member to LCH SA; or

(ii) by LCH SA to such Clearing Member

on the basis of the CTM Cleared Transactions and as the case may be, Irrevocable Backloading CTM Transactions which are not Rejected Transactions and/or CTM Cleared Transactions which are pre-registered in accordance with Section 3.1.7, allocated to the relevant Client Margin Account, in accordance with Section 2 of the Procedures.

**CM Backloading Transaction**: An existing CDS or Index Swaption which:

(i) is registered in the TIW;

(ii) comprises two House Trade Leg(s); and

(iii) is submitted for clearing by the relevant ATSS Participants via an Approved Trade Source System as part of the Daily Backloading Cycle.

**Collateral:** Any Eligible Collateral and/or Cash Collateral.

**Collateral Account:** A House Collateral Account, a Client Collateral Account or a CCM Unallocated Client Collateral Account as the case may be.

**Collateral Call:** A request by LCH SA to a Clearing Member for an amount of Collateral calculated by LCH SA in accordance with the CDS Clearing Documentation, such Collateral to be delivered by such Clearing Member to LCH SA in accordance with Section 3 of the Procedures.

**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.

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

(i) is recognised as such by a Person's home Member State under the terms of CRD or MiFID; or

(ii) has concluded a cooperation agreement with the French Competent Authorities in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction to which a Person is subject,

and for LCH SA, each of the AMF, the ACPR, the *Banque de France*, the CFTC, the SEC, any successor body of any of the foregoing and any other body which has concluded a cooperation agreement with the AMF, the ACPR, the *Banque de France* in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction and designated as such by LCH SA from time to time.

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

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

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

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

**Contribution Excess:** The amount, if any, by which a Clearing Member's Contribution Balance exceeds its Contribution Requirement.

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

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

**Converting Clearing Member**: A Clearing Member which has submitted to LCH SA a request to convert its CTM Trade Account(s) into STM Trade Account(s) according to Article 3.1.10.8.

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

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

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

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

**Credit Institution:** Any credit institution as defined in CRR.

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

**CRD:** Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

**CRR:** Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2016 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and all delegated regulatory and implementing technical standards adopted pursuant to Regulation (EU) No 575/2013 and published in the Official Journal of the European Union from time to time.

**CTM Cleared Transaction:** A Cleared Transaction that is registered in a CTM Trade Account in accordance with CHAPTER 4Section 3.1.10.

**CTM Trade Account:** A Trade Account which is classified as a CTM Trade Account on the basis of an election made by the relevant Clearing Member in accordance with Section 5 of the Procedures.

**Daily Backloading Novation Day**: With respect to a Daily Backloading Transaction, the Clearing Day immediately following the Business Day on which such Daily Backloading Transaction has been submitted for clearing to LCH SA in accordance with Article 3.1.2.2.

**Daily Backloading Cycle:** The process operated by LCH SA, in accordance with Section 3.1.2, pursuant to which Daily Backloading Transactions are submitted for clearing.

**Daily Backloading Transaction:** A Client Backloading Transaction or a CM Backloading Transaction, as the case may be.

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

**Data Protection Law:** The General Data Protection Regulation (EU) 2016/679 and the French data protection law n°78-17 dated 6 January 1978 applicable to the data processing carried out by LCH SA in the context under the CDS Clearing Documentation.

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

**Deemed Client Transaction**: This term shall have the meaning given in Article 5.1.1.3(ii).

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

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

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

**Delegating Clearing Member:** This term shall have the meaning set out in Section 5 of the Procedures.

**Delegation:** The *délégation de créance imparfaite* mechanism governed by articles 1336 *et seq*. of the French Civil Code, as described in Article 5.1.2.2.

**Derivatives Clearing Organization:** A derivatives clearing organization as defined in Section 1a (15) of the CEA and registered as such with the CFTC.

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

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

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

**DTCC Matching and Eligibility Report:** The report containing the Eligible Weekly Backloading Transactions for each Clearing Member which is made available by LCH SA to each Clearing Member, at the time and in the manner set out in Section 5 of the Procedures.

**Early Termination Trigger Date**: The date specified in Clause 8.1 of the CDS Default Management Process.

**EEA:** The European Economic Area.

**Eligibility Controls:** The consistency checks and functional controls performed by LCH SA in accordance with Section 4 of the Procedures including:

(i) checking to ensure the completeness of the information required by LCH SA as previously notified to Clearing Members to process the Transaction Data and novate the Original Transaction pursuant to and in accordance with the CDS Clearing Rules and the CDS Clearing Supplement; and

(ii) determining whether such Original Transaction meets the Eligibility Requirements.

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

**Eligible Collateral:** Such securities and other types of non Cash Collateral as are set out in Section 3 of the Procedures as being acceptable by LCH SA for the purposes of satisfying a Clearing Member's Margin Requirements and/or novating Original Transactions, as applicable.

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

**Eligible Index Version:** The version of a credit default swap index identified in accordance with Section 4 of the Procedures and in respect of which LCH SA provides CDS Clearing Services.

**Eligible Intraday Transaction:** An Intraday Transaction which passes the Eligibility Controls and the Client Transaction Checks (if applicable), pursuant to and in accordance with CHAPTER 4Article 3.1.4.4.

**Eligible Reference Entity:** A Reference Entity identified in accordance with Section 4 of the Procedures and in respect of which LCH SA provides CDS Clearing Services.

**Eligible Weekly Backloading Transaction:** A Weekly Backloading Transaction which:

(i) has passed the Eligibility Controls; and

(i) has been selected by each of the relevant Clearing Members to be included in the Weekly Backloading Cycle in accordance with a Clearing Notice.

**EMIR:** Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and all delegated regulatory and implementing technical standards adopted pursuant to Regulation (EU) No 648/2012 and published in the Official Journal of the European Union from time to time.

**EMP Creation Period:** This term shall have the meaning set out in the CDS Clearing Supplement.

**End of Day Contributed Price:** For each type of CDS or Index Swaption meeting the Eligibility Requirements and identical in all material aspects other than the Notional Amount, the price/spread provided by the Index Publisher to LCH SA for such CDS, or calculated by LCH SA for such Index Swaption, and resulting from the Market Data.

**End of Real Time:** The time as specified in a Clearing Notice.

**Euro:** The Euro.

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

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

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

**Excess Collateral:** The CCM Excess Collateral or the FCM/BD House Excess Collateral.

**Excess Collateral Threshold:** The CCM Excess Collateral Threshold or the FCM/BD House Excess Collateral Threshold.

**Exchange Act:** The U.S. Securities Exchange Act of 1934, as amended.

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

**Exercise Delegation**: This term shall have the meaning set out in Section 5 of the Procedures.

**Exercise Delegation Beneficiary**: This term shall have the meaning set out in Section 5 of the Procedures.

**Exercise Notice:** This term shall have the meaning set out in the CDS Clearing Supplement.

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

**Extreme Market Developments:** Any one of the following:

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

(ii) a suspension to trading on markets of CDS, Index Swaptions, or other financial instruments relevant to the price or value of CDS or Index Swaptions, as applicable, or any other form of market disruption which makes the proper determination of the End of Day Contributed Price impossible or impractical; and/or

(iii) any occurrence or circumstance that would negatively impact any financial market relevant to the CDS Clearing Service by introducing an unacceptable level of uncertainty, volatility or risk in respect of any or all Cleared Transactions or to the CDS Clearing Service;

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

**Failed Backloading Clearing Member:** Any Clearing Member that is subject to a Backloading Failure.

**Fallback Settlement Method:** This term shall have the meaning set out in the ISDA Credit Derivatives Definitions.

**FCM**: A legal entity that is a futures commission merchant, as defined under CFTC Regulation 1.3 (or any successor or replacement regulation), and is registered in such capacity with the CFTC and a member in good standing of the NFA.

**FCM/BD Allocated Client Collateral Buffer:** The portion of the FCM/BD Client Collateral Buffer which, at the relevant time, is allocated to an FCM/BD Client Margin Account in accordance with Article 4.2.2.4 and Section 2 of the Procedures.

**FCM/BD Available Client Collateral Buffer**: The FCM/BD Swaps Available Client Collateral Buffer or the FCM/BD SBS Available Client Collateral Buffer.

**FCM/BD Buffer Financial Account**: An FCM/BD Swaps Buffer Financial Account or an FCM/BD SBS Buffer Financial Account.

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

**FCM/BD Cleared Transaction**: A CDS or an Index Swaption between LCH SA and an FCM/BD Clearing Member as agent[1] for the account of an FCM/BD Client (as described in FCM/BD CDS Clearing Regulation 1(c)), registered in the relevant FCM/BD Client Trade Account of such FCM/BD Clearing Member, or as principal for its own account, registered in the FCM/BD House Trade Account of such FCM/BD Clearing Member, and resulting from:

(i) the novation of an Original Transaction of an FCM/BD Clearing Member;

(ii) the creation of an Exercise Cleared Transaction, a Swaption Restructuring Cleared Transaction, a Spin-off Single Name Cleared Transaction, a Restructuring Cleared Transaction, a Resulting Single Name Cleared Transaction or a Physically Settled Cleared Transaction (where applicable) pursuant to the CDS Clearing Supplement;

(iii) the compression of existing FCM/BD Cleared Transactions to a single FCM/BD Cleared Transaction pursuant to TITLE III, CHAPTER 3;

(iv) LCH SA entering into hedging transactions with an FCM/BD Clearing Member pursuant to the CDS Default Management Process;

(v) the transfer of FCM/BD Cleared Transactions or Porting FCM/BD Cleared Transactions in accordance with TITLE VI, CHAPTER 3;

(vi) the porting of FCM/BD Cleared Transactions in accordance with the CDS Default Management Process; or

(vii) LCH SA and a Backup Clearing Member entering into a new contract on equivalent terms to a terminated FCM/BD Cleared Transaction as part of porting pursuant to the CDS Default Management Process.

**FCM/BD Clearing Member**: Any FCM, BD or a legal entity that is both FCM and BD that has been admitted as a clearing member in accordance with the CDS Clearing Rules and is a party to the CDS Admission Agreement and which has not elected to become a CCM.

**FCM/BD Client**: A Client that is (i) a Cleared Swaps Customer of an FCM/BD Clearing Member to which the FCM/BD Clearing Member provides CDS Client Clearing Services with respect to positions in FCM/BD Cleared Transactions that are Cleared Swaps held in one or more accounts described in the FCM/BD Swaps Client Account Structure in accordance with Article 6.2.1.1(i); or (ii) an SBS Customer

[1] Note to reader: the use of the term "agent" is required by the CFTC Regulations and does not refer to any specific legal category under French law.

of an FCM/BD Clearing Member to which the FCM/BD Clearing Member provides CDS Client Clearing Services with respect to positions in FCM/BD Cleared Transactions that are SBS held in one or more accounts described in the FCM/BD SBS Client Account Structure maintained by LCH SA in accordance with Article 6.2.1.1(ii), as described in Title VI. For the avoidance of doubt, the term "FCM/BD Client" shall include a Client of an FCM/BD Clearing Member (which Client may, but need not, be an Affiliate of the FCM/BD Clearing Member or another FCM/BD Clearing Member) that is itself acting on behalf of one or more clients that are, as applicable, Cleared Swaps Customers as defined in CFTC Regulation 22.1 or security-based swap customers as defined in SEC Regulation 15c3-3 with respect to FCM/BD Cleared Transactions and maintains an omnibus account with such FCM/BD Clearing Member to clear Cleared Swaps or SBS.

**FCM/BD Client Account Structure:** The accounts comprising the FCM/BD Swaps Client Account Structure and the FCM/BD SBS Client Account Structure set out in Section 6.2.1 and registered in the CDS Clearing System in the name of an FCM/BD Clearing Member as described in TITLE VI, CHAPTER 2.

**FCM/BD Client Collateral Account:** An FCM/BD Swaps Client Collateral Account and/or an FCM/BD SBS Client Collateral Account.

**FCM/BD Client Collateral Buffer:** FCM/BD Swaps Client Collateral Buffer or FCM/BD SBS Client Collateral Buffer.

**FCM/BD Client Collateral Buffer Shortfall:** The amount (if any) by which the FCM/BD Client Collateral Buffer Threshold exceeds the FCM/BD Client Collateral Buffer.

**FCM/BD Client Collateral Buffer Threshold:** The minimum value of Collateral which an FCM/BD Clearing Member wishes to maintain as FCM/BD Client Collateral Buffer.

**FCM/BD Client Excess Collateral:** The amount of any FCM/BD Excess Collateral attributable to an FCM/BD Client Margin Account in accordance with Article 4.2.2.5.

**FCM/BD Client Financial Account:** An FCM/BD Swaps Client Financial Account or an FCM/BD SBS Client Financial Account.

**FCM/BD Client Margin Account**: An FCM/BD Swaps Client Margin Account or an FCM/BD SBS Client Margin Account.

**FCM/BD Client Margin Requirement**: With respect to each FCM/BD Client Margin Account of an FCM/BD Clearing Member, an amount equal to:

(i) for all purposes other than the Morning Call: the aggregate of the Margins (other than Variation Margin and Credit Quality Margin), calculated by LCH SA on the basis of the Open Positions registered in such FCM/BD Client Margin Account of the FCM/BD plus any positions corresponding to Eligible Intraday Transactions pre-registered in accordance with Section 3.1.7; and

(ii) for the purposes of the Morning Call: the higher of the following two amounts:

(a) the aggregate of the Margins (other than Variation Margin and Credit Quality Margin) in respect of the Open Positions registered in such FCM/BD Client Margin Account; or

(b) the aggregate of the Margins (other than Variation Margin and Credit Quality Margin) in respect of the Open Positions registered in such FCM/BD Client Margin Account plus any positions corresponding to Irrevocable Backloading Transactions which are not Rejected Transactions and/or Cleared Transactions which are pre-registered in accordance with Section 3.1.7.

**FCM/BD Client Margin Shortfall:** With respect to an FCM/BD Client Margin Account of an FCM/BD Clearing Member, the amount by which the FCM/BD Client Margin Requirement for such FCM/BD Client Margin Account exceeds the FCM/BD Margin Balance of the associated FCM/BD Client Financial Account, if any.

**FCM/BD Client Termination Amount:** For the purpose of Title I, CHAPTER 3, any net positive or negative amount, denominated in Euro and determined pursuant to and in accordance with Article 1.3.1.9.

**FCM/BD Client Trade Account:** An FCM/BD Swaps Client Trade Account or an FCM/BD SBS Client Trade Account.

**FCM/BD Excess Collateral:** The amount (if any) by which the FCM/BD Margin Balance exceeds the Margin Requirement for any Margin Account of an FCM/BD Clearing Member.

**FCM/BD House Cleared Transaction:** Any FCM/BD Cleared Transaction registered in the House Trade Account of an FCM/BD Clearing Member.

**FCM/BD House Collateral Account:** A house account opened in the books of LCH SA to record:

(i) Collateral provided by an FCM/BD Clearing Member for the purpose of satisfying its FCM/BD House Margin Requirement; and

(ii) FCM/BD House Excess Collateral.

**FCM/BD House Excess Collateral:** The amount of any FCM/BD Excess Collateral attributable to an FCM/BD House Margin Account.

**FCM/BD House Excess Collateral Shortfall**: The amount (if any) by which the FCM/BD House Excess Collateral Threshold exceeds the FCM/BD House Excess Collateral.

**FCM/BD House Excess Collateral Threshold:** The minimum amount of Collateral that an FCM/BD Clearing Member wishes to maintain as FCM/BD House Excess Collateral in its FCM/BD House Collateral Account.

**FCM/BD House Margin Account:** An account opened by LCH SA in the name of an FCM/BD Clearing Member in the CDS Clearing System for risk management purposes, in which FCM/BD House Cleared

Transactions are netted and corresponding Open Positions are registered, and any house positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading STM Transactions pre-registered in the Account Structure of such FCM/BD Clearing Member (if so applicable pursuant to Section 3.1.7) are recorded, in order to calculate the FCM/BD House Margin Requirement and House NPV Payment Requirement of the relevant FCM/BD Clearing Member.

**FCM/BD House Margin Requirement**: With respect to the FCM/BD House Margin Account of each FCM/BD Clearing Member, an amount equal to**:**

(i) for all purposes other than the Morning Call, the aggregate of the Margins (other than Variation Margin) calculated by LCH SA on the basis of the Open Positions registered in such FCM/BD House Margin Account plus any positions corresponding to Eligible Intraday Transactions pre-registered in accordance with Section 3.1.7; and

(ii) for the purposes of the Morning Call, the higher of the following amounts:

(a) the aggregate of the Margins (other than Variation Margin) in respect of the Open Positions registered in such Margin Account; or

(b) the aggregate of the Margins (other than Variation Margin) in respect of the Open Positions registered in such CCM House Margin Account plus any positions corresponding to Irrevocable Backloading Transactions which are not Rejected Transactions.

**FCM/BD House Margin Shortfall**: With respect to an FCM/BD House Margin Account of an FCM/BD, the amount by which the FCM/BD House Margin Requirement for such FCM/BD House Margin Account exceeds the FCM/BD Margin Balance of the associated FCM/BD House Collateral Account, if any.

**FCM/BD Margin Balance:** With respect to:

(i) the FCM/BD House Margin Account of an FCM/BD Clearing Member, the aggregate value of Collateral transferred to LCH SA recorded in the corresponding FCM/BD House Collateral Account; and

(ii) an FCM/BD Client Margin Account of an FCM/BD Clearing Member, the Legally Segregated Value that LCH SA ascribes to, and records in, the FCM/BD Client Financial Account attached to such FCM/BD Client Margin Account in accordance with Section 2 of the Procedures.

**FCM/BD Portfolio Margining Transaction:** This term shall have the meaning set out in the FCM/BD CDS Clearing Regulations.

**FCM/BD Required Collateral Amount:** For each FCM/BD Clearing Member, the sum of:

(i) the FCM/BD House Margin Shortfall;

(ii) the FCM/BD House Excess Collateral Shortfall;

(iii) the FCM/BD Client Collateral Buffer Shortfall; and

(iv) the Total Client Margin Shortfall.

**FCM/BD SBS Available Client Collateral Buffer**: The portion of the FCM/BD SBS Client Collateral Buffer which, at the relevant time, is not allocated to any FCM/BD SBS Client Margin Account and is available to be used to enable the novation of Client Trade Legs.

**FCM/BD SBS Buffer Financial Account**: A segregated account opened in the books of LCH SA to record the value of an FCM/BD Clearing Member's FCM/BD SBS Client Collateral Buffer.

**FCM/BD SBS Client Account Structure:** The accounts comprising the FCM/BD SBS Client Account Structure set out in Article 6.2.1.1 (ii) and registered in the CDS Clearing System in the name of an FCM/BD Clearing Member as described in TITLE VI, Chapter 2.

**FCM/BD SBS Client Collateral Account:** An account opened in the books of LCH SA to record the Collateral held by LCH SA for the benefit of an FCM/BD Clearing Member's SBS Customers with respect to FCM/BD Cleared Transactions that are SBS (excluding any SBS that constitute FCM/BD Portfolio Margining Transactions), the aggregate value of such Collateral being divided amongst, and recorded in:

(i) the FCM/BD SBS Client Financial Account(s);

(ii) the FCM/BD SBS Buffer Financial Account; and

(iii) the FCM/BD SBS Client Excess Collateral Financial Account.

**FCM/BD SBS Client Collateral Buffer:** The aggregate value of Collateral transferred by an FCM/BD Clearing Member to LCH SA, comprising such FCM/BD Clearing Member's own property, and recorded in such FCM/BD Clearing Member's FCM/BD SBS Buffer Financial Account which may be used by LCH SA to meet obligations in respect of the FCM/BD Cleared Transactions of SBS Customers, including for the purpose of satisfying the Notional and Collateral Checks performed by LCH SA in respect of Eligible Intraday Transactions comprising one or more Client Trade Leg(s).

**FCM/BD SBS Client Excess Collateral**: This term has the meaning set out in Article 6.2.5.2.

**FCM/BD SBS Client Excess Collateral Financial Account**: A segregated account opened in the books of LCH SA to record the value of FCM/BD SBS Client Excess Collateral as determined by LCH SA in accordance with Section 6.2.5 and Section 3 of the Procedures.

**FCM/BD SBS Client Financial Account:** A segregated account opened in the books of LCH SA for an SBS Customer of an FCM/BD Clearing Member with a view to record the Legally Segregated Value related to SBS (excluding SBS that constitute FCM/BD Portfolio Margining Transactions) of such FCM/BD Clearing Member's SBS Customer as determined by LCH SA in accordance with the CDS Clearing Rules.

**FCM/BD SBS Client Margin Account:** An account opened by LCH SA in the name of an FCM/BD Clearing Member for the benefit of each SBS Customer of such FCM/BD Clearing Member in the CDS Clearing

System for risk management purposes, in which the SBS of the SBS Customers (excluding SBS that constitute FCM/BD Portfolio Margining Transactions) are netted and corresponding Open Positions are registered, and each FCM/BD Client related SBS positions (excluding SBS transactions that constitute FCM/BD Portfolio Margining Transactions) corresponding to Eligible Intraday Transactions and Irrevocable Backloading STM Transactions pre-registered in the Account Structure of such FCM/BD Clearing Member (if so applicable pursuant to Article 6.2.3.1) are recorded, in order to calculate the FCM/BD Client Margin Requirement and Client NPV Payment Requirement of such FCM/BD Clearing Member in respect of such SBS Customer.

**FCM/BD SBS Client Trade Account:** An account opened by LCH SA in the name of an FCM/BD Clearing Member for the benefit of an SBS Customer of such FCM/BD Clearing Member in order to register all SBS cleared by such FCM/BD Clearing Member (excluding SBS that constitute FCM/BD Portfolio Margining Transactions) in relation to such SBS Customer.

**FCM/BD Swaps Available Client Collateral Buffer**: The portion of the FCM/BD Swaps Client Collateral Buffer which, at the relevant time, is not allocated to any FCM/BD Swaps Client Margin Account and is available to be used to enable the novation of Client Trade Legs.

**FCM/BD Swaps Buffer Financial Account:** A segregated account opened in the books of LCH SA to record the value of an FCM/BD Clearing Member's FCM/BD Client Collateral Buffer with respect to Cleared Swaps.

**FCM/BD Swaps Client Account Structure:** The accounts comprising the FCM/BD Swaps Client Account Structure set out in (i) and (ii) and registered in the CDS Clearing System in the name of an FCM/BD Clearing Member as described in TITLE VI, CHAPTER 2.

**FCM/BD Swaps Client Collateral Account:** An account opened in the books of LCH SA to record the Collateral held by LCH SA for the benefit of an FCM/BD Clearing Member's FCM/BD Clients with respect to Cleared Swaps, the aggregate value of such Collateral being divided amongst, and recorded in:

(i) the FCM/BD Swaps Client Financial Account(s);

(ii) the FCM/BD Swaps Buffer Financial Account; and

(iii) the FCM/BD Swaps Unallocated Client Collateral Financial Account.

**FCM/BD Swaps Client Collateral Buffer:** The aggregate value of Collateral transferred by an FCM/BD Clearing Member to LCH SA, comprising such FCM/BD Clearing Member's own property, and recorded in such FCM/BD Clearing Member's FCM/BD Swaps Buffer Financial Account which may be used by LCH SA to meet obligations in respect of the Cleared Swaps of Cleared Swaps Customers, including for the purpose of satisfying the Notional and Collateral Checks performed by LCH SA in respect of Eligible Intraday Transactions comprising one or more Client Trade Leg(s).

**FCM/BD Swaps Client Excess Collateral:** The amount of any FCM/BD Excess Collateral attributable to an FCM/BD Swaps Client Margin Account in accordance with Article 4.2.2.5 and held on an intraday

basis prior to the next Morning Call as set forth in Section 6.2.5 and before it is transferred to the related FCM/BD Clearing Member's FCM/BD Swaps Unallocated Client Collateral Financial Account.

**FCM/BD Swaps Client Financial Account:** A segregated account opened in the books of LCH SA for each Cleared Swaps Customer of an FCM/BD Clearing Member with a view to record the Legally Segregated Value related to Cleared Swaps of such Cleared Swaps Customer as determined by LCH SA in accordance with the CDS Clearing Rules.

**FCM/BD Swaps Client Margin Account**: An account opened by LCH SA in the name of an FCM/BD Clearing Member for the benefit of each Cleared Swaps Customer of such FCM/BD Clearing Member in the CDS Clearing System for risk management purposes, in which the FCM/BD Cleared Transactions of such Client that are Cleared Swaps are netted and corresponding Open Positions are registered, and each FCM/BD Client related Cleared Swaps positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading STM Transactions pre-registered in the Account Structure of such FCM/BD Clearing Member (if so applicable pursuant to Section 3.1.7) are recorded, in order to calculate the FCM/BD Client Margin Requirement and Client NPV Payment Requirement of such FCM/BD Clearing Member in respect of such FCM/BD Client.

**FCM/BD Swaps Client Trade Account**: An account opened by LCH SA in the name of an FCM/BD Clearing Member for the benefit of the Customer of such FCM/BD Clearing Member in order to register all Cleared Swaps (including any SBS that constitute FCM/BD Portfolio Margining Transactions in relation to such FCM/BD Client).

**FCM/BD Swaps Unallocated Client Excess Collateral:** This term has the meaning set out in Section 6.2.5.

**FCM/BD Swaps Unallocated Client Collateral Financial Account:** A segregated account opened in the books of LCH SA to record the value of FCM/BD Swaps Unallocated Client Excess Collateral as determined by LCH SA in accordance with Section 6.2.5 and Section 3 of the Procedures.

**Feeding Request:** This term shall have the meaning given to it in Section 5 of the Procedures.

**Final Settlement Notice:** The notice delivered by LCH SA to a Defaulting Clearing Member pursuant to Article 4.3.3.4.

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

(i) any entity controlled, directly or indirectly by the Person;

(ii) any entity that controls, directly or indirectly, the Person; or

(iii) any entity directly or indirectly under common control with the Person.

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

**FINRA:** Financial Industry Regulatory Authority, Inc., or any successor thereto.

**First Intraday Call:** The Collateral Call performed on each Business Day at the time specified in Section 2 of the Procedures for an amount of collateral determined in accordance with Section 4.2.3 and Section 2 of the Procedures.

**Fixed Amount:** This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation, as applicable.

**Fixed Rate Payer:** This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation, as applicable.

**Floating Rate Payer:** This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation, as applicable.

**Force Majeure Event:** Any extraordinary event that cannot be foreseen or avoided, which is outside the control of LCH SA or the relevant Clearing Member, as applicable, and which hinders or prevents the performance in whole or in part of any of their obligations under the CDS Clearing Documentation and, in relation to any obligation under the CDS Clearing Supplement that is part of the terms and conditions of a Cleared Transaction and where such obligation has not yet fallen due, such an occurrence that would hinder or prevent performance in whole or in part of any of their obligations thereunder were the occurrence or effects of the occurrence to continue until the date of performance of the relevant obligations, including but not limited to: fire, flood, storm, hurricanes, earthquakes, explosions, strokes of lightening, international conflicts, hostilities, terrorist action, civil unrest, war, embargoes, the unavailability or impairment of computer or data processing facilities, the failure of any external systems, including but not limited to any Approved Trade Source System, (and in respect of DTCC, after giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the CDS Clearing Supplement), TARGET2 and Illegality.

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

**General Member:** A CCM or an FCM/BD Clearing Member that has been admitted by LCH SA as a General Member in accordance with Section 1 of the Procedures.

**Global House Termination Amount:** For the purpose of TITLE I, Chapter 3, the single, net positive or negative amount, denominated in Euro and determined pursuant to and in accordance with Article 1.3.1.9.

**Gold Record:** The Transaction Data in respect of a trade leg of a CDS which references an Eligible Index Version or an Eligible Reference Entity, as the case may be.

**Gold Records File:** The file received by LCH SA from DTCC which contains the Gold Records.

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

**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 and Collateral 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.

**Group Total Margin Percentage:** In respect of a Financial Group to which one or more Clearing Members belong and in respect of any Clearing Day, the ratio of its Average Group Total Margin divided by the Average CDSClear Total Margin.

**House Account Structure:** The House Trade Account, House Margin Account and House Collateral Account registered in the CDS Clearing System in the name of a Clearing Member as described in TITLE III, CHAPTER 2.

**House Cleared Transaction:** Any Cleared Transaction registered in the House Trade Account of a Clearing Member.

**House Collateral Account:** A CCM House Collateral Account or an FCM/BD House Collateral Account, as the context requires.

**House Excess Collateral:** CCM House Excess Collateral or FCM/BD House Excess Collateral, as the context requires.

**House Excess Collateral Shortfall:** The CCM House Excess Collateral Shortfall or the FCM/BD House Excess Collateral Shortfall, as the context requires.

**House Excess Collateral Threshold:** The CCM House Excess Collateral Threshold or the FCM/BD House Excess Collateral Threshold, as the context requires.

**House Margin Account:** A CCM House Margin Account or an FCM/BD House Margin Account, as the context requires.

**House Margin Requirement:** The CCM House Margin Requirement or the FCM/BD House Margin Requirement, as the context requires.

**House Margin Shortfall:** A CCM House Margin Shortfall or an FCM/BD House Margin Shortfall, as the context requires.

**House NPV Payment Requirement**: The amount of NPV Amount calculated by LCH SA as being payable:

(i) by a Clearing Member to LCH SA; or

(ii) by LCH SA to a Clearing Member,

on the basis of the STM Cleared Transactions and, as the case may be, Irrevocable Backloading STM Transactions which are not Rejected Transactions and/or STM Cleared Transactions which are pre-

registered in accordance with CHAPTER 4Section 3.1.7, allocated to the relevant Clearing Member's House Margin Account, in accordance with Section 2 of the Procedures.

**House Termination Amount:** For the purpose of TITLE I, Chapter 3, the single, net positive or negative amount, denominated in Euro and determined pursuant to and in accordance with Article 1.3.1.9(i).

**House Trade Account**: An account opened by LCH SA at the request and in the name of a Clearing Member within the Account Structure of the Clearing Member in the CDS Clearing System in order to register Cleared Transactions cleared by such Clearing Member for its own account, including the Cleared Transactions resulting from the novation of Original Transactions presented for clearing by a CDS Dealer with which that Clearing Member is party to a CDS Dealer Clearing Agreement.

**House Trade Leg:** Any trade leg of a CDS in respect of which a Clearing Member or a CDS Dealer, as applicable, acts as protection buyer or protection seller or any trade leg of an Index Swaption in respect of which a Clearing Member or a CDS Dealer, as applicable, acts as Index Swaption buyer or Index Swaption seller.

**House Variation Margin Requirement:** The amount of Variation Margin calculated by LCH SA as being payable:

(i) by a Clearing Member to LCH SA; or

(ii) by LCH SA to a Clearing Member,

on the basis of the CTM Cleared Transactions and, as the case may be, Irrevocable Backloading CTM Transactions which are not Rejected Transactions and/or CTM Cleared Transactions which are pre-registered in accordance with CHAPTER 4Section 3.1.7, allocated to the relevant Clearing Member's House Margin Account, in accordance with Section 2 of the Procedures.

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

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

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

**Index Publisher:** Markit Group Limited or any successor thereto or any replacement then appointed by the Index Sponsor for purposes of officially publishing the relevant index.

**Index Sponsor:** For the iTraxx® Europe Indices, Markit Indices Limited, and for the Markit CDX™ Indices, Markit North America Inc., or any successor thereto.

**Index Swaption:** A transaction which gives to a buyer the right to enter into a CDS referencing a portfolio of Reference Entities specified in a credit default swap index with a seller.

**Index Swaption Buyer:** A Clearing Member that is party to an Index Swaption Cleared Transaction as buyer.

**Index Swaption Clearing Service:** The CDS Clearing Service for which a Clearing Member elects to be registered for in accordance with Section 1 of the Procedures, allowing that Clearing Member, its CDS Dealers(s) and its Client(s) to submit Index Swaptions for clearing by LCH SA in accordance with the CDS Clearing Documentation.

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

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

**Index Swaption Seller:** A Clearing Member that is party to an Index Swaption Cleared Transaction as seller.

**Initial Margin:** An amount equal to the aggregate of the Spread Margin, Short Charge Margin, Recovery Risk Margin, Interest Rate Risk Margin, Wrong Way Risk Margin and Vega Margin.

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

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

(i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(ii) becomes insolvent or unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;

(iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(iv) institutes or has instituted against it a proceeding seeking judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition: (a) results in a judgment of insolvency or bankruptcy, or the entry of an order for relief, or the making of an order for winding-up or liquidation; or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;

(v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets;

(vii) has a secured party take possession of all or substantially all its assets, or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained in each case within thirty calendar days thereafter; or

(viii) causes or is subject to any event with respect to it which, under Applicable Law, has an analogous effect to any of the events specified in paragraphs (i) to (vii) above.

For the avoidance of doubt, a resolution procedure, within the meaning of the Bank Recovery and Resolution Directive, does not qualify as an Insolvency Proceeding.

**Interest Rate Risk Margin:** The amount calculated by LCH SA in accordance with Section 2 of the Procedures.

**Intraday Call:** The First Intraday Call or the Second Intraday Call, as the case may be.

**Intraday Call Reports:** This term shall have the meaning set out in Section 5 of the Procedures.

**Intraday Novation Margin Requirement:** With respect to any Margin Account, an amount equal to the aggregate of the Margins (other than Variation Margin), calculated by LCH SA on the basis of the position corresponding to the relevant trade leg of the Eligible Intraday Transaction pre-registered in accordance with Section 3.1.7 after taking into account the effects of netting, if any, with the Open positions already registered in such Margin Account.

**Intraday Transaction:** A CDS or an Index Swaption which:

(i) has been entered into between two ATSS Participants; and

(ii) is submitted for clearing to LCH SA by the relevant ATSS Participants through an Approved Trade Source System in accordance with Section 3.1.4.

**Investment Firm:** An investment firm as defined in MiFID.

**Irrevocable Backloading CTM Transaction:** An Irrevocable Backloading Transaction which, further to novation by LCH SA, will be registered in the relevant Account Structure as a CTM Cleared Transaction.

**Irrevocable Backloading STM Transaction:** An Irrevocable Backloading Transaction which, further to novation by LCH SA, will be registered in the relevant Account Structure as an STM Cleared Transaction.

**Irrevocable Backloading Transaction:** An Irrevocable Weekly Backloading Transaction or an Irrevocable Daily Backloading Transaction, as the case may be**.**

**Irrevocable Daily Backloading Transaction:** Any Daily Backloading Transaction in respect of which the relevant Clearing Members are deemed to have given, at such time set out in Article 3.1.2.3, their irrevocable agreement for the novation by LCH SA of such Daily Backloading Transaction.

**Irrevocable Weekly Backloading Transaction:** Any Eligible Weekly Backloading Transaction in respect of which the relevant Clearing Members are deemed to have given, at such time set out in a Clearing Notice, their irrevocable agreement for the novation by LCH SA of such Eligible Weekly Backloading Transaction.

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

**ISDA Credit Derivatives Definitions:** The 2003 ISDA Credit Derivatives Definitions or the 2014 ISDA Credit Derivatives Definitions, as applicable.

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

**Latest Contributed Price Time:** The latest local time in the relevant Trading City, as set out in the CDSClear Service Description available on the Website, used as a cut-off for receiving price files from the Index Publisher. Otherwise the fall back procedure as described in paragraph 5.18.4 of Section 5 of the Procedures is used.

**Latest Cross Trade Execution Time:** The latest local time in the relevant Trading City, as set out in the CDSClear Service Description available on the Website, on the Price Contribution Day following a Firm Day for a cross trade to be executed as set out in paragraph 5.18.5 of Section 5 of the Procedures.

**LCH Businesses**: This term shall have the meaning set out in Article 4.3.3.1.

**LCH Approved Outsourcing Agent:** A Person designated as such by LCH SA.

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

**LCH Default Date:** The date on which a notice given to LCH SA pursuant to Article 1.3.1.2 is deemed delivered to LCH SA as provided in Article 1.2.5.4.

**LCH Default Payment Date:** The day 27 Clearing Days after the Termination Date, unless otherwise set out in accordance with Article 1.3.1.9 or amended by LCH SA pursuant to Article 1.3.1.10.

**LCH Default Time:** The time at which a notice given to LCH SA pursuant to Article 1.3.1.2 is deemed delivered to LCH SA as provided in Article 1.2.5.4 and in the event that notices are received from more than one Affected Clearing Member, the first of those notices.

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

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

**LCH SA Contribution:** An amount: (i) determined by LCH SA from time to time in accordance with the requirements relating to the calculation and the setting aside of dedicated own resources under Article 45(4) of EMIR and Article 35 of Commission Delegated Regulation (EU) No 153/2013 with regard to regulatory technical standards on requirements for central counterparties; and (ii) which shall not be less than the floor amount of Euro 20 million.

**Legal Entity Identifier Margin:** The amount calculated by LCH SA in accordance with Section 2 of the Procedures.

**Legally Segregated Value:** With respect to an FCM/BD Clearing Member, the value determined by LCH SA, at the times and in the manner set out in Section 2.2(f) of the Procedures, for each FCM/BD Client Margin Account of such FCM/BD Clearing Member, based on the aggregate value of the Collateral (excluding FCM/BD Client Collateral Buffer) transferred by such FCM/BD Clearing Member to LCH SA to meet such FCM/BD Clearing Member's FCM/BD Client Margin Requirement(s).

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

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

**Loss Distribution Process:** The process set out in Clause 7 of the CDS Default Management Process.

**Mandatory Clearing:** The clearing obligation under Article 4 of EMIR and/or Article 29 of MiFIR.

**Mandatory Client Clearing Provisions:** The provisions set out in Article 5.1.1.3.

**Mandatory Indirect Client Clearing Provisions**: The provisions set out in CHAPTER 5Article 5.1.3.2.

**Margin:** Any margin, including Spread Margin, Short Charge Margin, Recovery Risk Margin, Interest Rate Risk Margin, Wrong Way Risk Margin, Vega Margin, Self-Referencing Protection Margin, Liquidity and Concentration Risk Margin, Accrued Fixed Amount Liquidation Risk Margin, Credit Event Margin, Legal Entity Identifier Margin, Additional Margin, Stress Test Loss Over Additional Margin / Net Capital Ratio Margin, Contingency Variation Margin, Credit Quality Margin, Extraordinary Margin and Variation Margin that LCH SA calculates to be payable by a Clearing Member in accordance with the terms of this CDS Clearing Rule Book and the Procedures.

**Margin Account:** A House Margin Account or a Client Margin Account, as the case may be, of a CCM or FCM/BD Clearing Member.

**Margin Balance:** The CCM Margin Balance or the FCM/BD Margin Balance, as the context requires.

**Margin Repayment Amount:** This term has the meaning set out in Clause 8.5 of the CDS Default Management Process.

**Margin Requirement:** The House Margin Requirement or any Client Margin Requirement, as applicable.

**Margin Shortfall:** The House Margin Shortfall or the Client Margin Shortfall, as the case may be.

**Market Data:** With respect to the Open Positions of a Clearing Member, the daily prices of such Open Positions which are provided to LCH SA in accordance with Section 5 of the Procedures.

**Markit CDX™ Indices:** Each of the series and versions of Markit CDX™ indices published on the Website, in accordance with Section 4 of the Procedures. Information about these indices and their publication, composition, weighting and calculation is available on the website of the Index Publisher (www.markit.com).

**Markit LCH Settlement Price:** This term shall have the meaning given in Article 4.2.7.1.

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

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

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

**Maximum Notional Amount:** The amount specified by LCH SA from time to time, if any, for all Clearing Members pursuant to Section 5 of the Procedures.

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

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

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

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

**MiFID:** Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

**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.

**Morning Call:** The Collateral Call performed on each Business Day at the time specified in Section 2 of the Procedures for an amount determined in accordance with Section 4.2.3 and Section 2 of the Procedures.

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

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

**Nominated Clearing Member:** With respect to an Intraday Transaction comprising one or more Client Trade Leg(s) or a Client Backloading Transaction, a Clearing Member which has been nominated by a Client, in the manner and form as prescribed by Section 5 of the Procedures, to consent to the registration of the relevant Client Trade Leg in the corresponding Client Trade Account(s).

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

**Non-Default Event:** A scenario in which losses are incurred by LCH SA for any reason other than an Event of Default, including but not limited to, business, custody, investment, legal or operational failures or fraud, including failures resulting from cyber-attacks.

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

(i) an Event of Default occurring in respect of such Clearing Member; or

(ii) an LCH Default.

**Non-Default Unwind:** In relation to a Clearing Member, the process by which the Clearing Member unwinds its Cleared Transactions, through:

(i) transferring its House Cleared Transactions to another Clearing Member;

(ii) procuring a transfer of the Client Cleared Transactions to one or more Receiving Clearing Member(s) in accordance with Title V, CHAPTER 3;

(iii) liquidating, compressing or effecting any other form of close-out in relation to any of its House Cleared Transactions or Client Cleared Transactions that have not been transferred to a Receiving Clearing Member in accordance with Title V, Chapter 3.

A closing out of Cleared Transactions on the termination of a Clearing Member's membership of LCH SA is a Non-Default Unwind only where an Event of Default has not occurred in relation to that Clearing Member.

**Non-Defaulting Clearing Member:** At any time, each Clearing Member who is not a Defaulting Clearing Member.

**Non-Ported Cleared Transactions:** The Client Cleared Transactions of a Defaulting Clearing Member which have not been ported in accordance with Clause 4.3 of the CDS Default Management Process.

**Non-U.S. CCM:** When used in the context of an Original Transaction, a "Non-U.S. CCM" shall mean a CCM that has its residence in, is organized under the laws of, or has its principal place of business located in, a jurisdiction other than the United States, its territories or possessions and is not a registered BD or FCM.

**Non-U.S. CCM Client:** A CCM Client that is not a U.S. CCM Client.

**Notional Amount:** In respect of any Cleared Transaction, the Floating Rate Payer Calculation Amount as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

**Notional and Collateral Check:** The process by which LCH SA determines whether the Notional Amount of the relevant Eligible Intraday Transaction exceeds the Maximum Notional Amount and whether the Clearing Member has:

(i) sufficient Excess Collateral recorded in the relevant Collateral Account which can be used to satisfy the Intraday Novation Margin Requirement as required by and set out in Section 2 of the Procedures; or

(ii) in the circumstances described in Article 4.2.2.4 sufficient Available Client Collateral Buffer to allocate to:

(a) the relevant Client Account Structure, in the case of a CCM; or

(b) the relevant FCM/BD Client Margin Account, in the case of an FCM/BD Clearing Member,

to satisfy the Intraday Novation Margin Requirement as required by and set out in Section 2 of the Procedures.

**Novation Time:**

(i) In respect of a Backloading Transaction, as soon as technologically practicable following the Clearing Member Novation Acceptance Time on the relevant Clearing Day; and

(ii) in respect of an Intraday Transaction, the point in time at which such Intraday Transaction is novated immediately following completion and satisfaction of the relevant Notional and Collateral Check with respect to the relevant Clearing Member as determined in accordance with the CDS Clearing System processes.

**NPV Amount**: The amount calculated by LCH SA in accordance with Section 2 of the Procedures.

**NPV Payment:** The amount of cash paid by a Clearing Member or LCH SA to satisfy a NPV Payment Requirement.

**NPV Payment Requirement:** A House NPV Payment Requirement or a Client NPV Payment Requirement, as applicable.

**Office:** With respect to LCH SA, its Paris head office and, with respect to any Clearing Member, the branch or office through which it acts for the purposes of the CDS Clearing Documentation, as initially set out in the CDS Admission Agreement it has entered into with LCH SA and as may be amended from time to time.

**Open Position:** The net sum of the obligations resulting from the netting of the Cleared Transactions (for the avoidance of doubt, irrespective of whether the Cleared Transactions are STM Cleared Transactions or CTM Cleared Transactions) which are allocated to a Margin Account and which are of the same CDS Type or Swaption Type, as applicable.

**Original Transaction:** A Backloading Transaction or an Intraday Transaction.

**Original Transaction Data:** The Transaction Data and, in respect of an Intraday Transaction comprising one or more Client Trade Leg(s) or a Client Backloading Transaction, the identifier of the Nominated Clearing Member and as the case may be, the identifier of the relevant branch of the Client.

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

(i) it holds a majority of the voting rights in the subsidiary; or

(ii) it is a shareholder or partner of the subsidiary and has the right to appoint or remove a majority of its board of directors; or

(iii) it has the right to exercise a dominant influence over the subsidiary: (a) by virtue of provisions contained in the subsidiary's articles, or (b) by virtue of a control contract; or

(iv) it is a shareholder or partner of the subsidiary and controls alone, pursuant to an agreement with other shareholders or partners, a majority of the voting rights in the subsidiary.

**Participation Threshold:** The percentage as determined by LCH SA, which is equal to the lower of 5% and the sixth largest Group Total Margin Percentage among all the Group Total Margin Percentages calculated in respect of each Financial Group to which one or more Clearing Members belong.

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

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

(i) any or all Price Alignment Interest, Price Alignment Amount, Initial Payment Amount, Fixed Amounts, Premiums, cash amounts due upon the occurrence of a Credit Event, securities, deliverable obligations or assets owed to LCH SA or to another Clearing Member in respect of Cleared Transactions registered in the name of the Defaulting Clearing Member with LCH SA;

(ii) subject to Article 4.2.3.3(iii) Collateral to satisfy its Margin Requirements (including but limited to Spread Margin, Additional Margin, Short Charge Margin, Self-Referencing Protection Margin, Recovery Risk Margin, Interest Rate Risk Margin, Wrong Way Risk Margin, Accrued Fixed Amount Liquidation Risk Margin, Credit Event Margin, Concentration Risk Margin, Credit Quality Margin, Extraordinary Margin, Contingency Variation Margin or any additional Margin imposed by LCH SA pursuant to Article 4.2.1.2);

(iii) Collateral to satisfy its Contribution Requirement;

(iv) Variation Margin to satisfy its Variation Margin Requirement; and

(v) NPV Amount to satisfy its NPV Payment Requirement.

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

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

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

**Pledge Agreement:** The agreement entered into between LCH SA and a Clearing Member having exercised its option to transfer Eligible Collateral to LCH SA through a Belgian law security interest pursuant to Article 3.2.3.2 and/or Article 5.2.4.2.

**Pledged Eligible Collateral:** Eligible Collateral which is pledged in accordance with a Pledge Agreement.

**Ported Collateral:** In relation to each Client Margin Account of a Defaulting Clearing Member:

(i) the Client Assets, or in respect of the CCM Client Margin Account of a CCM Gross Omnibus Sub-Account Structure or a CCM Indirect Client Gross Segregated Account Structure, Client Assets, as attributed to that CCM Gross Omnibus Sub-Account Structure or that CCM Indirect Client Gross Segregated Account Structure 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 or the CCM Indirect Client Gross Account Balance attributable to that CCM Indirect Client Gross Segregated Account Structure; plus

(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.

**Portfolio Margining Program:** This term shall have the meaning set out in the FCM/BD CDS Clearing Regulations.

**Porting FCM/BD Cleared Transaction:** This term has the meaning set out in Section 6.3.1.

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

**Premium:** This term shall have the meaning set out in the 2006 Definitions.

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

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

**Price Contribution Day:** A Clearing Day that is a day on which commercial banks in the relevant Trading City are open for business.

**Price Contribution Delegate:** In respect of a Clearing Member, an entity that:

(i) is both an Affiliate and a Clearing Member; and

(ii) has been duly approved by LCH SA to act in the place of such Clearing Member, pursuant to the conditions set forth in Section 5 of the Procedures.

**Price Contribution Participant:** Each Select Member which has opted for submitting, or is required to submit, Market Data in accordance with Article 2.2.0.4 or each General Member, or in each case, its Price Contribution Delegate.

**Price Requirement Files:** This term shall have the meaning set out in Section 5 of the Procedures.

**Procedures:** One or more documents issued by LCH SA and entitled "*CDS Clearing Procedures*" containing the working practices and administrative or other requirements of LCH SA for the purpose of implementing or supplementing this CDS Clearing Rule Book and the CDS Clearing Supplement, or the procedures for application for and regulation of membership of LCH SA, and in respect of CDS Dealers, for application for admission to the Register of CDS Dealers and regulation of CDS Dealers admitted to the Register of CDS Dealers, as amended from time to time.

**Real Time Session:** The period commencing at the Start of Real Time and ending at the End of Real Time in respect of each Clearing Day.

**Receiving Clearing Member:** A Clearing Member receiving part or all the Cleared Transactions and, as the case may be, associated Client Assets, of a Client from a Carrying Clearing Member, pursuant to TITLE V, Chapter 3 for CCMs and TITLE VI, CHAPTER 3 for FCM/BD Clearing Members, and in accordance with the Procedures.

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

**Reference Entity:** This term shall have the meaning set out in the ISDA Credit Derivatives Definitions.

**Register of CDS Dealers:** The register which lists CDS Dealers regarded by LCH SA as for the time being eligible to submit Original Transactions for registration as CCM Cleared Transactions by LCH SA.

**Rejected Transaction:** Any Original Transaction which is submitted to LCH SA but is rejected during the clearing process in accordance with the CDS Clearing Documentation and, therefore, does not become a Cleared Transaction.

**Relevant Client Cleared Transaction**: Any Client Cleared Transaction registered in a Client Trade Account of a Defaulting Clearing Member.

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

**Required Collateral Amount:** The CCM Required Collateral Amount or the FCM/BD Required Collateral Amount, as the context requires.

**Resolution Authority:** The *Autorité de Contrôle Prudentiel et de Résolution* and any successor organisation.

**Resolution Measure:** The application of any resolution tool decided by the Resolution Authority as set out in Articles 27 (1), 29, 30, 31, 33, 40, 41 and 42 of CCP Recovery and Resolution Regulation or the exercise by the Resolution Authority of a resolution power pursuant to Articles 48 to 58 of CCP Recovery and Resolution Regulation.

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

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

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

**Resulting Single Name Cleared Transaction**: This term shall have the meaning set out in the CDS Clearing Supplement.

**Risk Committee:** A committee installed by the board of directors of LCH SA in order to provide the latter with advice and recommendations on risk management matters. It is composed of representatives of LCH SA, representatives of Clearing Members and representatives of independent third parties. The committee assesses the risks borne by LCH SA and reviews LCH SA risk policies. More generally, it provides advice and recommendations on risk management framework which are ratified either by LCH SA Chief Executive Officer or by the board of directors of LCH SA as set-out in its terms of reference. The composition, frequency and powers of the committee are organised by its terms of reference as modified from time to time.

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

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

**SBS:** Any security-based swap, as that term is defined in Section 3(a)(68) of the Exchange Act and the SEC Regulations thereunder.

**SBS Customer:** A security-based swap customer (as defined in SEC Rule 15c3-3) of an FCM/BD Clearing Member to which the FCM/BD Clearing Member provides CDS Client Clearing Services with respect to positions in FCM/BD Cleared Transactions that are SBS in one or more accounts described in the FCM/BD SBS Client Account Structure maintained by LCH SA in accordance with Article 6.2.1.1(ii), as described in TITLE VI, CHAPTER 2.

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

**SEC:** The U.S. Securities and Exchange Commission.

**SEC Regulations:** The rules and regulations promulgated by the SEC and any interpretive guidance issued by the SEC or its staff.

**Second Intraday Call:** The Collateral Call performed on each Business Day at the time set out in Section 2 of the Procedures for an amount of collateral determined in accordance with Section 4.2.3 and Section 2 of the Procedures.

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

**Select Member:** A CCM or an FCM/BD Clearing Member that has been admitted by LCH SA as a Select Member in accordance with Section 1 of the Procedures.

**Select Member Form:** In respect of a Select Member, the form referencing the elections made by a Select Member in accordance with Article 2.2.0.4, as amended from time to time in accordance with Section 5 of the Procedures.

**Self-Referencing Protection Margin:** The amount calculated by LCH SA in accordance with Section 2 of the Procedures.

**Self Referencing Transaction:** This term shall have the meaning set out in the CDS Clearing Supplement.

**Settlement Finality Directive:** Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

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

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

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

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

**SIPC**: Securities Investor Protection Corporation or any successor thereto.

**Specific Matter:** Any one of the following:

(i) the provisions set out in Article 4.4.3.4 and Article 4.4.1.4 which ensure that, during a CDS Post-Default Period, a Clearing Member cannot be required to transfer Collateral to LCH SA as a Contribution Requirement other than where it is called upon to pay its Additional Contribution Amount, calculated in accordance with Article 4.4.1.4;

(ii) the provision in Article 4.3.2.2 which requires LCH SA to implement the CDS Default Management Process to manage the impact of any Event of Default of a Clearing Member;

(iii) any provision, whether relating to the CDS Default Management Process or other provisions of the CDS Clearing Documentation, which purports to introduce the creation of, or closing out and valuation of, Cleared Transactions at a price and on terms determined by LCH SA in its discretion, forced allocation or any other analogous procedure through which a Clearing

Member is required to take on additional risk at a price or on terms other than as agreed by the Clearing Member or in accordance with the CDS Default Management Process;

(iv) the provisions in Article 1.3.1.1(i) in respect of the period of three Business Days following which a failure to pay or redeliver constitutes an LCH Default;

(v) the resources which are available to LCH SA following the occurrence of an Event of Default and the order in which they are available to be used, as set out in Article 4.3.3.1;

(vi) the provisions set out in Article 4.4.1.2 and Article 4.4.1.3, the definition of Additional Contribution Amount and the provisions set out in Section 6 of the Procedures, which govern the size of the CDS Default Fund; and

(vii) the rights of the Clearing Members pursuant to Article 1.2.2.7 in relation to Specific Matters.

**Spin-off Single Name Cleared Transaction:** This term shall have the meaning set out in the CDS Clearing Supplement.

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

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

**Start of Real Time (SoRT):** The time as specified in a Clearing Notice.

**STM Cleared Transaction:** A Cleared Transaction that is registered in an STM Trade Account in accordance with CHAPTER 4Section 3.1.10.

**STM Trade Account:** A Trade Account which is classified as an STM Trade Account on the basis of an election made by the relevant Clearing Member in accordance with Section 5 of the Procedures.

**Stress Test Loss Over Additional Margin / Net Capital Ratio Margin:** The amount calculated by LCH SA in accordance with Section 2 of the Procedures.

**Swaption Restructuring Cleared Transaction:** This term shall have the meaning set out in Part C of the CDS Clearing Supplement.

**Swaption Type:** This term shall have the meaning set out in Part C of the CDS Clearing Supplement.

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

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

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

(i) submit payment orders or receive payments via TARGET2; and

(ii) settle such payments with such Eurosystem Central Bank.

**Termination Amounts:** The House Termination Amount, or the Global House Termination Amount as applicable, and the Client Termination Amount(s) as the case may be.

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

**TIW:** The Trade Information Warehouse operated by DTCC.

**TIW Participant:** Any Person that is a direct participant in the TIW.

**Total Client Margin Shortfall:** With respect to a Clearing Member, an amount equal to the aggregate of the Client Margin Shortfalls of such Clearing Member.

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

**Trade Account:** A House Trade Account and/or a Client Trade Account.

**Trading City:** The city in which a CDS or Index Swaption is typically traded, as published on the Website.

**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 to 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.

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

**Triparty Documentation:** The documentation entered into between LCH SA, the relevant triparty agent and a Clearing Member having exercised its option to transfer Eligible Collateral on a full title transfer basis to LCH SA through a triparty arrangement pursuant to Section 3 of the Procedures.

**Underlying Index Transaction:** This term shall have the meaning set out in Part C of the CDS Clearing Supplement.

**U.S. CCM:** A CCM that is not a Non-U.S. CCM.

**U.S. CCM Client:** A Client of an FCM or a BD or any Client that has its residence in, is organized under the laws of, or has its principal place of business located in the United States, its territories or possessions.

**US Dollar:** The United States Dollar.

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

**Variation Margin Collateral Transfer:** The amount of cash transferred by a Clearing Member or LCH SA by way of full title transfer to satisfy a Variation Margin Requirement and which, for the avoidance of doubt, is subject to the provisions of article L. 211-38 of the French Monetary and Financial Code.

**Variation Margin Requirement:** The House Variation Margin Requirement or the Client Variation Margin Requirement in respect of any Client Margin Account, as applicable.

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

**Website:** www.lseg.com/en/post-trade/clearing.

**Weekly Backloading Cycle:** The process operated by LCH SA, in accordance with Section 3.1.1, pursuant to which Weekly Backloading Transactions are submitted for clearing.

**Weekly Backloading Start Day**: The day as determined by LCH SA in accordance with CHAPTER 4Article 3.1.1.10.

**Weekly Backloading Novation Day**: The day as determined by LCH SA in accordance with CHAPTER 4Article 3.1.1.10.

**Weekly Backloading Transaction:** An existing CDS or Index Swaption:

(i) which has two House Trade Legs; and

(ii) whose Transaction Data is contained in the Gold Records File.

**Winding Down Event:** A decision which:

(i) is made by the ACPR and is final; or

(ii) is made by a court of competent jurisdiction which is final and cannot be appealed (or, to the extent it could be appealed, there are reasonable grounds for concluding that such appeal would have no reasonable chance of success);

which prevents LCH SA from providing the CDS Clearing Service to all, or substantially all Clearing Members.

**Wrong Way Risk Margin:** The amount calculated by LCH SA in accordance with Section 2 of the Procedures.

### Section 1.1.2 Incorporation of defined terms

**Article 1.1.2.1**

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

**Article 1.1.2.2**

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

### Section 1.1.3 Interpretation and references

**Article 1.1.3.1**

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

**Article 1.1.3.2**

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

**Article 1.1.3.3**

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

**Article 1.1.3.4**

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

**Article 1.1.3.5**

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

**Article 1.1.3.6**

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

**Article 1.1.3.7**

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

**Article 1.1.3.8**

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

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

**Article 1.1.3.9**

The "CDS Buyer", "CDS Seller", "Index Swaption Buyer" and "Index Swaption Seller" within the meaning of the CDS Clearing Documentation shall not be construed as being, respectively, a buyer or a seller under a sale contract within the meaning of article 1582 of the French Civil Code.

**Article 1.1.3.10**

Nothing in the CDS Clearing Documentation shall give rise to a requirement for LCH SA to take any action which would contravene the provisions of Applicable Law or its continuing regulatory obligations.

# CHAPTER 2 - GENERAL PROVISIONS

## Section 1.2.1 General

**Article 1.2.1.1**

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

**Article 1.2.1.2**

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

**Article 1.2.1.3**

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

## Section 1.2.2 Modification

**Article 1.2.2.1**

LCH SA shall only be permitted to modify the CDS Clearing Documentation from time to time, in accordance with the provisions of this Section 1.2.2. For the avoidance of doubt, this Section 1.2.2 does not apply to the issuance of Clearing Notices save Article 1.2.2.8 and Article 1.2.2.9.

**Article 1.2.2.2**

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

**Article 1.2.2.3**

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

**Article 1.2.2.4**

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

(i) the proposed modification is of a limited, technical nature or relates to minor, administrative provisions and, in each case, LCH SA reasonably considers that prior consultation of Clearing Members in accordance with Article 1.2.2.2 is not appropriate;

(ii) the proposed modification is required, necessary or desirable (whether in accordance with the legal advice received by LCH SA or otherwise) to ensure that LCH SA:

(a) complies with Applicable Law, accounting standards or the requirements or recommendations of any Governmental Authority or any of its Competent Authorities; or

(b) maintains its status as a clearing house within the meaning of Article L. 440-1 of the French Monetary and Financial Code or any other legal or regulatory status it has under any other Applicable Law;

(c) properly manages any risks to LCH SA arising out of what LCH SA reasonably considers to be Extreme Market Developments;

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

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

**Article 1.2.2.5**

Where LCH SA issues a Rules Notice in the circumstances described in Article 1.2.2.4(i) or (ii), the Rules Notice shall come into effect on the expiry of such period of notice as is set out in such Rules Notice and LCH SA shall not be bound by the minimum period set out in Article 1.2.2.3. Notwithstanding the

foregoing, LCH SA agrees that, wherever feasible, a Rules Notice will be published on the Website two Clearing Days prior to it coming into effect.

**Article 1.2.2.6**

Subject to Article 1.2.2.4 and Article 1.2.2.11, LCH SA shall not, in any circumstances, be permitted to make any modification to the CDS Clearing Documentation that would alter the terms, including, but not limited to, the payment or delivery obligations, of a Cleared Transaction.

Notwithstanding the foregoing, in relation to any relevant index, where the related Index Publisher publishes an updated form of confirmation in respect of CDS referencing such index or in respect of Index Swaption Cleared Transactions the underlying Index Cleared Transaction of which references such index, or where ISDA publishes an updated form of confirmation for the Single Name Cleared Transaction, LCH SA may, in consultation with the Risk Committee, adopt such form of confirmation in respect of Index Cleared Transactions, Index Swaption Cleared Transactions or Single Name Cleared Transactions, as the case may be, either:

(i) with respect to existing and future Cleared Transactions referencing such index, Index Swaption Cleared Transactions the underlying Index Cleared Transaction of which references such index or Single Name Cleared Transactions, as the case may be; or

(ii) with respect to future Cleared Transactions referencing such index, Index Swaption Cleared Transactions the underlying Index Cleared Transaction of which references such index or Single Name Cleared Transactions, as the case may be, only,

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

(a) LCH SA may only adopt such confirmations when LCH SA determines, following consultation with the Risk Committee, that such confirmations are industry standard; and

(b) LCH SA may only modify existing Cleared Transactions as the case may be, if LCH SA determines, following consultation with the Risk Committee, that such modifications will not result in an MTM Change in respect of the relevant Cleared Transaction, as the case may be.

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

**Article 1.2.2.7**

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

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

**Article 1.2.2.8**

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

**Article 1.2.2.9**

Clearing Notices may not be used to issue new, or amend or revoke any existing, principles, rights or obligations as set out in the CDS Clearing Rules or any Cleared Transaction. For the avoidance of doubt, Clearing Notices shall not be notices contemplated by or to be given under the terms of Cleared Transactions pursuant to the CDS Clearing Supplement and shall not be subject to Section 1.10 (Requirements Regarding Notices) of the 2003 ISDA Credit Derivatives Definitions or Section 1.38 (Requirements Regarding Notices) of the 2014 ISDA Credit Derivatives Definitions, as applicable.

**Article 1.2.2.10**

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

**Article 1.2.2.11**

LCH SA may, in consultation with the Risk Committee and such other appropriate legal, operational and other forums established by LCH SA, modify this CDS Clearing Rule Book, the CDS Clearing Supplement

and/or the Procedures in accordance with any relevant CDS industry sponsored protocol or other industry sponsored protocol (or, in each case, other multilateral agreement process) to which, as at 17.00 on the originally scheduled closing date of such protocol or other multilateral agreement process, at least 50% of Clearing Members by number and 50% by contribution to the CDS Default Fund as at the date of its last recalculation pursuant to Article 4.4.1.5 and Article 4.4.1.6 agree to adhere, with such modification to be applicable to all existing or future Cleared Transactions of the relevant CDS Type or Swaption Type, as the case may be, as set forth in such protocol or multilateral agreement process or resolution.

**Article 1.2.2.12**

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

## Section 1.2.3 Publication

**Article 1.2.3.1**

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

**Article 1.2.3.2**

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

**Article 1.2.3.3**

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

### Section 1.2.4 Extension or waiver

**Article 1.2.4.1**

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

**Article 1.2.4.2**

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

### Section 1.2.5 Notices - Communications

**Article 1.2.5.1**

Unless stated otherwise in the relevant sections of the CDS Clearing Documentation, LCH SA shall deliver any notice, order or communication which is required to be given to Clearing Members and/or the CDS Dealers, as applicable, pursuant to the CDS Clearing Documentation by hand, post, courier, electronic transmission, email, facsimile or telephone to the address, email address, facsimile number or telephone number specified by a Clearing Member in the CDS Admission Agreement, and a CDS Dealer in the CDS Dealer Clearing Agreement, as applicable, as updated from time to time by notifying LCH SA of any changes, except that a copy of any Default Notice delivered pursuant to Article 4.3.1.3, Final Settlement Notice delivered pursuant to Article 4.3.3.4 and/or Membership Termination Notice delivered pursuant to Article 2.4.2.2 must additionally be delivered to a Clearing Member by hand, post or courier.

**Article 1.2.5.2**

Upon the occurrence of an Event of Default in respect of a Clearing Member, LCH SA shall rely on the latest information received by LCH SA from the relevant Defaulting Clearing Member on its Client(s) in order to contact the relevant Client(s) or for the purposes of any payment to the relevant Clients(s).

**Article 1.2.5.3**

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

**Article 1.2.5.4**

With the exception of modifications made under Section 1.2.2 (which will become effective on the date stated therein), and unless stated otherwise in the relevant sections of the CDS Clearing Documentation, any notice (including but not limited to any Default Notice, Clearing Notice, Rules Notice, and excluding any notice relating to Margin), document (including but not limited to any Rules Proposal), communication, filing or form, provided by LCH SA or a Clearing Member will, unless otherwise specified in the CDS Clearing Rules, only be effectively served, filed, made or provided:

(i) if sent by post, on the third Business Day (or tenth Business Day in the case of airmail) after the day on which it was posted, with full postage paid and in a correctly addressed envelope;

(ii) if delivered by hand or by courier, at the time of delivery or, if not delivered prior to 17.00 on a Business Day, on the following Business Day; and

(iii) if delivered by facsimile or electronic transmission or published on the Website, on the Business Day of transmission or publication where such transmission or publication occurs prior to 16.00 or, where transmission or publication occurs after 16.00, on the following Business Day.

**Article 1.2.5.5**

LCH SA is entitled to act upon notice, order or communication appearing to have been issued by, or have come from, a Clearing Member or, pursuant to Clause 4.3 of the CDS Client Clearing DMP, a Client. These will be accepted by LCH SA as genuine, even if, for example, they are later found:

(i) to be inaccurate, whether in whole or in part; or

(ii) not to have been given by the Clearing Member or a Client, as appropriate; or

(iii) not to have been given with the authority of the Clearing Member or a Client, as appropriate.

## Section 1.2.6 Fees

**Article 1.2.6.1**

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

**Article 1.2.6.2**

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

## Section 1.2.7 Currency

**Article 1.2.7.1**

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

**Article 1.2.7.2**

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

**Article 1.2.7.3**

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

**Article 1.2.7.4**

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

**Article 1.2.7.5**

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

(i) for the payment of any amount owing in respect of any Cleared Transaction;

(ii) for the payment of any amount relating to any early termination in respect of such Cleared Transaction; or

(iii) in respect of a judgment or order of another court for the payment of any amount described in sub-paragraph (i) or (ii) above,

the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the CDS Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the CDS Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which

the CDS Contractual Currency is converted into the currency of the judgment or order for the purpose of such judgment or order and the rate of exchange at which such party is able, acting in good faith and using commercially reasonable procedures in converting the currency received into the CDS Contractual Currency, to purchase the CDS Contractual Currency with the amount of the currency of the judgment or order actually received by such party.

**Article 1.2.7.6**

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

**Article 1.2.7.7**

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

## Section 1.2.8 Time reference

**Article 1.2.8.1**

Where reference is made in the CDS Clearing Documentation to a time or deadline, it shall be understood to mean Paris time, unless otherwise stipulated in the CDS Clearing Documentation.

## Section 1.2.9 Obligations of LCH SA to each Clearing Member

**Article 1.2.9.1**

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

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

**Article 1.2.9.2**

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

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

(i) the payment of the Variation Margin to the relevant Clearing Member by way of Variation Margin Collateral Transfer;

(ii) the payment of the Price Alignment Interest to the Clearing Member;

(iii) the payment of NPV Amounts to the Clearing Member by way of NPV Payment;

(iv) the payment of the Price Alignment Amount to the Clearing Member;

(v) the payment of the Initial Payment Amount, if any, to the relevant Clearing Member;

(vi) the payment of Fixed Amounts to the CDS Seller;

(vii) following a Credit Event, and in accordance with the CDS Clearing Supplement:

  (a) when Auction Settlement applies, the payment of the Auction Settlement Amount to the CDS Buyer;

  (b) when Physical Settlement applies, the payment to the CDS Buyer of the Physical Settlement Amount; and

  (c) where the Partial Cash Settlement Terms apply pursuant to the Cleared Transaction, the payment of the Cash Settlement Amount to the CDS Buyer; and

(viii) the payment of the Premium to the relevant Index Swaption Seller in accordance with Part C of the CDS Clearing Supplement.

These obligations of LCH SA to each Clearing Member shall be determined after giving effect to netting as set out in Section 3 of the Procedures.

## Section 1.2.10 Liability

**Article 1.2.10.1**

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

**Article 1.2.10.2**

A Clearing Member or a CDS Dealer will not be held liable for any special, indirect or consequential Damage, including loss of custom, profit or revenues, or any Damage which results from abnormal or

fraudulent use of the CDS Clearing System by third parties, or for any Damage resulting from acts or omissions of third parties, other than members of its respective Financial Group.

**Article 1.2.10.3**

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

(i) in respect of a claim for Damages by a Clearing Member, a CDS Dealer or a Client, following a total or partial failure by such Clearing Member and/or CDS Dealer, as applicable, to perform or comply with the CDS Clearing Documentation;

(ii) any act or omission of a Clearing Member or other third party (including without limitation a CDS Dealer), including, without limitation, in the circumstances set out in (ix), (xviii), (xxii) or (xxiii) below;

(iii) any agreement or arrangement that a Clearing Member has entered into with a third party in connection with its activities under the CDS Clearing Documentation (including, without limitation, the CDS Dealer Clearing Agreement, the CDS Client Clearing Agreement and any agreement or arrangement referred to in Section 2.2.7);

(iv) any suspension, restriction or closure of LCH SA or its services, where required of LCH SA pursuant to Applicable Law, whether for a temporary period or otherwise;

(v) reliance by LCH SA on any data provided to it by a Clearing Member or a CDS Dealer, as applicable, or as may otherwise be provided to it in accordance with this CDS Clearing Rule Book, including the End of Day Contributed Prices;

(vi) excepting any dispute arising under the CDS Dispute Resolution Protocol which may relate to whether an Original Transaction has been novated pursuant to this CDS Clearing Rule Book, any dispute arising from or in relation to any Original Transaction; including, but not limited to, any dispute as to the validity or otherwise of the Original Transaction, the terms of the Original Transaction or whether any alleged agreement or arrangement constitutes an Original Transaction;

(vii) any failure to pre-register, or the improper pre-registration of, positions in the CDS Clearing System corresponding to an Original Transaction eligible for clearing by LCH SA because of a third party's fault (including without limitation that of a CDS Dealer) or a Force Majeure Event affecting LCH SA;

(viii) registration of Cleared Transactions in a Clearing Member's Trade Account and/or allocation of such Cleared Transactions in a Clearing Member's Margin Account where it does so on the basis of the Original Transaction Data with respect to the relevant Original Transaction;

(ix) the quality, fitness for purpose, completeness or accuracy of End of Day Contributed Prices or composite prices/spreads;

(x) in respect of a claim for Damages by a Defaulting Clearing Member, any decision by LCH SA to proceed with a liquidation of its Cleared Transactions or the taking of any other action pursuant to Article 4.3.2.3 or the CDS Default Management Process (including, for the avoidance of doubt, the CDS Client Clearing DMP);

(xi) the exercise, or failure to exercise, by LCH SA of any discretion or right conferred upon it by the CDS Clearing Documentation, including any actions taken or omitted to be taken in relation to the application of LCH SA's rights following the declaration of an Event of Default in respect of a Clearing Member;

(xii) any statement, representation or warranty by LCH SA or any of its officers or representatives other than as expressly set out in the CDS Clearing Documentation or the CDS Admission Agreement;

(xiii) any special, indirect or consequential Damage, including loss of custom, profit or revenues;

(xiv) rejection of any application to become a Clearing Member or a CDS Dealer;

(xv) 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;

(xvi) any error within or corruption of any data sent by an Approved Trade Source System directly or indirectly to LCH SA or to a Clearing Member or a CDS Dealer or any delay in or failure of the transmission of such data to LCH SA;

(xvii) the registration of a Cleared Transaction on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System;

(xviii) any decision of any ISDA Credit Derivatives Determinations Committee or any failure of any such committee to take any decision;

(xix) any breach by a Clearing Member of its obligations, under any Applicable Law or otherwise resulting from the CDS Clearing Services, vis-à-vis its Clients, Affiliates, the CDS Dealers with which it is a party to a CDS Dealer Clearing Agreement, as applicable, or LCH SA (including, without limitation, in the case of an FCM/BD Clearing Member, any breach of its obligations under the FCM/BD CDS Clearing Regulations regarding segregation or any agreement or arrangement to which it is a party);

(xx) any breach by a CDS Dealer of its obligations, under any Applicable Law or otherwise resulting from the CDS Clearing Services, vis-à-vis the Clearing Member with which it is party to a CDS Dealer Clearing Agreement or LCH SA;

(xxi) any action or inaction on the part of any Clearing Member or third party (including without limitation a CDS Dealer) which would prevent, impair, limit, restrict or delay the transfer or porting of Cleared Transactions or the conditions under which Cleared Transactions may be or are transferred or ported (whether in the context of an Event of Default or otherwise);

(xxii) any default of an FCM/BD Client (or, if permitted pursuant to Section 6.1.1, an Affiliate), including, without limitation, a breach by an FCM/BD Client (or such Affiliate) of its obligations under any Applicable Law, FCM/BD Cleared Transaction or CDS Client Clearing Agreement;

(xxiii) in respect of a claim for Damages by a Clearing Member, following any failure of an Exercise Delegation Beneficiary to perform its obligations in relation to a delegation by a Clearing Members of the power to Exercise or Abandon Exercise Cleared Transactions in accordance with Part C of the CDS Clearing Supplement or in connection with or arising from the Exercise or Abandonment (or attempted Exercise or Abandonment) of an Exercise Cleared Transaction by such Exercise Delegation Beneficiary; or

(xxiv) any improper use or disclosure by a third party, including a Client, of the information made available on a Client Portal Account further to a Feeding Request.

**Article 1.2.10.4**

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

(i) fraud, fraudulent representation, gross negligence or an intentional omission or act on the part of LCH SA;

(ii) personal injury or death caused by the negligence, recklessness or any intentional act or omission of LCH SA;

(iii) any liability which cannot be lawfully excluded under Applicable Law (to the extent such liability cannot be lawfully excluded);

(iv) the performance of its obligations vis-à-vis any Clearing Member pursuant to Section 1.2.9 (to the extent that no Event of Default has occurred with respect to such Clearing Member (and is ongoing), and other than where such liability occurs as a result of LCH SA following the CDS Default Management Process);

(v) its obligation to return the Excess Collateral to a Clearing Member pursuant to Article 4.2.2.5 (to the extent that no Event of Default has occurred with respect to such Clearing Member);

(vi) its obligation to transfer the Client Assets to a Receiving Clearing Member pursuant to Section 5.3.2 or Section 6.3.2;

(vii) its obligation to return any CCM Unallocated Client Collateral or FCM/BD Swaps Unallocated Client Excess Collateral (as applicable) to the Defaulting Clearing Member in accordance with Article 4.3.2.4;

(viii) its obligation to transfer the Ported Collateral to a Backup Clearing Member pursuant to Clause 4 of the CDS Default Management Process;

(ix) its obligation, in the case of a CCM, to return the CDS Client Clearing Entitlement to the relevant Client pursuant to Clause 4 of the CDS Default Management Process;

(x) its obligation, pursuant to Article 2.4.2.11, to repay to a Clearing Member who voluntarily terminates its membership in accordance with Article 2.4.2.2 an amount equal to the sum of its Margin Balance and Client Collateral Buffer, (save that LCH SA shall be entitled to retain any collateral in accordance with the FCM/BD CDS Clearing Regulations), any Collateral that has been transferred to LCH SA to satisfy its Contribution Requirement to the extent it has not been used by LCH SA in accordance with the CDS Clearing Rules and any recovery made by LCH SA in accordance with Article 4.4.3.8; or

(xi) its obligation to return any FCM/BD Client Collateral Buffer to an FCM/BD Clearing Member.

**Article 1.2.10.5**

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

## Section 1.2.11 Force Majeure Events

**Article 1.2.11.1**

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

**Article 1.2.11.2**

On the occurrence of a Force Majeure Event:

(i) if applicable to a Clearing Member, such Clearing Member shall as soon as reasonably practicable notify LCH SA of the occurrence of the Force Majeure Event occurring in respect of it. The decision to notify LCH SA of a Force Majeure Event under this Article 1.2.11.2 will be taken by a Clearing Member at an appropriate level of seniority;

(ii) if applicable to LCH SA, LCH SA shall issue a Clearing Notice, notifying all Clearing Members of the occurrence of the Force Majeure Event occurring in respect of it, which must be made by the Chief Executive Officer of LCH SA or at an appropriate level of seniority;

(iii) all Clearing Members shall comply with any reasonable directions issued by LCH SA in respect of such Cleared Transactions affected by the Force Majeure Event and as are specified by LCH SA provided that such directions may not have the effect of amending, introducing, overriding, contravening or revoking any of the rights of Clearing Members in respect of any Specific Matter (unless, for the avoidance of doubt, LCH SA complies with the procedures set out in Article 1.2.2.7 as applicable) save where LCH SA is required to do so in order to implement a binding direction issued to it by any of its Competent Authorities, and provided that no such direction shall be given in the circumstances contemplated by Article 1.2.2.4(ii)(c) without LCH SA having complied with the requirements of that Article;

(iv) each of the Clearing Members and LCH SA who are, and continue to be, affected by the Force Majeure Event shall use all reasonable endeavours to mitigate the effect of the same upon each of their respective ability to perform their obligations under the CDS Clearing Documentation;

(v) each Clearing Member affected by the Force Majeure Event shall promptly notify LCH SA as soon as its ability to perform is no longer affected by the Force Majeure Event; and

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

## Section 1.2.12 Confidentiality

**Article 1.2.12.1**

LCH SA shall hold all information concerning past or current activities of a Clearing Member including, but not limited to, information concerning:

(i) the Cleared Transactions registered in its Trade Account(s);

(ii) the Open Positions registered in its Margin Account(s);

(iii) the positions pre-registered in its Account Structure;

(iv) its Margin Requirement;

(v) the level of Excess Collateral maintained by such Clearing Member in respect of any of its Margin Accounts;

(vi) the level of Client Collateral Buffer maintained by such Clearing Member;

(vii) the Collateral transferred to LCH SA by such Clearing Member;

(viii) deliveries and payments made by or to such Clearing Member; and

(ix) any financial statements and other documents filed with LCH SA by such Clearing Member,

in a confidential manner and shall not make such confidential information known to any other Person, save to the extent permitted by Article 1.2.12.2 to Article 1.2.12.5 below.

**Article 1.2.12.2**

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

(i) with the written consent of the relevant Clearing Member;

(ii) to any Person to whom, at such times and in such manner as, LCH SA is required or formally requested to disclose information pursuant to an order of a competent court, or by or on behalf of any relevant Competent Authority with respect to LCH SA and/or the relevant Clearing Member, Client or Affiliate;

(iii) to an Approved Trade Source System or the TIW, to the extent that such disclosure is necessary for the proper performance by LCH SA or the relevant Clearing Member of its obligations under the CDS Clearing Documentation;

(iv) as expressly permitted by the CDS Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default or of an LCH Default and the implementation by LCH SA and Clearing Members of physical settlement of the Cleared Transactions, and the information thus disclosed by LCH SA shall be treated as confidential information by the receiving Clearing Members and shall not be made known to any other Person nor used for any purpose other than that for which it has been disclosed by LCH SA;

(v) to other clearing houses, to which the relevant Clearing Member is admitted as a member for the purpose of clearing CDS or Index Swaptions, as the case may be, in connection with the occurrence of an Event or an Event of Default in respect of such Clearing Member; or

(vi) to any other Person (with the exception of ratings agencies including but not limited to Moody's, Standard and Poor's and Fitch) to whom LCH SA is authorised to disclose such information pursuant to and in accordance with the provisions of Articles L. 511-33 and L. 511-34 of the French Monetary and Financial Code.

**Article 1.2.12.3**

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

**Article 1.2.12.4**

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

**Article 1.2.12.5**

LCH SA may disclose any information referred to in Article 1.2.12.1 above to LCH Group Holding Limited, LCH 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 Group Holding Limited, LCH Limited, LCH.Clearnet LLC or any other Person.

**Article 1.2.12.6**

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

**Article 1.2.12.7**

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

## Section 1.2.13 Data protection

**Article 1.2.13.1**

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

**Article 1.2.13.2**

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

**Article 1.2.13.3**

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

Data Protection Law, they may oppose the use of their personal data by LCH SA for marketing operations.

**Article 1.2.13.4**

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

**Article 1.2.13.5**

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

## Section 1.2.14 Governing law

**Article 1.2.14.1**

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

**Article 1.2.14.2**

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

**Article 1.2.14.3**

The Pledge Agreement shall be governed by and construed in accordance with Belgian substantive law.

**Article 1.2.14.4**

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

**Article 1.2.14.5**

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

either: (i) French, substantive law; (ii) English substantive law; (iii) Belgian substantive law; or (iv) the substantive law of the State of New York and the federal laws of the United States of America, as determined by this Article 1.2.14.5. Such non-contractual obligations shall be governed by and construed in accordance with:

(i) French law, where the non-contractual obligation is more closely connected to the CDS Clearing Rules (save the CDS Dispute Resolution Protocol) or the CDS Admission Agreement; or

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

(iii) Belgian law, where the non-contractual obligation is more closely connected to the Pledge Agreement; or

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

## Section 1.2.15 Dispute resolution

**Article 1.2.15.1**

All Disputes shall be referred to and finally resolved by arbitration or litigation as applicable in accordance with the CDS Dispute Resolution Protocol, subject to the provisions of Sections 8 and 9 of the Procedures.

## Section 1.2.16 Default Interest

**Article 1.2.16.1**

If either LCH SA or a Clearing Member defaults in the performance of any payment obligation, it will, to the extent permitted by Applicable Law, pay interest (before as well as after judgment) on the overdue amount to the other party on demand in Euro, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the average rate at which overnight deposits in Euro are offered by major banks in the French inter-bank market as at 11.00 (or, if no such rate is available, at such reasonable rate as LCH SA or, as applicable, the relevant Clearing Member may select) plus 1% *per* annum, for each day for which any such sum remains unpaid provided that default interest payable in case of late payment of fees due to LCH SA shall be as set out in the CDS Admission Agreement.

## Section 1.2.17 Tax

**Article 1.2.17.1**

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

(i) promptly notify the recipient ("Y") of such requirement;

(ii) pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to LCH SA under Article 1.2.17.1, Article 1.2.17.2 or Article 1.2.17.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(iii) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

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

**Article 1.2.17.2**

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

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

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

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

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

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

**Article 1.2.17.3**

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

**Article 1.2.17.4**

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

**Article 1.2.17.5**

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

**Article 1.2.17.6**

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

**Article 1.2.17.7**

Each Clearing Member will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with the CDS Clearing Documentation and will indemnify LCH SA against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that LCH SA is not able, in LCH SA's commercially reasonable judgment, to reclaim or

recover such value added Tax) or any other similar Tax levied or imposed upon LCH SA or in respect of LCH SA's execution or performance of any agreement, contract or transaction in connection with the CDS Clearing Documentation. Any payment required to be made by a Clearing Member to LCH SA under this Article 1.2.17.7 shall include an additional amount equal to any Tax levied or imposed on LCH SA as a result of the receipt of any payment under this Article 1.2.17.7.

**Article 1.2.17.8**

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

**Article 1.2.17.9**

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

**Article 1.2.17.10**

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

## CHAPTER 3 - LCH DEFAULT

### Section 1.3.1

**Article 1.3.1.1**

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

(i) LCH SA has failed to make a payment, or to redeliver Eligible Collateral when such payment or redelivery is due and payable in accordance with the CDS Clearing Documentation, to a Clearing Member (other than to a Defaulting Clearing Member or in accordance with the first paragraph of Article 1.2.9.2) under any Cleared Transaction and such failure has not been cured by 17.00 on the third Business Day after the date on which notice of such failure is given by the Clearing Member to LCH SA;

(ii) LCH SA notifies the Clearing Members stating that it is unable to pay the aggregate amount of the Margin Repayment Amounts or redeliver all relevant Pledged Eligible Collateral pursuant to Clause 8.7 of the CDS Default Management Process or fails to pay an LCH Repayment Amount when due by LCH SA to a Clearing Member in full pursuant to Clause 8.7 of the CDS Default Management Process (other than by operation of Clause 7.8 of the CDS Default Management Process); or

(iii) LCH SA becomes subject to LCH Insolvency Proceedings.

In the event LCH SA becomes subject to LCH Insolvency Proceedings, LCH SA shall as soon as reasonably practicable, and no later than 23.59 on the Business Day on which the LCH Insolvency Proceedings commence (or, if such day is not a Business Day, no later than 23.59 on the first Business Day following the day on which the LCH Insolvency Proceedings commence), post a notice on the Website informing all Clearing Members of such circumstance. A failure to provide such notice shall not prohibit an Affected Clearing Member from posting the notice specified in Article 1.3.1.2.

Copies of any notices provided under Article 1.3.1.1(i) or (ii) shall be provided by LCH SA to the ACPR.

**Article 1.3.1.2**

In the event of any of the circumstances set out in Article 1.3.1.1 occurring, the Affected Clearing Member may provide LCH SA in writing with a notice, specifying the occurrence of an LCH Default. In the circumstance set out in Article 1.3.1.1(i) and (ii), such notice shall only be valid if given within 10 Clearing Days of the occurrence of the relevant event and the failure to pay or redeliver is continuing at the time the notice is delivered. In the circumstance set out in Article 1.3.1.1(iii), such notice shall only be valid if given within 10 Clearing Days of the day on which LCH Insolvency Proceedings have been published in the *Bulletin officiel des annonces civiles et commerciales (Bodacc)* in accordance with the provisions of the French Commercial Code. Any such notice provided in accordance with this Article 1.3.1.2 must be provided in accordance with, and subject to, the requirements of Section 1.2.5.

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

(i) the failure to make the required payment, or to redeliver the required Eligible Collateral, and the failure to cure such failure within the grace period specified in Article 1.3.1.1, is solely as a consequence of a Force Majeure Event or such other technical or administrative reason outside of the reasonable control of LCH SA, provided that: (a) LCH SA is able to, and does, confirm that it would have had sufficient available resources to pay or redeliver but for the applicable Force Majeure Event, technical or administrative event; and (b) LCH SA makes such payment or delivery no later than one Clearing Day after the consequences of the Force Majeure Event or the other technical or administrative reason for its failure to pay or redeliver have ceased. For the avoidance of doubt, the limitation on an Affected Clearing Member serving a notice pursuant to this paragraph shall continue for as long as the consequence of a Force Majeure Event or such other technical or administrative reason mentioned above continues;

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

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

**Article 1.3.1.3**

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

As from the LCH Default Time:

(i) LCH SA shall not accept any Original Transactions submitted to it for clearing and registration as Cleared Transactions and shall not otherwise register any new Cleared Transactions;

(ii) neither LCH SA nor any Clearing Member shall be obliged to make any further payments or deliveries under any Cleared Transaction between them which would, but for this TITLE I, Chapter 3, have fallen due for performance on or after the LCH Default Time other than by settlement of the House Termination Amount and Client Termination Amount; and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set off or otherwise) of the House Termination Amount and Client Termination Amount;

(iii) any Power of Attorney or other authority for LCH SA to debit any payment or securities account of a Clearing Member, including a Clearing Member's TARGET2 Account shall be revoked and LCH SA shall not use, rely on or seek to use or rely on any such Power of Attorney or other authority;

(iv) in circumstances where CCM Client Collateral Buffer has been allocated to a CCM Client Account Structure in accordance with Article 4.2.2.4 and Section 2 of the Procedures, LCH SA shall transfer an amount denominated in Euro of: (x) Cash Collateral; and/or (y) any relevant proceeds following liquidation into Euro of the Collateral other than (I) Cash Collateral denominated in Euro and (II) Pledged Eligible Collateral, which is equal to the CCM Allocated Client Collateral Buffer (minus the value in Euro of the Pledged Eligible Collateral taken into account in that CCM Allocated Client Collateral Buffer, if any) for the relevant CCM Client Account Structure from the CCM House Collateral Account to the CCM Client Collateral Account of that CCM Client Account Structure as soon as reasonably practicable;

(v) where a CCM has CCM Unallocated Client Collateral, such CCM shall use its reasonable endeavours to notify LCH SA of the CCM Client Collateral Account(s) to which such Collateral should be recorded and, where LCH SA receives such notification, it shall update its books and records accordingly; and

(vi) all other payment and delivery obligations (other than as set out in (ii) above) in relation to any Cleared Transactions and any other obligations pursuant to the CDS Clearing Documentation (including the repayment or redelivery, as applicable, of a Clearing Member's Margin Balance, Excess Collateral, CCM Unallocated Client Collateral, the Client Collateral Buffer, FCM/BD Swaps Unallocated Client Excess Collateral, and other Collateral representing a Clearing Member's Contribution Requirement) shall be payable or deliverable on the Termination Date and in accordance with the provisions of this Chapter 3.

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

**Article 1.3.1.4**

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

(i) the value of each Cleared Transaction (including, for the avoidance of doubt and if applicable, the cumulative value of all the NPV Amount(s) paid by the Clearing Member or LCH SA in respect of NPV Payment Requirements related to the corresponding House Margin Account or Client Margin Account); and

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

Such calculations shall be undertaken separately in respect of the Client Cleared Transactions registered in, and all other amounts owed in relation to, each Client Trade Account, Client Margin Account and CCM Client Collateral Account or FCM/BD Client Financial Account (as applicable), for each Client Account Structure of the Clearing Member.

**Article 1.3.1.5**

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

**Article 1.3.1.6**

For the purpose of Article 1.3.1.4, and in relation to Client Cleared Transactions recorded in and amounts owed in relation to each Client Account Structure, the Clearing Member shall calculate the value of:

(i) the repayment or redelivery by the Clearing Member or LCH SA of Variation Margin transferred by the Clearing Member or LCH SA in respect of the Variation Margin Requirements related to the corresponding Client Margin Account;

(ii) the repayment or redelivery by LCH SA of all Collateral recorded in the relevant Client Collateral Account (including, in the case of a CCM, any CCM Allocated Client Collateral Buffer (if any) due to be transferred to the relevant CCM Client Collateral Account by LCH SA pursuant to Article 1.3.1.3(iv) and further, in the case of an FCM/BD Clearing Member, the Legally Segregated Value ascribed to the FCM/BD Client Financial Account) in respect of such Client Cleared Transactions, as the case may be, in each case without applying any haircuts to the valuation of the Collateral. In determining such amounts, the Clearing Member shall not take into account (a) Client Pledged Eligible Collateral returned to a CCM in accordance with the CDS Clearing Rules; (b) any CDS Client Clearing Entitlement calculated in accordance with Clause 4.4 of the CDS Default Management Process; or (c) any Collateral applied by LCH SA in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process;

(iii) in the case of an FCM/BD Clearing Member, the repayment or redelivery by LCH SA of all Collateral recorded as Available Client Collateral Buffer in its FCM/BD Buffer Financial Account (if any) in each case without applying any haircuts to the valuation of the Collateral;

(iv) in the case of an FCM/BD Clearing Member, the repayment or redelivery by LCH SA of all Collateral recorded as Allocated Client Collateral Buffer in its FCM/BD Buffer Financial Account (if any) in each case without applying any haircuts to the valuation of the Collateral;

(v) in the event that the relevant Client Margin Account of the Clearing Member is a Cash Gainer as at the last successful payment of Margin prior to the LCH Default Date, the repayment by LCH SA of any net Cash Gainer Adjustments made pursuant to the CDS Default Management Process; and

(vi) any other amounts that may be due to or from either the Clearing Member or LCH SA to or from the other in relation to the relevant Client Cleared Transactions, pursuant to the CDS Clearing Documentation.

For the purpose of Article 1.3.1.4, and in relation to House Cleared Transactions recorded in and amounts owed in relation to its House Account Structure, the Clearing Member shall calculate the value of:

(i) the repayment or redelivery by the Clearing Member or LCH SA of Variation Margin transferred by the Clearing Member or LCH SA in respect of the Variation Margin Requirement related to its House Margin Account;

(ii) the repayment or redelivery by LCH SA of all Collateral recorded in its House Collateral Account (including, in the case of a CCM House Collateral Account, any CCM Available Client Collateral Buffer (if any)), without applying any haircuts to the valuation of the Collateral. In determining such amounts, the Clearing Member shall not take into account (a) Pledged Eligible Collateral returned to the Clearing Member in accordance with the CDS Clearing Rules; (b) any Collateral applied by LCH SA in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process; or (c) in the case of a CCM, any CCM Allocated Client Collateral Buffer (if any) due to be transferred to the relevant CCM Client Collateral Account by LCH SA pursuant to Article 1.3.1.3(iv);

(iii) in the event that the House Margin Account of the Clearing Member is a Cash Gainer as at the last successful payment of Margin prior to the LCH Default Date, the repayment by LCH SA of any net Cash Gainer Adjustments made pursuant to the CDS Default Management Process; and

(iv) any other amounts that may be due to or from either the Clearing Member or LCH SA to or from the other in relation to the relevant House Cleared Transactions, pursuant to the CDS Clearing Documentation.

Where the LCH Default arises because of the circumstance set out in Article 1.3.1.1(ii), each Clearing Member shall use such amounts calculated by LCH SA pursuant to Clause 8.2(i) of the CDS Default Management Process (and without, for the avoidance of doubt, applying Clause 8.3) for the purposes of its valuation pursuant to Article 1.3.1.4(ii).

**Article 1.3.1.7**

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

**Article 1.3.1.8**

Pursuant to the determination made under Article 1.3.1.4:

(i) each gain by the Clearing Member and each other amount which LCH SA owes to it, shall be treated as a positive amount; and

(ii) each loss suffered by the Clearing Member and each other amount which it owes to LCH SA shall be treated as a negative amount.

**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 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; (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/BD Clearing Member, with respect to its FCM/BD Client Account Structure, aggregate: (I) all positive and negative amounts related to Client Cleared Transactions registered in each of the related FCM/BD Client Trade Account(s), 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 of such FCM/BD Client Trade Account(s); 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/BD Client Trade Accounts of the FCM/BD Clearing Member (such amount calculated pursuant to this clause (II), an "**FCM/BD 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/BD Clearing Member, with amounts attributable to the FCM/BD Buffer Financial Account or the FCM/BD Swaps Unallocated Client Collateral Financial Account (if applicable); 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 27$^{th}$ 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 1.3.1.10**

The Termination Amounts in respect of each Clearing Member shall be paid by LCH SA or a Clearing Member, as the case may be, in Euro by 17:00 on the LCH Default Payment Date. Neither LCH SA nor a Clearing Member, as the case may be, shall be permitted to effect payment netting between the House Termination Amount, or the Global House Termination Amount as applicable, on the one hand and the Client Termination Amounts on the other hand.

In addition, to the extent a CCM has any CCM Unallocated Client Collateral or an FCM/BD Clearing Member has any FCM/BD Swaps Unallocated Client Excess Collateral as at the Notification Limit Date, LCH SA shall repay such Collateral to the Clearing Member for the account of its Clients by 17:00 on the LCH Default Payment Date.

**Article 1.3.1.11**

If LCH SA has received notices pursuant to Article 1.3.1.9 from all Clearing Members setting out their respective Termination Amounts, LCH SA may by no less than 2 Clearing Days' notice on the Website specify an earlier date as the LCH Default Payment Date.

In addition, LCH SA shall redeliver all Pledged Eligible Collateral (other than Pledged Eligible Collateral which LCH SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) on the LCH Default Payment Date.

**Article 1.3.1.12**

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

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

# CHAPTER 4 - RECOVERY AND RESOLUTION

## Section 1.4.1 Recovery

**Article 1.4.1.1**

Pursuant to Article 9 of CCP Recovery and Resolution Regulation, LCH SA establishes and maintains a recovery plan.

Pursuant to Article 9(6) of CCP Recovery and Resolution Regulation where, in order to achieve the goals of its recovery process, LCH SA proposes to:

(a) take measures provided for in its recovery plan despite the fact that the relevant indicators have not been met; or

(b) refrain from taking measures provided for in their recovery plan despite the fact that the relevant indicators have been met,

such proposal shall be submitted to its board of directors for approval and any decision taken by the board of directors of LCH SA in this connection and its justification shall be notified to the Competent Authority without delay.

## Section 1.4.2 Resolution

**Article 1.4.2.1**

The Resolution Authority may require Non-Defaulting Clearing Members to make a contribution in cash to LCH SA up to twice the amount equivalent to their Contribution.

Where the contribution in cash is applied to address an Event of Default, the amount of such contribution in cash shall be calculated by reference to the Contribution of the Non-Defaulting Clearing Member.

Where the contribution in cash is applied to address a Non-Default Event, the amount of such contribution in cash shall be calculated by reference to the sum of the Contribution of the Non-Defaulting Clearing Member and any contribution to the default funds established in connection with clearing services provided by LCH SA other than the CDS Clearing Service.

The Resolution Authority may exercise the resolution cash call regardless of whether all contractual obligations requiring cash contributions from Non-Defaulting Clearing Members have been exhausted.

The Resolution Authority shall determine the amount of the cash contribution of each Non-Defaulting Clearing Member in proportion to its Contribution up to the limit referred to in the first paragraph above.

The Resolution Authority may require LCH SA to reimburse to Non-Defaulting Clearing Members the possible excess amount of a resolution cash call where the level of the resolution cash call applied based on a provisional valuation according to Article 26(1) of CCP Recovery and Resolution Regulation

is found to exceed the required level based on the definitive valuation referred to in Article 26(2) of CCP Recovery and Resolution Regulation.

If a Non-Defaulting Clearing Member does not pay the required contribution in cash, the Resolution Authority may require LCH SA to notify the occurrence of an Event of Default to that Non-Defaulting Clearing Member and use its Initial Margin and Contribution in accordance with the provisions of Article 4.3.3.1 up to the required amount.

**Article 1.4.2.2**

The Resolution Authority may, in accordance with the terms of Article 30 of CCP Recovery and Resolution Regulation, reduce LCH SA's payment obligations to Non-Defaulting Clearing Members where such obligations arise from gains due in accordance with LCH SA's processes for paying Variation Margin, NPV Amount or a payment that has the same economic effect.

The Resolution Authority shall calculate any such reduction in payment obligations using an equitable allocation mechanism determined in the valuation conducted in accordance with Article 24(3) of CCP Recovery and Resolution Regulation and communicated to Non-Defaulting Clearing Members as soon as the resolution tool is applied. Non-Defaulting Clearing Members shall, without undue delay, communicate the application of such tool to their Clients and the way in which such application affects them. The total net gains to be reduced for each Non-Defaulting Clearing Member shall be proportional to the amounts due from LCH SA.

The reduction in the value of gains payable shall take effect and shall be immediately binding on LCH SA and affected Non-Defaulting Clearing Members from the moment at which the Resolution Authority takes the resolution action.

Non-Defaulting Clearing Members shall not have any claim against LCH SA, or its successor entity, arising from the above mentioned reduction in payment obligations, provided however that the Resolution Authority may require LCH SA to reimburse Non-Defaulting Clearing Members partly, where the level of reduction based on the provisional valuation referred to in Article 26(1) of CCP Recovery and Resolution Regulation is found to exceed the level of reduction required based on the definitive valuation referred to in Article 26(2) of CCP Recovery and Resolution Regulation.

Where the Resolution Authority reduces only in part the value of gains payable, the residual outstanding payable amount shall still be owed to the Non-Defaulting Clearing Member.

**Article 1.4.2.3**

Pursuant to Article 55 of CCP Recovery and Resolution Regulation, the Resolution Authority may suspend any payment or delivery obligations if LCH SA is placed under resolution from the publication of the notice of the termination in accordance with Article 72 of CCP Recovery and Resolution Regulation until the end of the working day which follows that publication.

Where a payment or delivery obligation would have been due during the suspension period, the payment or delivery obligation shall be due immediately upon expiry of the suspension period.

**Article 1.4.2.4**

Pursuant to Article 57 of CCP Recovery and Resolution Regulation, the Resolution Authority may suspend the termination rights of any party to a contract with LCH SA if the latter is placed under resolution from the publication of the notice of the termination in accordance with Article 72 of CCP Recovery and Resolution Regulation until the end of the working day (midnight Paris time) which follows that publication, provided that the payment and delivery obligations and the provision of Collateral continue to be performed.

**Article 1.4.2.5**

Pursuant to Article 48.1(e) of CCP Recovery and Resolution Regulation, the Resolution Authority shall have the power to reduce, including to reduce to zero, the principal amount of or outstanding amount due in respect of debt instruments or other unsecured liabilities of LCH SA if it is placed under resolution.

**Article 1.4.2.6**

The Resolution Authority may take resolution actions referred to in Article 27 of CCP Recovery and Resolution Regulation by applying any of the following resolution tools individually or in any combination:

(i) the position and loss allocation tools;

(ii) the write-down and conversion tool;

(iii) the sale of business tool; and/or

(iv) the bridge CCP tool.

Prior to application of the above tools, the Resolution Authority shall enforce:

(a) any existing and outstanding rights of LCH SA, including any contractual obligations by Non-Defaulting Clearing Members to meet recovery cash calls, to provide additional resources to LCH SA, or to take on positions of Defaulting Clearing Members, whether through an auction or other agreed means in the CDS Clearing Documentation; and

(b) any existing and outstanding contractual obligation committing parties other than Non-Defaulting Clearing Members to any forms of financial support.

**Article 1.4.2.7**

Each Clearing Member agrees to be bound by any Resolution Measure taken by the Resolution Authority pursuant to Article 1.4.2.1 and Article 1.4.2.2 in respect of the Non-Defaulting Clearing Member's assets, rights, obligations and liabilities under the CDS Clearing Documentation, or pursuant to the application of CCP Recovery and Resolution Regulation.

Each Non-Defaulting Clearing Member further acknowledges that, pursuant to Article 54 of CCP Recovery and Resolution Regulation, any Resolution Measure taken by the Resolution Authority with respect to LCH SA does not constitute an LCH Default within the meaning of Article 1.3.1.1, provided that the substantive obligations under the contract, including payment and delivery obligations, and the provision of collateral, continue to be performed.

# TITLE II

# MEMBERSHIP

# CHAPTER 1 - GENERAL PROVISIONS

## Section 2.1.1 Participants

### Article 2.1.1.1

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

### Article 2.1.1.2

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

(i) Credit Institutions and Investment Firms, having their head office in France and French branches of credit institutions not having their head office in a Member State;

(ii) Credit Institutions and Investment Firms, having their head office, or as the case may be their effective direction, in a Member State other than France;

(iii) legal persons whose members or shareholders have unlimited joint and several liability for their debts and obligations, provided that such members or shareholders are institutions or firms mentioned under Article 2.1.1.2(i) and/or (ii) above;

(iv) legal persons having their head office in metropolitan France or in French overseas departments or in Saint-Barthélemy or Saint-Martin and whose principal or sole object is the clearing of financial instruments;

(v) in the circumstances set out in the general regulations of the AMF and with the prior approval of the AMF, Credit Institutions and Investment Firms other than those mentioned under Article 2.1.1.2(i) and/or (ii) above, and legal persons whose principal or sole object is the clearing of financial instruments, that are not established in metropolitan France or in French overseas departments or in Saint-Barthélemy or Saint-Martin. An agreement between the AMF and the relevant Governmental Authority(ies) may provide for an exemption from prior authorisation for a category of entities; and

(vi) international financial organisations and bodies, other public authorities and publicly guaranteed undertakings, other than Persons mentioned under Article 2.1.1.2(i) to (v) above, as designated by an order issued by the minister of economy either on an individual basis or by category, and central banks.

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

## CHAPTER 2 - LEGAL OBLIGATIONS

**Article 2.2.0.1**

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

LCH SA shall be entitled, in consultation with the Risk Committee, at any time to impose, amend or withdraw additional requirements in relation to the membership requirements set out in this CHAPTER 2, provided that, if such additional requirements are imposed or amended, they are non-discriminatory and their objective is to control the risk for LCH SA.

Further information in respect of the application procedure can be obtained from LCH SA's CDSClear Business Development & Relationship Management team whose contact details are set out in Section 1 of the Procedures.

**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 Limited or any shareholding or other membership of any other member of the LCH Group or any entitlement to membership of or participation in LCH SA, each of which has separate and distinct membership requirements.

**Article 2.2.0.3**

Each Applicant shall expressly elect to be:

(i) either a General Member or a Select Member; and

(ii) either a CCM or an FCM/BD Clearing Member,

in accordance with Section 1 of the Procedures.

For the avoidance of doubt, a single Clearing Member is not permitted to be, at the same time, (i) both a General Member and a Select Member and (ii) both a CCM and an FCM/BD Clearing Member.

A Clearing Member which has not expressly elected to become a Select Member at any relevant time is a General Member.

Each General Member may, at any time, request to become a Select Member and each Select Member may, at any time, request to become a General Member in accordance with Section 1 of the Procedures provided however, in both cases that, at the time of election, the relevant Clearing Member is not a Defaulting Clearing Member.

**Article 2.2.0.4**

A Select Member may opt to:

(i) submit Market Data pursuant to Section 5 of the Procedures in respect of one or more Trading City(ies);

(ii) participate in Competitive Bidding pursuant to Clause 5 of the CDS Default Management Process, subject to Article 2.2.1.1(xi);

(iii) nominate DMG Representatives in accordance with Clause 11.2.2 of the CDS Default Management Process; and/or

(iv) nominate representatives to be appointed as members of the CDS Default Management Committee by LCH SA in accordance with Clause 10.2 of the CDS Default Management Process

and shall notify LCH SA of its elections by providing a duly completed and signed Select Member Form in the conditions and manner set out in Section 1 of the Procedures.

Irrespective of the Select Member's elections referred to in sub-paragraphs (i) and (ii) above, the Select Member shall submit Market Data for all the Trading Cities and participate in Competitive Bidding, from the Clearing Day on which the Group Total Margin Percentage calculated for its Financial Group has exceeded the Participation Threshold for sixty consecutive Clearing Days until the Clearing Day on which that Group Total Margin Percentage has remained 1 percentage point below the Participation Threshold for sixty consecutive Clearing Days. Should LCH SA reasonably believe that such circumstance will occur, LCH SA may request the Select Member to carry out such tests as LCH SA may reasonably require to assess its ability to participate in Competitive Bidding.

A Select Member which is a Price Contribution Participant and therefore will receive the Price Requirement Files in respect of the relevant Trading City(ies) will be bound by all obligations of a Price Contribution Participant as set out in the CDS Clearing Rule Book and Section 5 of the Procedures, in respect of the Price Requirement Files received for the relevant Trading City(ies) only.

A Select Member which has elected or is required to participate in Competitive Bidding will be subject to the provisions of the CDS Clearing Documentation applying to any Non-Defaulting Clearing Member which is required to participate in Competitive Bidding for each Auction Package.

A Select Member may change any of its elections referenced in sub-paragraphs (i) to (iv) above by providing LCH SA with a copy of a duly signed updated Select Member Form, in accordance with the conditions set out in Section 5 of the Procedures.

**Article 2.2.0.5**

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 time of registration of the relevant Transfer Positions in its House Account Structure.

## Section 2.2.1 Membership requirements

**Article 2.2.1.1**

Any Applicant wishing to be admitted as a Clearing Member by LCH SA should satisfy the following conditions:

(i) be validly incorporated and existing under the laws of its jurisdiction of incorporation and (if relevant in such jurisdiction) be in good standing;

(ii) be the subject of supervision by its Competent Authorities;

(iii) undertake to accept and comply with the CDS Clearing Documentation by executing the CDS Admission Agreement;

(iv) in respect of any Applicant wishing to provide CDS Client Clearing Services, have a CDS Client Clearing Agreement, meeting the requirements of Article 5.1.1.2 (i) (in the case of a CCM) or Article 6.1.1.2 (i) (in the case of an FCM/BD Clearing Member), in place with each of its Clients;

(v) in respect of any Applicant wishing to provide CDS Client Clearing Services, provide LCH SA with updated documentation and information required pursuant to Section 1 of the Procedures, in respect of each of its Clients;

(vi) to accept to comply with all Applicable Law relating to its status as a Clearing Member and the performance of its obligations pursuant to the CDS Clearing Documentation;

(vii) not be subject to Insolvency Proceedings;

(viii) meet the capital requirements as specified in Section 2.2.3, and any further liquidity and/or solvency requirements as may be set by LCH SA from time to time in accordance with this CDS Clearing Rule Book, taking into account notably the indicators mentioned in Article 2.3.2.1;

(ix) satisfy a minimum internal credit score which is determined by LCH SA as set out in Article 2.2.4.1 below;

(x) satisfy LCH SA that it has sufficient expertise in relation to clearing activities, that its Systems and Operations are operationally reliable and capable of supporting the proper performance of its business as a Clearing Member and that its risk management policy is adequate;

(xi) in respect of any Applicant wishing to be admitted as a General Member, or as a Select Member that wishes to elect to participate in Competitive Bidding in accordance with Article 2.2.0.4, be able to, and participate, or demonstrate that it has: (A) an affiliated Clearing Member or, alternatively, a non-clearing member Affiliate that clears through the Clearing Member, that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the implementation of the CDS Default Management Process, and participate in (and satisfy LCH SA's requirements with respect to the carrying out of) regular fire drills run by LCH SA from time to time, in accordance with this CDS Clearing Rule Book;

(xii) have nominated and notified to LCH SA:

(a) a Person, having director, general partner, trustee or officer status at the Clearing Member (or a Person occupying a similar status or performing similar functions) who is both responsible for the clearing operations of the Clearing Member and authorised to act on behalf of the Clearing Member in respect of all transactions with or involving LCH SA; and

(b) an alternate Person that satisfies the requirements set out in sub-paragraph (a) above and who is authorised to act on behalf of the Clearing Member in the event that the first Person is incapable or unable to act;

(xiii) pay all fees and other amounts required by LCH SA in accordance with the CDS Clearing Documentation, including, without limitation, satisfying its Margin Requirement, its Contribution Requirement, its Cash Payment obligations and, where applicable, its Variation Margin Collateral Transfer obligations;

(xiv) be in a position to provide Collateral in satisfaction of its Margin Requirements and its Contribution Requirement, and to perform Cash Payment obligations and, where applicable, Variation Margin Collateral Transfer obligations, including:

(a) submitting evidence and details of duly existing cash accounts (including, at least, one TARGET2 Account and one cash account in US Dollar) for the purposes of payment of cash amounts, as well as evidence that a Power of Attorney has been issued in favour of LCH SA to allow the debiting or crediting of such cash accounts for the performance of Cash Payment obligations and, where applicable, Variation Margin Collateral Transfer obligations and the provision of Cash Collateral, in accordance with Section 3 of the Procedures; and

(b) having in place all appropriate settlement solutions (direct access or indirect access to at least one settlement system) in case of Physical Settlement;

(xv) have at its disposal the technical environment, including facilities, equipment, operational capability, personnel, hardware and software systems as may be required to support the proper performance of its business as a Clearing Member, including such IT links as may be necessary for it to be connected to the CDS Clearing System managed by LCH SA;

(xvi) have operational competence in CDS and, in respect of any Applicant wishing to register for the Index Swaption Clearing Service, Index Swaptions, substantially similar to Original Transactions eligible for clearing by LCH SA;

(xvii) be a TIW Participant for the purposes of maintaining Original Transactions and Cleared Transactions in the TIW;

(xviii) be an ATSS Participant for the purpose of submitting Original Transactions for clearing;

(xix) have access to one of the means of access and reporting mechanism as specified in a Clearing Notice to obtain CDS Clearing System reports;

(xx) be party to any required documentation with DTCC allowing LCH SA as "Service Provider" to:

(a) arrange for the removal of Backloading Transactions or if applicable, Intraday Transactions, from the TIW in accordance with Section 3.1.10;

(b) arrange for the registration of Cleared Transactions in the TIW in accordance with Section 3.1.10; and

(c) send to DTCC messages by which Cleared Transactions would be adhered to Credit Events;

(xxi) if it is incorporated or registered in the United States of America, be an eligible contract participant, as defined in Section 1a(18) of the Commodity Exchange Act (other than paragraph (C) thereof);

(xxii) satisfy any additional membership requirements as set out in Section 1 of the Procedures, including without limitation any caps on the aggregate amount of Spread Margin it may have on deposit at any given time with LCH SA;

(xxiii) accept to comply with the performance of its obligations pursuant to the Pledge Agreement;

(xxiv) accept to comply with the performance of its obligations pursuant to a Triparty Documentation;

(xxv) in respect of any Applicant that is an FCM/BD, be registered with the CFTC as an FCM and/or the SEC as BD and a member in good standing with NFA and/or FINRA, as applicable; and

(xxvi) in respect of any Applicant that is an FCM/BD wishing to be admitted as a CCM, provide LCH SA with an opinion of counsel letter confirming that its performance of the obligations of a

CCM would not be contrary to Applicable Law relating to such status, in form and content acceptable to LCH SA.

**Article 2.2.1.2**

In addition, each FCM/BD Clearing Member must at all times be registered with the CFTC as an FCM and/or the SEC as a BD and a member in good standing with NFA and/or FINRA, as applicable.

**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 publicly disclosed in accordance with EMIR.

### Section 2.2.2 Continuing obligations

**Article 2.2.2.1**

Each Clearing Member must at all times:

(i) comply with the membership requirements set out in Section 2.2.1;

(ii) be a party to the CDS Admission Agreement;

(iii) comply with the CDS Clearing Documentation;

(iv) in respect of a Clearing Member which has elected to provide CDS Client Clearing Services, have a CDS Client Clearing Agreement, meeting the requirements of Article 5.1.1.2 (i) (in the case of a CCM) or Article 6.1.1.2 (i) (in the case of an FCM/BD Clearing Member), in place with each of its Clients;

(v) comply with all Applicable Law relating to its status as a Clearing Member and the performance of its obligations pursuant to the CDS Clearing Documentation;

(vi) comply with the performance of its obligations pursuant to the Pledge Agreement;

(vii) comply with the performance of its obligations pursuant to a Triparty Documentation; and

(viii) not be subject to Insolvency Proceedings.

### Section 2.2.3 Capital requirements

**Article 2.2.3.1**

A Clearing Member must maintain a minimum net capital of at least EUR 37,000,000 in respect of a Clearing Member which is a CCM (other than a CCM that is an FCM/BD) or $50,000,000 (fifty million

US Dollars) in respect of a Clearing Member which is an FCM/BD. Such net capital shall be calculated as follows:

(i) the net capital of an FCM means its adjusted net capital, as defined in CFTC Regulation 1.17 and for a BD that is not FCM, net capital means its "net capital" as defined in SEC Rule 15c3-1;

(ii) the net capital of a CCM (other than a CCM that is an FCM) means its Tier 1 capital as defined in CRR;

provided that LCH SA shall be permitted (in its sole and reasonable discretion), to scale (A) a Clearing Member's required level of net capital in accordance with the level of risk introduced to LCH SA by such Clearing Member; and (B) a Clearing Member's level of risk introduced to LCH SA by such Clearing Member in accordance with its level of net capital (and regardless of whether such Clearing Member has a minimum net capital exceeding EUR 37,000,000 or $50,000,000, as applicable);

provided, further, that each Clearing Member or Applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it (including in the case of an FCM/BD Clearing Member or CCM that is an FCM, compliance with the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations.

### Section 2.2.4 Internal credit scoring

**Article 2.2.4.1**

The Clearing Member must satisfy the credit risk assessment minimum requirements. LCH SA assesses the credit risk of the Clearing Member in accordance with the internal credit score based on a range of quantitative and qualitative data. These include financial analysis, external market data as well as consideration of any implicit or explicit support available to the Clearing Member. The analysis is performed on a predetermined methodology applicable to any Clearing Member.

### Section 2.2.5 Corporate organisation

**Article 2.2.5.1**

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

**Article 2.2.5.2**

A Clearing Member may outsource all or part of the clearing operations to another Clearing Member, to a legal entity that the Clearing Member controls, or by which the Clearing Member is controlled, within the meaning of Article L. 233-3 of the French Commercial Code, or, more generally, to any other third-party legal entity, under the conditions set out in Articles 2.2.5.2 to 2.2.5.5 hereinafter.

For the purposes of these Articles 2.2.5.2 to 2.2.5.5, the outsourcing of clearing operations refers to the outsourcing to a third party, by a Clearing Member, on a long-term and regular basis, of the performance of services or other operational tasks which contribute directly to the fulfilment of the Clearing Member's obligations referred to in the CDS Clearing Documentation.

**Article 2.2.5.3**

The outsourcing of clearing operations as defined in Article 2.2.5.2 above is subject to the prior authorisation of LCH SA.

The request for authorisation must give all appropriate details as to the clearing activities to be outsourced and as to the means of control and supervision available to the outsourcing Clearing Member.

The Clearing Member must, before any outsourcing to a subcontractor other than a Clearing Member, ensure that the risk incurred has been assessed, that a written agreement has been entered into with the subcontractor, that a formalised policy for the control of third-party providers and an outsourcing register kept up to date have been put in place.

On the basis of the information provided by the Clearing Member, LCH SA may decline to approve such an outsourcing or withdraw its authorisation if the conditions of or a failure in such arrangement could be such as to threaten or no longer ensure the proper compliance by the Clearing Member with its obligations pursuant to the Clearing Rules.

**Article 2.2.5.4**

A Clearing Member that outsources all or part of the clearing operations shall not under any circumstances be relieved of its liability vis-à-vis any third parties with regard to the outsourced activities. The outsourcing of clearing operations may not result in any delegation of the responsibility of the effective managers (*dirigeants effectifs*) of the Clearing Member, or modify the relationship of the Clearing Member with its Clients or its obligations towards the latter.

**Article 2.2.5.5**

The prior authorisation mentioned in article 2.2.5.3 shall be subject to the Clearing Member, together with its subcontractor, signing a letter of undertakings pursuant to the terms of a template provided by LCH SA (the "**Letter of Outsourcing**").

The relevant Clearing Member shall:

(a) ensure that, in its relationship with the subcontractor, the latter accepts, that the ACPR, the AMF, or any other equivalent foreign authority within the meaning of articles L. 632-7, L. 632-12, L. 632-13 et L. 632-16 of the French Monetary and Financial Code, have access, including

on site, to information regarding outsourced activities as necessary for the fulfilment of their mission; and

(b) where the subcontractor is not a Clearing Member:

(i) ensure that the subcontractor to whom the clearing operations are outsourced has the capacity and authorisation to carry out such functions;

(ii) ensure that its systems and control framework include the outsourced operations;

(iii) ensure that it retains the expertise necessary to effectively supervise and control the execution of the outsourced operations in compliance with the CDS Clearing Documentation, and to manage the risks associated with such outsourcing, and exercises such supervision and control and manages such risks;

(iv) ensure that the subcontractor commits to a service quality compatible with the normal functioning of the service;

(v) ensure that back-up mechanisms are implemented in case of serious difficulty affecting the continuity of the outsourced services;

(vi) ensure that the service provided cannot be substantially modified without its prior approval;

(vii) ensure that the subcontractor complies with procedures set out by the Clearing Member concerning the organisation and implementation of controls over the services being provided;

(viii) ensure that the subcontractor keeps it informed of any event which may have a material impact on its capacity to carry out the outsourced operations efficiently and in compliance with applicable regulations;

(ix) ensure that it has effective access to the data related to the outsourced activities and to the business premises of outsourcee and is able to provide such access to LCH SA as would apply to the Clearing Member under the CDS Clearing Documentation;

(x) ensure that the outsourced operations may, if needed, be interrupted without the continuity or the quality of the CDS Client Clearing Services provided to Clients being affected; and

(xi) ensure that the sub-contractor protects the confidentiality of information relating to the Clearing Member, its clients, and LCH SA.

## Section 2.2.6 Membership of industry organisations or systems relating to CDS contracts

**Article 2.2.6.1**

Clearing Members must be members of industry organisations or systems relating to CDS, as designated by LCH SA from time to time as such in accordance with Section 5 of the Procedures. LCH SA may only make a designation where it is reasonable to do so or it is otherwise necessary for a Clearing Member to utilise the CDS Clearing Service.

## Section 2.2.7 Third party contractual obligations

**Article 2.2.7.1**

The payment of Physical Settlement Amounts shall not be subject to the provisions of this Section 2.2.7 save as set out in the CDS Clearing Supplement.

**Relationship with Securities Settlement Agents and Payment Agents**

**Article 2.2.7.2**

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

(i) deliver Eligible Collateral;

(ii) provide Cash Collateral;

(iii) perform Cash Payment obligations; or

(iv) perform Variation Margin Collateral Transfer obligations,

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

**Article 2.2.7.3**

Notwithstanding the provisions of Article 2.2.7.2 above, the use of a Securities Settlement Agent and a Payment Agent shall not relieve the Clearing Member of its obligations under the CDS Clearing Documentation.

**Provisions related to Payment Agents**

**Article 2.2.7.4**

Clearing Members must ensure that they are able to comply with their Cash Payment obligations and, where applicable, Variation Margin Collateral Transfer obligations to LCH SA and their obligations to provide Cash Collateral in respect of Euro, through TARGET2 and, in respect of US Dollar, through their cash account(s) in US Dollar, in each case as provided for in Section 3 of the Procedures.

**Article 2.2.7.5**

Each Clearing Member must provide LCH SA with a Power of Attorney enabling it to directly debit or credit the Clearing Member's TARGET2 Account(s) and/or cash account(s) in US Dollar or the cash account(s) of any Payment Agent, being used to satisfy the Clearing Member's obligations under Article 2.2.7.2.

**Provisions related to Securities Settlement Agents**

**Article 2.2.7.6**

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

**Relationship with the Approved Trade Source System(s)**

**Article 2.2.7.7**

Clearing Members, CDS Dealers and LCH SA use the services offered by Approved Trade Source System(s) (which, for the avoidance of doubt, include DTCC) in accordance with their own contractual arrangements.

LCH SA shall not be responsible for verifying the content of such contractual arrangements between on one hand, Clearing Members or CDS Dealers, as applicable, and, on the other hand, the Approved Trade Source System(s).

## Section 2.2.8 Test processing

**Article 2.2.8.1**

Each Clearing Member must participate in:

(i) functional and performance testing of the operation of LCH SA's business continuity and disaster recovery plans and LCH SA's recovery and orderly wind-down plans, in the manner and frequency specified by LCH SA, as LCH SA may reasonably require to comply with its applicable regulatory obligations, on one month's notice via member notification sent by email; and

(ii) any other technical and operational tests, organised reasonably at the discretion of LCH SA, in order, amongst other things, to ensure the continuity and orderly functioning of the CDS Clearing Service.

## CHAPTER 3 - INFORMATION OBLIGATIONS, MONITORING AND AUDIT

### Section 2.3.1 Information and financial reporting

**Article 2.3.1.1**

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

(i) if there is a change in those direct or indirect shareholders having or controlling 10% or more of its share capital or voting rights (such notification to be given as soon as it becomes aware of that change and provided also that it is not prevented from disclosing the change by Applicable Law);

(ii) if it ceases to satisfy the capital requirement in Section 2.2.3;

(iii) 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) if it ceases to be subject to the supervision of a Competent Authority;

(v) 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) of Insolvency Proceedings affecting the Clearing Member or any Parent;

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

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

(ix) of any material breach of the CDS Clearing Documentation by any of the CDS Dealers with which such Clearing Member is party to a CDS Dealer Clearing Agreement;

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

(xi) 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;

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

(xiii) 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 2.3.1.2**

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

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

(ii) interim financial statements, including management profit and loss accounts and balance sheet, drawn up in accordance with Applicable Law and accounting standards, within 60 days of the end of the relevant period; and

(iii) such financial or other relevant information, in addition to what is explicitly required by this Article 2.3.1.2, as may be requested by LCH SA at its reasonable discretion from time to time.

**Article 2.3.1.3**

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

(i) an updated group organisation chart and a list of each of its direct and indirect shareholders holding more than a 10% interest in the share capital or voting rights of the Clearing Member; and

(ii) any change to the identity of those Persons notified to LCH SA in accordance with Article 2.2.1.1 (xii).

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

**Article 2.3.1.4**

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

**Article 2.3.1.5**

A Clearing Member will not breach any obligation to provide information to LCH SA if it is prevented from providing such information:

(i) by a mandatory provision of Applicable Law or pursuant to an order or direction from a Competent Authority or court with jurisdiction over the Clearing Member; or

(ii) in case such Clearing Member does not have the required information and must obtain it from a Client or a CDS Dealer, due to the refusal of such Client or CDS Dealer to provide the required information (provided the Clearing Member has undertaken reasonable due diligence and provides LCH SA with documented proof of its inability to obtain relevant information from the Client or the CDS Dealer despite such due diligence).

**Article 2.3.1.6**

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

**Article 2.3.1.7**

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

## Section 2.3.2 Monitoring

**Article 2.3.2.1**

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

(i) CDS spreads in respect of a Clearing Member, its Parent, or other members of its Financial Group;

(ii) the long-term credit rating(s) of a Clearing Member, its Parent or other member of its Financial Group, as applicable; and

(iii) equity returns for a Clearing Member, its Parent or other member of its Financial Group, as applicable,

and where, as a result of this monitoring, LCH SA deems it necessary to contain its exposure, it shall have discretion to suspend a Clearing Member as set out in Article 2.4.1.1 and/or to require Credit Quality Margin to be paid in accordance with Article 4.2.1.2 and Section 4.2.4.

## Section 2.3.3 Audit and inspection

**Article 2.3.3.1**

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

**Article 2.3.3.2**

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

**Article 2.3.3.3**

In establishing its internal arrangements, the Clearing Member shall ensure that LCH SA shall be permitted access pursuant to Applicable Law in any jurisdiction in which the Clearing Member performs its clearing activities, whether by the Clearing Member itself or a subcontractor pursuant to Article 2.2.5.2.

**Article 2.3.3.4**

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

**Article 2.3.3.5**

Each Clearing Member shall ensure that appropriate personnel are available for communications with LCH SA during the Real Time Session.

**Article 2.3.3.6**

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

## Section 2.3.4 Record keeping

**Article 2.3.4.1**

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

**Article 2.3.4.2**

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

## Section 2.3.5 Clearing Member risk management

**Article 2.3.5.1**

Each Clearing Member shall maintain current written risk management policies and procedures that address the risks that it may pose to the CDS Clearing Service provided by LCH SA, including any policies and procedures that LCH SA may reasonably request be incorporated therein. Upon the request of LCH SA (or the CFTC, the SEC, the AMF or the ACPR, as applicable), a Clearing Member shall promptly provide LCH SA (or the CFTC, the SEC, the AMF or the ACPR, as applicable) with a copy of its current policies and procedures, along with relating information and documents including, without limitation, information and documents relating to the liquidity of the Clearing Member's financial resources and its settlement procedures.

LCH SA shall periodically review the risk management policies, procedures, and practices of each Clearing Member, which address the risks that such Clearing Member may pose to LCH SA. All such reviews shall be documented and maintained in accordance with LCH SA's recordkeeping policy.

## CHAPTER 4 - SUSPENSION AND TERMINATION OF MEMBERSHIP

### Section 2.4.1 Suspension

**Article 2.4.1.1**

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

(i) upon any unremedied breach by the Clearing Member of the CDS Clearing Documentation, except where such breach is minor, technical or administrative in nature in the reasonable opinion of LCH SA;

(ii) when LCH SA determines that it is necessary for it to contain its exposure to the Clearing Member following its monitoring pursuant to Article 2.3.2.1;

(iii) upon suspension or termination (other than a voluntary termination) of the Clearing Member's membership of another clearing house provided that the circumstances relating to that suspension or termination are, in LCH SA's reasonable opinion, material to the management of its risk by LCH SA, and that LCH SA first consults or attempts to consult with the Clearing Member and LCH SA's Competent Authority;

(iv) as a result of Disciplinary Proceedings brought against a Clearing Member; or

(v) upon the occurrence of an Event in respect of the Clearing Member that could materially impact the ability of that Clearing Member to perform its obligations under the CDS Clearing Documentation.

**Article 2.4.1.2**

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

**Article 2.4.1.3**

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

**Article 2.4.1.4**

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

**Article 2.4.1.5**

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

## Section 2.4.2 Membership Termination

**Article 2.4.2.1**

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

**Article 2.4.2.2**

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

(i) by LCH SA serving a Membership Termination Notice to the relevant Clearing Member, specifying a date in respect of which Membership Termination shall be effective, which may be no earlier than the date six months after service of the Membership Termination Notice save in the case of a Defaulting Clearing Member in which case the termination date may be any date stated by LCH SA; or

(ii) by a Clearing Member serving a Membership Termination Notice to LCH SA, specifying a date in respect of which Membership Termination shall be effective, which may be no earlier than the date 25 Business Days after service of the Membership Termination Notice, provided that no such termination shall be effective where it relates to a Defaulting Clearing Member.

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

**Article 2.4.2.3**

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

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

**Article 2.4.2.4**

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

(i) if the Membership Termination Notice is delivered during a CDS Post-Default Period:

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

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

(ii) if the Membership Termination Notice is delivered other than during a CDS Post-Default Period:

(a) if such Clearing Member has concluded a Non-Default Unwind of all of its Cleared Transactions on or prior to the Scheduled Membership Termination Date, on such Scheduled Membership Termination Date; or

(b) if such Clearing Member has not concluded a Non-Default Unwind of all of its Cleared Transactions on or prior to the Scheduled Membership Termination Date, on the 10th calendar day following the first date as of which such Clearing Member has concluded a Non-Default Unwind of all of its Cleared Transactions,

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

**Article 2.4.2.5**

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

**Article 2.4.2.6**

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

**Article 2.4.2.7**

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

**Article 2.4.2.8**

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

(i) provide Collateral to satisfy its Margin Requirements;

(ii) satisfy its Variation Margin Requirement and NPV Payment Requirements when due to LCH SA;

(iii) provide Collateral to satisfy its Contribution Requirement, including any increase to the level of its Contribution in the event that LCH SA recalculates the required CDS Default Fund in accordance with Article 4.4.1.5 during the Membership Termination Notice Period;

(iv) make all other required Cash Payments;

(v) transfer, liquidate and make settlement/delivery (as applicable) in respect of all Cleared Transactions to which it is party in accordance with this CDS Clearing Rule Book, the CDS Clearing Supplement and the terms of the relevant Cleared Transactions;

(vi) participate in the CDS Default Management Process;

(vii) co-operate fully with LCH SA and to deal with any requests from it in a prompt and orderly fashion; and

(viii) continue to satisfy conditions to its membership as set out in TITLE II and the CDS Admission Agreement.

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

**Article 2.4.2.9**

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

(i) subject to Article 1.2.14.1, Section 1.2.15 and any proceedings under the CDS Dispute Resolution Protocol and any provisions of the CDS Clearing Documentation which relate in whole or in part to any acts or omissions of LCH SA or the Former Clearing Member while it was a Clearing Member;

(ii) in the event of an LCH Default, subject to the rights and obligations set out in TITLE I, Chapter 3; and

(iii) liable in respect of all fees, fines, charges and payments under Cleared Transactions, amounts due to LCH SA or the Former Clearing Member as a result of its Cleared Transactions and any other liabilities accrued prior to Membership Termination, including in particular, the payment of any Termination Amount(s) pursuant to Article 1.3.1.10, any amounts due pursuant to Article 4.3.3.4 or the payment of the LCH Repayment Amount pursuant to Clause 8.7 of the CDS Default Management Process.

**Article 2.4.2.10**

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

**Article 2.4.2.11**

In relation to a Former Clearing Member's House Account Structure, following Membership Termination, LCH SA shall, if not already repaid, redelivered or accounted for pursuant to the CDS Clearing Rules, repay to a Former Clearing Member an amount equal to the sum of:

(i) the Margin Balance for its House Margin Account; plus

(ii) in the case of a CCM, any CCM Client Collateral Buffer; plus

(iii) in the case of a CCM, any CCM Unallocated Client Collateral (to be held on account for its CCM Clients); plus

(iv) any Collateral that has been transferred to LCH SA to satisfy its Contribution Requirement to the extent it has not been used by LCH SA in accordance with, or as permitted by, the CDS Clearing Rules; less

(v) any amounts owing by the Former Clearing Member to LCH SA in respect of House Cleared Transactions recorded in its House Trade Account;

and redeliver to the Former Clearing Member any Pledged Eligible Collateral (other than Pledged Eligible Collateral which LCH SA has applied in order to reduce its loss in accordance with Article 4.3.3.1

or the CDS Default Management Process) which the Former Clearing Member has transferred to LCH SA to be recorded in its House Collateral Account.

In relation to each Client Account Structure of a Former Clearing Member, following Membership Termination, LCH SA shall, if not already repaid, redelivered or accounted for pursuant to the CDS Clearing Rules, repay to a Former Clearing Member an amount equal to the sum of:

(i) the Margin Balance (if any) for each CCM Client Account Structure in the case of a CCM or as the case may be, for each FCM/BD Client Margin Account in the case of an FCM/BD Clearing Member; plus

(ii) in the case of an FCM/BD Clearing Member, any FCM/BD Client Collateral Buffer, FCM/BD Swaps Unallocated Client Excess Collateral and FCM/BD SBS Client Excess Collateral (save that LCH SA shall be entitled to retain any FCM/BD Client Collateral Buffer in accordance with the FCM/BD CDS Clearing Regulations to the extent a default has occurred in respect of an FCM/BD Client);

and, in the case of a CCM, redeliver to the Former Clearing Member any Client Pledged Eligible Collateral (other than Client Pledged Eligible Collateral which LCH SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) which the Former Clearing Member has transferred to LCH SA to be recorded in the relevant Client Collateral Account.

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

**Article 2.4.2.12**

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

## Section 2.4.3 Winding Down Event

**Article 2.4.3.1**

Upon the date which it specifies in a Clearing Notice, and following the occurrence of a Winding Down Event, LCH SA shall be entitled to cease the CDS Clearing Service provided that it publishes a Clearing Notice notifying all Clearing Members that a Winding Down Event has occurred, and to the extent possible, of the Early Termination Trigger Date with respect to the cessation. LCH SA shall publish the Clearing Notice as far in advance of the Early Termination Trigger Date as is reasonably possible.

**Article 2.4.3.2**

Clearing Members shall use all reasonable efforts to effect a Non-Default Unwind of their positions prior to the Early Termination Trigger Date notified in accordance with Article 2.4.3.1, however failure to do so will not constitute an Event of Default.

**Article 2.4.3.3**

As soon after the Early Termination Trigger Date notified in accordance with Article 2.4.3.1 as is possible, and in any case, no longer than three Business Days after the Early Termination Trigger Date, or any other date required by the ACPR, LCH SA shall apply the process set out in Clauses 8.1.4 to Clause 8.12 of the CDS Default Management Process to determine the final payments to be made to each Clearing Member. For this purpose, the term:

(i) "Non Defaulting Clearing Member" shall read "Clearing Member"; and

(ii) “Early Termination Trigger Date” shall read as the date which is specified in the Clearing Notice as the date on which Original Transactions shall cease to be accepted for clearing on the CDS Clearing Service.

## CHAPTER 5 - CDS DEALER STATUS

**Article 2.5.1.1**

A CDS Dealer may present Original Transactions to LCH SA for clearing, novation and registration in the name of the Clearing Member with which it is party to a CDS Dealer Clearing Agreement in the CDS Clearing System pursuant to the CDS Clearing Documentation.

**Article 2.5.1.2**

Application for admission into the Register of CDS Dealers shall be made in accordance with the CDS Clearing Rule Book and Section 1 of the Procedures. An applicant for admission to the CDS Dealer Register must satisfy the criteria prescribed by LCH SA from time to time in Section 1 of the Procedures in order to be admitted to the Register of CDS Dealers.

**Article 2.5.1.3**

A CDS Dealer shall at all times satisfy the criteria prescribed from time to time by LCH SA for admission to the Register of CDS Dealers and any rules prescribed from time to time by LCH SA for CDS Dealers. The CDS Dealer Clearing Agreement sets out the conditions for terminating the relationship between a CDS Dealer, the related Clearing Member and LCH SA.

**Article 2.5.1.4**

Once a CDS Dealer is admitted to the Register of CDS Dealers, such CDS Dealer shall automatically and without further formalities (*de plein droit*) be subject to, and bound by, the CDS Clearing Documentation.

**Article 2.5.1.5**

LCH SA may suspend or remove a CDS Dealer from the Register of CDS Dealers in accordance with the CDS Clearing Rule Book, the Procedures and, if applicable, the CDS Dealer Clearing Agreement(s) to which it is for the time being party. A suspended CDS Dealer shall remain and continue to be bound by all of its obligations under the CDS Clearing Documentation and the CDS Dealer Clearing Agreement to which it is party. Any Person who has been suspended from the Register of CDS Dealers for a period of more than three months shall be removed from that register and must make a new application if it wishes to be re-admitted to the Register of CDS Dealers.

**Article 2.5.1.6**

Any suspension or termination of a Clearing Member's membership of the CDS Clearing Service as per the CDS Clearing Documentation shall automatically entail a suspension or removal, as applicable, of the relevant CDS Dealer(s) from the Register of CDS Dealers.

# TITLE III

# CLEARING OPERATIONS

# CHAPTER 1 - NOVATION AND REGISTRATION

## Section 3.1.1 Weekly Backloading Cycle

**Article 3.1.1.1**

LCH SA performs a Weekly Backloading Cycle in accordance with Section 3.1.1, Section 5 of the Procedures and a Clearing Notice.

On each Weekly Backloading Start Day on which LCH SA receives the Gold Records File from DTCC in relation to one or more Weekly Backloading Transactions, LCH SA will start performing the Weekly Backloading Cycle in relation to such Weekly Backloading Transactions.

**Article 3.1.1.2**

On each relevant Weekly Backloading Start Day, upon receipt by LCH SA of the Gold Records File, LCH SA will extract the Transaction Data of each Weekly Backloading Transaction.

**Article 3.1.1.3**

Following the extraction of Transaction Data in relation to each Weekly Backloading Transaction pursuant to Article 3.1.1.2, LCH SA will, on such day at such times and in such form as prescribed in a Clearing Notice:

(i) perform the Eligibility Controls;

(ii) issue the Clearing Eligibility Report;

(iii) request each Clearing Member to identify the Weekly Backloading Transactions which it wants to include in the Weekly Backloading Cycle;

(iv) identify the Eligible Weekly Backloading Transactions;

(v) notify each Clearing Member of the estimated Margin Requirements which would be required from the relevant Clearing Member if each relevant trade leg of its Eligible Weekly Backloading Transactions were included as Cleared Transactions registered in its Trade Accounts at the time the estimation is performed; and

(vi) issue the DTCC Matching and Eligibility Report.

**Article 3.1.1.4**

Each Clearing Member agrees, by submitting its Weekly Backloading Transactions to LCH SA in its Clearing Eligibility Report, to be bound by the registration of such Weekly Backloading Transactions in accordance with this Section 3.1.1.

**Article 3.1.1.5**

An Eligible Weekly Backloading Transaction can be removed from the Weekly Backloading Cycle provided that such removal is requested in the manner set out in Section 5 of the Procedures and a Clearing Notice:

(i) prior to becoming an Irrevocable Weekly Backloading Transaction, and

(ii) by both the Clearing Member acting as protection buyer and the Clearing Member acting as protection seller in respect of such Eligible Weekly Backloading Transaction. Any Eligible Weekly Backloading Transaction so removed will become a Rejected Transaction.

Where not so removed, each Eligible Weekly Backloading Transaction shall become an Irrevocable Weekly Backloading Transaction at the time specified in a Clearing Notice.

**Article 3.1.1.6**

A Weekly Backloading Cycle may be cancelled by LCH SA in accordance with a Clearing Notice if a Clearing Member has duly notified LCH SA that there is an error in the DTCC Matching and Eligibility Report issued to such Clearing Member.

**Article 3.1.1.7**

Unless the Weekly Backloading Cycle is cancelled pursuant to Article 3.1.1.6, LCH SA will, in accordance with Section 3.1.7, pre-register the positions corresponding to each Irrevocable Weekly Backloading Transaction in the relevant Clearing Member's House Account Structure at the times set out in a Clearing Notice on the relevant Weekly Backloading Novation Day provided that:

(i) all Eligibility Requirements of such Irrevocable Weekly Backloading Transaction are still met, and

(ii) the Weekly Backloading Transactions have not been removed from the TIW.

If, at this time, either of the conditions set out in Article 3.1.1.7 (i) or (ii) are no longer met in respect of any Irrevocable Weekly Backloading Transaction, such Irrevocable Weekly Backloading Transaction shall become a Rejected Transaction. For the avoidance of doubt, the characterisation of one or more Irrevocable Weekly Backloading Transactions as Rejected Transactions in accordance with this Article 3.1.1.7 shall not impact the pre-registration of the remaining Irrevocable Weekly Backloading Transactions in the House Account Structures of the relevant Clearing Members.

**Article 3.1.1.8**

Any Weekly Backloading Transaction which:

(i) has not been successfully reconciled pursuant to Article 3.1.1.2;

(ii) fails the Eligibility Controls on the Weekly Backloading Start Day;

(iii) no longer meets any of the Eligibility Requirements at any time on or prior to the Weekly Backloading Novation Day;

(iv) does not become an Eligible Weekly Backloading Transaction or an Irrevocable Weekly Backloading Transaction;

(v) is affected by a Backloading Failure in accordance with Article 3.1.3.1 and Section 5 of the Procedures; or

(vi) is part of a Weekly Backloading Cycle cancelled pursuant to Article 3.1.4.6;

will become a Rejected Transaction.

**Article 3.1.1.9**

Following the Morning Call on the relevant Weekly Backloading Novation Day, LCH SA shall:

(i) novate in accordance with Article 3.1.6.1 each Irrevocable Weekly Backloading Transaction that is not a Rejected Transaction at the Novation Time;

(ii) if applicable, perform the compression of Cleared Transactions in accordance with TITLE III, Chapter 3 and Section 5 of the Procedures;

(iii) register in the TIW, in accordance with Section 3.1.10, the Cleared Transactions arising out of the novation and, if applicable, compression process; and

(iv) if applicable, remove from the TIW, in accordance with Section 3.1.10, the relevant Backloading Transactions and Cleared Transactions which are terminated as a result of the compression process.

**Article 3.1.1.10**

LCH SA shall issue a Clearing Notice containing a provisional calendar which specifies the Weekly Backloading Cycle and may as required, amend such provisional calendar by issuing a Clearing Notice.

## Section 3.1.2 Daily Backloading Cycle

**Article 3.1.2.1**

LCH SA operates a Daily Backloading Cycle in accordance with this Section 3.1.2, Section 5 of the Procedures and a Clearing Notice.

**Article 3.1.2.2**

On any Business Day, a Daily Backloading Transaction may be submitted to LCH SA through an Approved Trade Source System during the Real Time Session.

Upon receipt of Original Transaction Data relating to a Daily Backloading Transaction from an Approved Trade Source System, LCH SA will perform in the following order:

(i) the Eligibility Controls; and

(ii) the Client Transaction Checks (if applicable).

**Article 3.1.2.3**

A CM Backloading Transaction will become an Irrevocable Daily Backloading Transaction once it has passed the Eligibility Controls and a Client Backloading Transaction will become an Irrevocable Daily Backloading Transaction once it has passed the Eligibility Controls and the Client Transaction Checks. If any of the Eligibility Controls or the Client Transaction Checks is not successfully completed, the relevant Daily Backloading Transaction will become a Rejected Transaction.

LCH SA will, in accordance with Section 3.1.7, pre-register the positions corresponding to each Irrevocable Daily Backloading Transaction in the relevant Clearing Member's Account Structure at the times set out in a Clearing Notice on the relevant Daily Backloading Novation Day provided that all Eligibility Requirements of such Irrevocable Daily Backloading Transaction are still met.

Any Daily Backloading Transaction affected by a Backloading Failure in accordance with Article 3.1.3.1 and Section 5 of the Procedures shall become a Rejected Transaction.

**Article 3.1.2.4**

Following the Morning Call on the relevant Daily Backloading Novation Day, LCH SA shall:

(i) novate in accordance with Article 3.1.6.1 each Irrevocable Daily Backloading Transaction that is not a Rejected Transaction at the Novation Time;

(ii) if applicable, perform the compression of Cleared Transactions in accordance with TITLE III, Chapter 3 and Section 5 of the Procedures;

(iii) register in the TIW, in accordance with Section 3.1.10, the Cleared Transactions arising out of the novation and, if applicable, compression process; and

(iv) if applicable, remove from the TIW, in accordance with Section 3.1.10, the relevant Daily Backloading Transactions and Cleared Transactions which are terminated as a result of the compression process.

## Section 3.1.3 Backloading Failure

**Article 3.1.3.1**

If, on a Clearing Day, a Backloading Failure occurs in respect of one or more Clearing Member(s), the following Backloading Transactions will be removed from the relevant Weekly Backloading Cycle and/or Daily Backloading Cycle:

(i) all the Backloading Transactions which were due to give rise to the registration of Cleared Transactions in the Trade Account(s) of the Failed Backloading Clearing Member(s); and

(ii) any Backloading Transactions which are linked to the Backloading Transactions referenced in Article 3.1.3.1(i) above, pursuant to and in accordance with Section 5 of the Procedures;

The Backloading Transactions removed from the relevant Weekly Backloading Cycle and/or Daily Backloading Cycle pursuant to this Article 3.1.3.1 shall become Rejected Transactions.

**Article 3.1.3.2**

Following the occurrence of a Backloading Failure, LCH SA will promptly deliver a Backloading Failure Notice to all Clearing Members.

**Article 3.1.3.3**

Each Failed Backloading Clearing Member will be liable for costs incurred by LCH SA in connection with the process described in Article 3.1.3.1 as specified in a fee grid published from time to time by LCH SA on the Website.

## Section 3.1.4 Intraday Process

**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 3.1.4.2**

Submission by an ATSS Participant to an Approved Trade Source System of an Intraday Transaction with a designation for clearing by LCH SA shall be deemed to be an irrevocable agreement by such ATSS Participant that:

(i) the relevant Original Transaction Data may be sent by such Approved Trade Source System, pursuant to the Approved Trade Source System's terms and conditions, to LCH SA;

(ii) such Intraday Transaction is intended to be novated to LCH SA pursuant to and in accordance with the terms of the CDS Clearing Rules and the CDS Clearing Supplement; and

(iii) the terms of such Intraday Transaction will not be amended prior to novation (unless such Intraday Transaction becomes a Rejected Transaction).

**Article 3.1.4.3**

On each Clearing Day, the Real Time Session will begin at the Start of Real Time. Upon receipt of Original Transaction Data relating to an Intraday Transaction from an Approved Trade Source System, during the Real Time Session, LCH SA will perform in the following order:

(i) the Eligibility Controls; and

(ii) the Client Transaction Checks (if applicable).

If an Intraday Transaction is received for clearing by LCH SA outside of the Real Time Session, it will be deemed to have been submitted at the Start of the Real Time Session on the following Clearing Day. If any of the Eligibility Controls, the Client Transaction Checks (if applicable) or the Notional and Collateral Checks are not successfully completed, such Intraday Transaction will automatically become a Rejected Transaction.

**Article 3.1.4.4**

An Intraday Transaction will become an Eligible Intraday Transaction only once the Eligibility Controls and the Client Transaction Checks (if applicable) have been successfully completed. LCH SA will then pre-register the positions corresponding to any Eligible Intraday Transaction in the Account Structure of the relevant Clearing Member in accordance with Section 3.1.7, and such Eligible Intraday Transaction will then be subject to the Notional and Collateral Check with respect to the relevant Clearing Member. If an Eligible Intraday Transaction passes the Notional and Collateral Check with respect to each of the Clearing Members in respect of whom a Cleared Transaction would be registered, LCH SA will novate such Eligible Intraday Transaction pursuant to Article 3.1.6.1.

**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 in accordance with Applicable Law.

**Article 3.1.4.6**

LCH SA will inform all relevant Clearing Members of the results of the application of the Eligibility Controls, the Client Transaction Checks (if applicable) and the Notional and Collateral Check on each relevant Intraday Transaction in the relevant Intraday Call Reports, made available to Clearing Members in accordance with Section 5 of the Procedures.

## Section 3.1.5 Rejected Transactions

**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, 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 3.1.5.2**

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

## Section 3.1.6 Novation Process

**Article 3.1.6.1**

In respect of each Original Transaction novated by LCH SA, with effect from the Novation Time of such Original Transaction:

(i) if such Original Transaction comprises two House Trade Legs, the parties to such Original Transaction shall be automatically and immediately released and discharged from all their obligations to each other under such Original Transaction (and the books and records of such parties shall be updated to reflect such novation) other than in respect of:

(a) any amounts which are due and payable (or deliverable) by one party to the other pursuant to the terms of such Original Transaction but have not yet been paid (or delivered), on or prior to the Novation Time; and

(b) any Initial Payment Amounts, any Fixed Amounts or any Premiums, as applicable, when such amounts remain payable between the parties to such Original Transaction and in accordance with the terms of such Original Transaction pursuant to the CDS Clearing Supplement;

(ii) if such Original Transaction comprises at least one Client Trade Leg, the parties to such Original Transaction shall be released and discharged from all their obligations to each other in accordance with the relevant agreement they have entered into other than in respect of:

(a) any amounts which are due and payable (or deliverable) by one party to the other pursuant to the terms of such Original Transaction but have not yet been paid (or delivered), on or prior to the Novation Time; and

(b) any Initial Payment Amounts, any Fixed Amounts or any Premiums, as applicable when such amounts remain payable between the parties to such Original Transaction and in accordance with the terms of such Original Transaction pursuant to the CDS Clearing Supplement;

(iii) each such Original Transaction, other than an Index Swaption, will be replaced by two Cleared Transactions as follows:

(a) a Cleared Transaction entered into between LCH SA (acting as the protection seller in respect of such Cleared Transaction) and either: (x) in the event the Fixed Rate Payer of the Original Transaction is a Clearing Member, the Fixed Rate Payer (acting as CDS Buyer in respect of such Cleared Transaction); (y) in the event the Fixed Rate Payer of the Original Transaction is a CDS Dealer, the Clearing Member (acting as CDS Buyer in respect of such Cleared Transaction) with which such CDS Dealer is party to a CDS Dealer Clearing Agreement; or (z) in the event the Fixed Rate Payer of the Original Transaction is a Client, the relevant Nominated Clearing Member (acting as CDS Buyer in respect of such Cleared Transaction), as applicable; and

(b) a Cleared Transaction entered into between LCH SA (acting as the protection buyer in respect of such Cleared Transaction) and either: (x) in the event the Floating Rate Payer of the Original Transaction is a Clearing Member, the Floating Rate Payer (acting as CDS Seller in respect of such Cleared Transaction); (y) in the event the Floating Rate Payer of the Original Transaction is a CDS Dealer, the Clearing Member (acting as CDS Seller in respect of such Cleared Transaction) with which such CDS Dealer is party to a CDS Dealer Clearing Agreement; or (z) in the event the Floating Rate Payer of the Original Transaction is a Client, the relevant Nominated Clearing Member (acting as CDS Seller in respect of such Cleared Transaction), as applicable;

(iv) each such Original Transaction which is an Index Swaption will be replaced by two Cleared Transactions as follows:

(a) a Cleared Transaction entered into between LCH SA (acting as Index Swaption seller in respect of such Cleared Transaction) and either: (x) in the event the Index Swaption buyer of the Original Transaction is a Clearing Member, such Clearing Member (acting as Index Swaption Buyer in respect of such Cleared Transaction); (y) in the event the Index Swaption buyer of the Original Transaction is a CDS Dealer, the Clearing Member (acting as Index Swaption Buyer in respect of such Cleared Transaction) with which such CDS Dealer is party to a CDS Dealer Clearing Agreement; or (z) in the event the Index Swaption buyer of the Original Transaction is a Client, the relevant Nominated Clearing Member (acting as Index Swaption Buyer in respect of such Cleared Transaction), as applicable; and

(b) a Cleared Transaction entered into between LCH SA (acting as Index Swaption buyer in respect of such Cleared Transaction) and either: (x) in the event the Index Swaption seller of the Original Transaction is a Clearing Member, such Clearing Member (acting as Index Swaption Seller in respect of such Cleared Transaction); (y) in the event the Index Swaption seller of the Original Transaction is a CDS Dealer, the Clearing Member (acting as Index Swaption Seller in respect of such Cleared Transaction) with which such CDS Dealer is party

to a CDS Dealer Clearing Agreement; or (z) in the event the Index Swaption seller of the Original Transaction is a Client, the relevant Nominated Clearing Member (acting as Index Swaption Seller in respect of such Cleared Transaction), as applicable; and

(v) each such Cleared Transaction is deemed entered into by LCH SA as a system and is irrevocable in accordance with Article L. 330-1 III and IV of the French Monetary and Financial Code.

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

**Article 3.1.6.2**

LCH SA will inform the relevant Clearing Members of the novation of an Original Transaction, novated pursuant to Article 3.1.6.1, in the relevant Cleared Trades Report and Bilateral Trades Report, in accordance with Section 5 of the Procedures.

**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 3.1.6.4**

LCH SA will be entitled to assume and will assume that no Credit Event Notice, Notice of Physical Settlement, Notice to Exercise Movement Option or Exercise Notice under an Original Transaction submitted for clearing by LCH SA in accordance with this TITLE III, Chapter 1 has been delivered by either party to the other prior to the Novation Time for that Original Transaction (other than any deemed delivery of a Credit Event Notice pursuant to a DC Credit Event Announcement). Each Clearing Member, or a CDS Dealer, as applicable, upon submitting an Original Transaction for clearing by LCH SA acknowledges and agrees that any Credit Event Notice (other than any deemed delivery of a Credit Event Notice pursuant to a DC Credit Event Announcement), Notice of Physical Settlement (or NOPS

Amendment Notice), Notice to Exercise Movement Option or Exercise Notice delivered in relation to an Original Transaction which is accepted for clearing by LCH SA in accordance with Section 3.1.1, Section 3.1.2 or Section 3.1.4 shall be deemed, at the Novation Time, never to have been delivered.

**Article 3.1.6.5**

Subject to Article 3.1.6.1 above, each Cleared Transaction shall be on identical terms as those set out in the Transaction Data of the Original Transaction replaced by such Cleared Transaction, and otherwise subject to the provisions of the CDS Clearing Documentation. With effect from the Novation Time, the terms of the Cleared Transaction shall be definitive, regardless of whether any Cleared Transaction is based on any Original Transaction and regardless of any error or the validity of any Original Transactions.

**Article 3.1.6.6**

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 and the CDS Dealers 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 all CDS Dealers and, where reasonably practicable, LCH SA gives at least 2 Clearing Days notice of such suspension.

**Article 3.1.6.7**

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

## Section 3.1.7 Pre-registration

**Article 3.1.7.1**

Pre-registration is an internal process implemented by LCH SA for the purposes only of ensuring that:

(i) the terms of the relevant Eligible Intraday Transactions or Irrevocable Backloading Transactions, as applicable,

(ii) in respect of a Receiving Clearing Member, the Client Cleared Transactions to be transferred to it in accordance with TITLE V, Chapter 3 or TITLE VI, Chapter 3 (as applicable); and/or

(iii) in respect of a Backup Clearing Member, the Relevant Client Cleared Transactions to be transferred to it in accordance with Clause 4.3 of the CDS Default Management Process,

are taken into account for the purposes of determining the Intraday Novation Margin Requirement and/or the Margin Requirement for each Margin Account of each Clearing Member, on the relevant Clearing Day pursuant to Section 4.2.3 and Section 2 of the Procedures.

For the avoidance of doubt, pre-registration of:

(i) the positions corresponding to an Eligible Intraday Transaction or an Irrevocable Backloading Transaction does not constitute the novation of such Eligible Intraday Transaction or Irrevocable Backloading Transaction; and

(ii) a Client Cleared Transaction or Relevant Client Cleared Transaction does not constitute the actual transfer of such Client Cleared Transaction or Relevant Client Cleared Transaction to the Receiving Clearing Member or Backup Clearing Member, as applicable.

**Article 3.1.7.2**

LCH SA shall upon successful completion of:

(i) in respect of an Intraday Transaction: the Eligibility Controls and the Client Transaction Checks (if applicable);

(ii) in respect of an Irrevocable Weekly Backloading Transaction: the Eligibility Controls performed on the Weekly Backloading Novation Day; or

(iii) in respect of an Irrevocable Daily Backloading Transaction: the Eligibility Controls performed on the Daily Backloading Novation Day;

promptly pre-register the positions corresponding to the relevant Original Transaction in the Account Structure of the relevant Clearing Member. The position that will be pre-registered will be equivalent to the Cleared Transaction that would be registered on the clearing of such Original Transaction.

**Article 3.1.7.3**

LCH SA shall pre-register:

(i) the Client Cleared Transactions to be transferred to a Receiving Clearing Member in accordance with TITLE V, CHAPTER 3 or TITLE VI, CHAPTER 3 (as applicable); or

(ii) the Relevant Client Cleared Transactions to be transferred to a Backup Clearing Member in accordance with Clause 4.3 of the CDS Default Management Process;

in the Account Structure of the relevant Receiving Clearing Member or Backup Clearing Member, as applicable.

## Section 3.1.8 Margin and NPV Amount calculation

**Article 3.1.8.1**

LCH SA shall calculate the Margin Requirement for each Margin Account of each Clearing Member in accordance with Title IV, Chapter 2 and Section 2 of the Procedures, taking into account the Open Positions registered within its Account Structure plus, where applicable, the positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the Account Structure of the relevant Clearing Member in accordance with Section 3.1.7.

LCH SA shall calculate the Variation Margin Requirement and/or NPV Payment Requirement, as applicable, for each Margin Account of each Clearing Member in accordance with Title IV, Chapter 2 and Section 2 of the Procedures, taking into account, respectively, the CTM Cleared Transactions and the STM Cleared Transactions registered within its Account Structure plus, where applicable, the Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the Account Structure of the relevant Clearing Member in accordance with Section 3.1.7.

## Section 3.1.9 Loss Distribution Periods

**Article 3.1.9.1**

If, on a Business Day and in accordance with Clause 7.3 of the CDS Default Management Process, LCH SA requests that an adjustment be made to the Loss Distribution Cap Amount for one or more Non-Defaulting Clearing Member(s), and such day is also:

(i) a Daily Backloading Novation Day but not a Weekly Backloading Novation Day: the novation of all Daily Backloading Transactions that have not been novated prior to such request will be postponed; or

(ii) a Daily Backloading Novation Day and a Weekly Backloading Novation Day: the novation of all Backloading Transactions that have not been novated prior to such request will be postponed.

In this circumstance, LCH SA shall promptly, and by no later than 07.45, publish a Clearing Notice notifying all Clearing Members and CDS Dealers that it will not novate any Original Transactions submitted to LCH SA for clearing on such Clearing Day unless and until each affected Non-Defaulting Clearing Member has agreed to an adjustment to their Loss Distribution Cap Amount. For the avoidance of doubt, such Clearing Notice will not identify the Non-Defaulting Clearing Members who are being consulted in relation to an adjustment to their Loss Distribution Cap Amount.

**Article 3.1.9.2**

In the event that each relevant Non-Defaulting Clearing Member agrees to an adjustment to their Loss Distribution Cap Amount on such Business Day in the form and within the timeframe set out in the relevant Clearing Notice, LCH SA will promptly distribute the relevant Backloading Transaction Reports (in accordance with and subject to Section 5 of the Procedures) to each Clearing Member for that

Business Day. Following the Morning Call made by LCH SA, each Clearing Member will be required to satisfy the Margin Requirement(s) and Variation Margin Requirement(s) and/or NPV Payment Requirement(s), as applicable, in respect of the Margin Account(s) for each of its Account Structure(s) at the time of the next available TARGET2 payment window (as set out in Section 3 of the Procedures) on such Business Day, save that if the time of the next available TARGET2 payment window is less than 45 minutes from the time of distribution of the relevant Backloading Transaction Reports (in accordance with Section 5 of the Procedures) each Clearing Member will be required to satisfy the Margin Requirement(s) and Variation Margin Requirement(s) and/or NPV Payment Requirement(s), as applicable, in respect of the Margin Account(s) for each of its Account Structure(s) at the time of the second next available TARGET2 payment window on such Business Day. LCH SA shall ensure that each Clearing Member is provided with at least 45 minutes notice of the time at which it will be required to satisfy the Margin Requirement(s) and Variation Margin Requirement(s) and/or NPV Payment Requirement(s), as applicable, in respect of the Margin Account(s) for each of its Account Structure(s) on such Business Day.

**Article 3.1.9.3**

Provided that following the Morning Call made by LCH SA, each Clearing Member satisfies its Margin Requirement(s) and Variation Margin Requirement(s) and/or NPV Payment Requirement(s), as applicable, in respect of the Margin Account(s) for each of its Account Structure(s) by the close of the relevant TARGET2 payment window, in accordance with Article 3.1.9.2, all the Backloading Transactions submitted to LCH SA for clearing pursuant to Section 3.1.1 or Section 3.1.2 shall be novated as soon as technologically practicable after the Clearing Member Novation Acceptance Time. In the event that a Backloading Failure occurs in respect of any Clearing Member, LCH SA shall novate the Backloading Transactions that have not become Rejected Transactions as a result of Section 3.1.3.

**Article 3.1.9.4**

If any Non-Defaulting Clearing Member does not agree to an adjustment to its Loss Distribution Cap Amount on such Business Day in the form and within the timeframe set out in the relevant Clearing Notice, an Early Termination Trigger Date shall arise, in accordance with Clause 8.1 of the CDS Default Management Process. Upon an Early Termination Trigger Date, LCH SA shall promptly publish a Clearing Notice notifying all Clearing Members and CDS Dealers that an Early Termination Trigger Date has arisen, and that LCH SA will not novate any more Original Transactions submitted to it for clearing on such day (if such day is a Clearing Day) and will not accept any Original Transactions which are submitted to LCH SA for clearing at any time after the Early Termination Trigger Date has arisen.

## Section 3.1.10 Registration of Cleared Transactions

**Article 3.1.10.1**

Following the novation of Backloading Transactions in accordance with Section 3.1.1 or Section 3.1.2, and, if applicable, the compression of Cleared Transactions in accordance with Title III, Chapter 3 and Section 5 of the Procedures, LCH SA shall promptly arrange for:

(i) the removal of the relevant Backloading Transactions from the TIW on behalf the relevant Clearing Members, CDS Dealers and/or Client(s);

(ii) if applicable, the removal of the Cleared Transactions which are terminated as a result of the compression process; and

(iii) the registration of the relevant Cleared Transactions in the TIW on its own behalf and on behalf of the relevant Clearing Members.

For the avoidance of doubt, if Cleared Transactions have been compressed pursuant to TITLE III, Chapter 3 as part of the Daily Backloading Cycle or the Weekly Backloading Cycle in accordance with Article 3.1.1.9 or Article 3.1.2.4, as applicable, LCH SA shall register in the TIW only the compressed Cleared Transaction(s), if any.

**Article 3.1.10.2**

Following the novation of Intraday Transactions in accordance with Section 3.1.4, LCH SA shall, in accordance with Section 5 of the Procedures, promptly arrange for:

(i) if applicable, the removal of the relevant Intraday Transactions from the TIW on behalf of the relevant Clearing Members or CDS Dealers, as applicable, which have already been registered in the TIW but which are terminated as a result of the registration of the relevant Cleared Transactions; and

(ii) the registration of the two related Cleared Transactions in the TIW on its own behalf and on behalf of the relevant Clearing Members.

**Article 3.1.10.3**

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

**Article 3.1.10.4**

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

**Article 3.1.10.5**

Each relevant Clearing Member with respect to an Original Transaction novated in accordance with the CDS Clearing Rules and the CDS Clearing Supplement must ensure that its books and records are updated to reflect the novation of such Original Transaction and the creation of the relevant Cleared Transaction as soon as reasonably practicable after the relevant Cleared Trades Report has been made available to such Clearing Member, in accordance with Section 5 of the Procedures, following novation of such Original Transaction in accordance with Article 3.1.6.1.

**Article 3.1.10.6**

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

**Article 3.1.10.7**

Each Trade Account shall be classified as either a CTM Trade Account or an STM Trade Account on the basis of an election made by the relevant Clearing Member in accordance with Section 5 of the Procedures. In the absence of any such election, Trade Accounts of CCM Clearing Members shall be classified as CTM Trade Accounts.

Cleared Transactions registered in a Trade Account in accordance with the CDS Clearing Documentation shall have the same classification as such Trade Account.

For the avoidance of doubt, a single Trade Account may only comprise CTM Cleared Transactions or STM Cleared Transactions but not both.

**Article 3.1.10.8**

A Clearing Member may, from time to time, submit a written request to LCH SA requesting that LCH SA converts all the CTM Cleared Transactions registered into one or more CTM Trade Accounts of such Converting Clearing Member into STM Cleared Transactions by converting such CTM Trade Account(s) into STM Trade Account(s). Such conversion will be performed in accordance with the process set out in Section 5 of the Procedures and shall be irrevocable.

**Article 3.1.10.9**

Notwithstanding the provisions of Article 3.1.10.7 and Article 3.1.10.8 above, each Cleared Transaction registered in the name of a Clearing Member that is an FCM/BD or otherwise established under the laws of any state of the United States of America or under the federal laws of the United States of America shall be registered as an STM Cleared Transaction and may not be converted into a CTM Cleared Transaction.

**Article 3.1.10.10**

The process as described in Article 3.1.10.1 will apply, *mutatis mutandis*, in all other circumstances where termination and creation messages relating to Cleared Transactions of a Clearing Member are

to be exchanged between the Approved Trade Source System, LCH SA and such Clearing Member, including, without limitation, in connection with:

(i) the creation of Matched Pairs (where applicable and subject to Sections 5 and 6 of Part A, Part B or Part C, as applicable, of the CDS Clearing Supplement, as applicable); and

(ii) the transfer of Cleared Transactions.

**Article 3.1.10.11**

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

## Section 3.1.11 Reporting requirements

**Article 3.1.11.1**

LCH SA and the Clearing Member shall comply with their obligations to report the details of a Cleared Transaction and any modification or termination of such Cleared Transaction without duplication to a trade repository duly registered or recognised in accordance with EMIR, or if such a trade repository is not available, to the European Securities and Markets Authority, in accordance with the requirements of EMIR and at the times and in the manner set out in Section 5 of the Procedures.

**Article 3.1.11.2**

LCH SA shall submit any report required under Part 45 of the CFTC Regulations and/or applicable SEC Regulations for SBS trade reporting in respect of any Cleared Transactions, in accordance with Section 5 of the Procedures.

# CHAPTER 2 – HOUSE ACCOUNT STRUCTURE

## Section 3.2.1 House Trade Account

**Article 3.2.1.1**

LCH SA shall open one House Trade Account for each Clearing Member.

**Article 3.2.1.2**

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

## Section 3.2.2 House Margin Account

**Article 3.2.2.1**

LCH SA shall open one House Margin Account for each Clearing Member for the purposes of risk calculation, as described in Title IV.

**Article 3.2.2.2**

House Cleared Transactions of a Clearing Member will be allocated to the House Margin Account of the Clearing Member, for the purposes of the determination of Open Positions registered in such House Margin Account.

## Section 3.2.3 House Collateral Account

**Article 3.2.3.1**

Cash Collateral provided by Clearing Members to satisfy its House Margin Requirement or to create House Excess Collateral, will be provided by way of full title transfer and will be held by LCH SA in accordance with Section 3 of the Procedures.

**Article 3.2.3.2** .

At the option of each Clearing Member, and in accordance with Section 3 of the Procedures, Eligible Collateral may be transferred by the relevant Clearing Member to LCH SA to satisfy its House Margin Requirement or to create House Excess Collateral, either on a full title transfer basis pursuant to Article L. 440-7 of the French Monetary and Financial Code, or by way of a Belgian law security interest with no title transfer pursuant to the applicable provisions of Belgian law.

**Article 3.2.3.3**

LCH SA shall open one House Collateral Account for each Clearing Member for the purposes of identifying Collateral such Clearing Member has provided to:

(i) satisfy its House Margin Requirement;

(ii) create House Excess Collateral; or

(iii) create CCM Client Collateral Buffer in the case of a CCM.

# CHAPTER 3 - COMPRESSION

## Section 3.3.1 General

**Article 3.3.1.1**

Subject to Article 3.3.1.3, there will be no compression of Cleared Transactions unless requested by a Clearing Member, or a Client, as applicable, in accordance with this Section 3.3.1. The following methods are available to Clearing Members or Clients, as applicable:

(i) ad hoc compression which can be requested by any Clearing Member or Client only in respect of Cleared Transactions which have already been registered in the TIW; or

(ii) automatic compression which can be set up by a Clearing Member in respect of:

(a) Cleared Transactions which have been novated as part of the Daily Backloading Cycle and/or Weekly Backloading Cycle but have not yet been registered in the TIW: such Cleared Transactions may be compressed with (x) other Cleared Transactions novated as part the same Daily Backloading Cycle or Weekly Backloading Cycle, as applicable, and/or (y) other Cleared Transactions already registered in the TIW; and/or

(b) Cleared Transactions already registered in the TIW.

The process and conditions for ad hoc compression and automatic compression are set out in further details in Section 5 of the Procedures.

**Article 3.3.1.2**

A request by a Clearing Member or a Client, as applicable, to effect compression in accordance with this Section 3.3.1 and Section 5 of the Procedures, may only be made in relation to Cleared Transactions which are registered in the same Trade Account of such Clearing Member or Client, as applicable.

**Article 3.3.1.3**

As set out in Section 5 of the Procedures and in the CDS Clearing Supplement:

(i) following a Credit Event in respect of any Cleared Transactions, other than a Restructuring Credit Event, LCH SA may compress Cleared Transactions to result in one or more Cleared Transaction(s) per CDS Type;

(ii) following a Restructuring Credit Event in respect of any Cleared Transactions, LCH SA may compress Single Name Cleared Transactions or Index Swaption Cleared Transactions, as the case may be, to result in one or more Cleared Transaction(s) per CDS Type or Swaption Type, as the case may be;

(iii) following a DC Credit Event Announcement, if the Fallback Settlement Method applies in respect of any Cleared Transactions, LCH SA may compress Physically Settled Cleared Transactions to result in one or more Cleared Transactions per CDS Type;

(iv) during an EMP Creation Period, LCH SA may compress Index Swaption Cleared Transactions to result in one or more Exercise Cleared Transactions.

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

**Article 3.3.1.4**

In the event that a Clearing Member or a Client, as applicable, 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 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 3.3.1.5**

Neither Article 3.3.1.1 nor Article 3.3.1.3 affects the definition, or calculation, of the Open Positions registered in each Margin Account of a Clearing Member, the Clearing Member's Margin Requirement, the Client Margin Requirements (as applicable) or the Clearing Member's Contribution Requirement.

**Article 3.3.1.6**

LCH SA will reflect each compression in the records of the TIW on its own behalf and on behalf the relevant Clearing Members and/or Clients, in accordance with Section 5 of the Procedures.

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

**Article 3.3.1.7**

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

# TITLE IV

# RISK MANAGEMENT

## CHAPTER 1 - GENERAL PROVISIONS

### Section 4.1.1

**Article 4.1.1.1**

For each Clearing Member, all calculations and determinations (including calculation of the House Margin Requirement, Client Margin Requirement, House Variation Margin Requirement, Client Variation Margin Requirement, House NPV Payment Requirement and Client NPV Payment Requirement) performed by LCH SA pursuant to Title IV, CHAPTER 2 and Sections 2 and 3 of the Procedures shall be undertaken separately in respect of its House Margin Account and each of its Client Margin Accounts, notwithstanding that in respect of its Client Margin Accounts, payments required to be made will be made and netted in the manner set out in Section 3 of the Procedures.

**Article 4.1.1.2**

LCH SA shall calculate the Margin Requirements on the basis of the Open Positions registered in each relevant Margin Account. Where applicable, LCH SA shall also take into account those positions corresponding to Irrevocable Backloading Transactions pre-registered in the Account Structure of such Clearing Member.

**Article 4.1.1.3**

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

# CHAPTER 2 – MARGIN AND NPV PAYMENT REQUIREMENT

## Section 4.2.1 Margin Requirement

**Article 4.2.1.1**

In order to manage its risk exposure, LCH SA shall require each Clearing Member to transfer to LCH SA such Collateral as is necessary to satisfy its House Margin Requirement and its Client Margin Requirement(s). LCH SA shall make Collateral Calls, in accordance with Section 4.2.3 below and Section 3 of the Procedures, for this purpose.

**Article 4.2.1.2**

LCH SA shall be entitled, in consultation with the Risk Committee where reasonably possible, at any time to:

(i) impose, amend or withdraw additional requirements in relation to the calculation of Margin payable by all Clearing Members; or

(ii) require Credit Quality Margin to be paid by a particular Clearing Member.

Where advance consultation with the Risk Committee is not practicable, LCH SA shall be required to seek the advice of the Risk Committee at its next meeting as regards the continued applicability of any such amended Margin calculations and shall seek ratification of the decision to amend the manner in which LCH SA makes its Margin calculations at the next meeting of the LCH SA board of directors.

## Section 4.2.2 Excess Collateral and the Client Collateral Buffer

**Article 4.2.2.1**

A Clearing Member may specify, and may update, its House Excess Collateral Threshold and its Client Collateral Buffer Threshold at such times and in such manner as set out in Section 2 of the Procedures.

House Excess Collateral can be used by LCH SA to cover increases in the House Margin Requirement and to satisfy the Notional and Collateral Check carried out by LCH SA in respect of Eligible Intraday Transactions comprising one or more House Trade Leg(s).

In the case of a CCM, CCM Client Excess Collateral can be used by LCH SA to cover increases in the relevant CCM Client Margin Requirement(s) calculated in respect of the Margin Accounts for a CCM Client Account Structure and to satisfy the Notional and Collateral Check carried out by LCH SA in respect of Eligible Intraday Transactions comprising one or more Client Trade Leg(s).

In the case of an FCM/BD Clearing Member and in accordance with Section 6.2.5, any intraday FCM/BD Client Excess Collateral attributable to a specific FCM/BD Client Financial Account can be used by LCH SA to cover increases in the relevant FCM/BD Client Margin Requirement and to satisfy the Notional and Collateral Check carried out by LCH SA in respect of Eligible Intraday Transactions comprising one or more Client Trade Leg(s).

**Article 4.2.2.2**

If, following the calculations made in accordance with Article 4.2.3.1, in respect of a Clearing Member, there is:

(i) a House Excess Collateral Shortfall; and/or

(ii) a Client Collateral Buffer Shortfall,

LCH SA shall request the Clearing Member, at the next Collateral Call, to transfer Collateral equal to the House Excess Collateral Shortfall and the Client Collateral Buffer Shortfall.

**Article 4.2.2.3**

A Clearing Member may increase the amount of:

(i) House Excess Collateral;

(ii) Client Collateral Buffer; or

(iii) in the case of a CCM, CCM Client Excess Collateral recorded in a particular CCM Client Collateral Account,

by transferring additional Collateral to LCH SA in accordance with Section 2 and Section 3 of the Procedures.

**Article 4.2.2.4**

If, when carrying out a Notional and Collateral Check in respect of the Client Trade Leg of an Eligible Intraday Transaction, LCH SA determines that there is insufficient Client Excess Collateral allocated to:

(i) in the case of a CCM: the relevant CCM Client Account Structure; or

(ii) in the case of an FCM/BD Clearing Member: the relevant FCM/BD Client Margin Account,

to enable the novation of such Client Trade Leg, but there is sufficient Available Client Collateral Buffer, an amount of the Available Client Collateral Buffer shall be "allocated" to:

(a) in the case of a CCM: the relevant CCM Client Account Structure; or

(b) in the case of an FCM/BD Clearing Member: the relevant FCM/BD Client Margin Account,

in accordance with Section 2 of the Procedures, so as to satisfy the Intraday Novation Margin Requirement.

LCH SA will update the value of the Available Client Collateral Buffer for each relevant Clearing Member following:

(i) the novation of each Intraday Transaction comprising one or more Client Trade Leg(s), if applicable; and

(ii) each Collateral Call.

**Article 4.2.2.5**

Where, in the case of a CCM:

(i) in respect of the CCM House Collateral Account: the CCM Margin Balance exceeds the CCM House Margin Requirement; and/or

(ii) in respect of a CCM Client Collateral Account: the CCM Margin Balance exceeds the relevant CCM Client Margin Requirement(s) calculated in respect of the Margin Accounts for the relevant CCM Client Account Structure,

the CCM may request to have Collateral returned to it in accordance with the conditions and the process set out in Section 3 of the Procedures.

Where, in the case of an FCM/BD Clearing Member:

(i) in respect of the FCM/BD House Collateral Account; the FCM/BD Margin Balance exceeds the FCM/BD House Margin Requirement, the FCM/BD Clearing Member may request to have Collateral returned to it in accordance with the process set out in Section 3 of the Procedures and subject to Section 6.2.5; and

(ii) in respect of the FCM/BD Client Collateral Account:

(a) the FCM/BD Margin Balance of an FCM/BD Client Financial Account exceeds the relevant FCM/BD Client Margin Requirement prior to the Morning Call, the amount of the excess, if related to Cleared Swaps, will be reclassified as FCM/BD Swaps Unallocated Client Excess Collateral and, if related to SBS (excluding SBS that constitute FCM/BD Portfolio Margining Transactions), will be reclassified as FCM/BD SBS Client Excess Collateral, and thereafter may be either: (x) returned to the FCM/BD Clearing Member or (y) recorded in the relevant FCM/BD Buffer Financial Account and further reclassified as FCM/BD Client Collateral Buffer, in each case upon request and subject to the conditions set out in Section 3 of the Procedures and Section 6.2.5; or

(b) the value of the Collateral attributed to the FCM/BD Buffer Financial Account exceeds the FCM/BD Client Collateral Buffer Threshold, the FCM/BD Clearing Member may request to have such excess returned to it in accordance with the process set out in Section 3 of the Procedures and subject to Section 6.2.5.

**Article 4.2.2.6**

A request made in accordance with Article 4.2.2.5 and Section 3 of the Procedures, will not impact the House Excess Collateral Threshold or as the case may be, FCM/BD Client Collateral Buffer Threshold, specified by the Clearing Member. Unless separately updated in accordance with Article 4.2.2.1 and Section 2 of the Procedures, LCH SA shall continue to use the previously notified House Excess

Collateral Threshold and as the case may be, FCM/BD Client Collateral Buffer Threshold, for the purposes of making Collateral Calls pursuant to Section 4.2.3.

## Section 4.2.3 Collateral Calls and calculation of Variation Margin Requirements and NPV Payment Requirements

**Article 4.2.3.1**

Prior to each Collateral Call (other than an Additional Collateral Call), for each Clearing Member, LCH SA shall calculate, at such times set out in Section 2 of the Procedures and in such manner set out in Sections 2 and 3 of the Procedures in respect of its House Account Structure and each of its CCM Client Account Structure(s) in the case of a CCM or each of its FCM/BD Client Margin Account(s) in the case of an FCM/BD Clearing Member:

(i) the Margin Requirement for each Margin Account;

(ii) the Variation Margin Requirement and the NPV Payment Requirement for each Margin Account, in accordance with Article 4.2.5.2 and Article 4.2.5.1;

(iii) the Margin Balance; and

(iv) the Client Collateral Buffer.

On the basis of such calculations, LCH SA shall determine, in respect of each Clearing Member, whether there is:

(i) in respect of the House Account Structure and each CCM Client Account Structure(s) or as the case may be, each FCM/BD Client Margin Account(s), a Margin Shortfall or an Excess Collateral;

(ii) in respect of the House Collateral Account:

  (a) a House Excess Collateral Shortfall; and

  (b) in the case of a CCM: a CCM Client Collateral Buffer Shortfall; and

(iii) in respect of the FCM/BD Buffer Financial Account in the case of an FCM/BD Clearing Member: an FCM/BD Client Collateral Buffer Shortfall.

LCH SA shall perform these calculations in accordance with Article 4.1.1.1 at the times and in the manner set out in Sections 2 and 3 of the Procedures.

On each Business Day, following each calculation made by LCH SA in accordance with Article 4.2.3.1, LCH SA shall inform each Clearing Member, in accordance with Section 5 of the Procedures, of:

(i) in respect of its House Account Structure and each of its CCM Client Account Structure(s) or as the case may be, each of its FCM/BD Client Margin Account(s):

  (a) the Margin Requirement for each Margin Account;

(b) the Variation Margin Requirement for each Margin Account;

(c) the NPV Payment Requirement for each Margin Account;

(d) the Margin Balance;

(e) the Margin Shortfall or Excess Collateral, as the case may be;

(f) the House Excess Collateral Shortfall, in respect of the House Collateral Account only;

(ii) any Client Collateral Buffer Shortfall (if any);

(iii) for an FCM/BD Clearing Member, the FCM/BD Swaps Unallocated Client Excess Collateral and the FCM/BD SBS Client Excess Collateral,

through the reports made available to each Clearing Member in accordance with, and subject to, Section 5 of the Procedures.

The failure by LCH SA to provide any such reports shall not invalidate its ability to debit a Clearing Member's TARGET2 Account and/or any other cash account(s) as the case may be, in accordance with Article 4.2.3.2, using the Power of Attorney issued in its favour in accordance with Article 2.2.1.1(xiv)(a), to cover any Required Collateral Amount and/or Variation Margin and/or NPV Amount.

**Article 4.2.3.2**

As set out in Section 3 of the Procedures, LCH SA will make a Collateral Call of an amount equal to the Required Collateral Amount in accordance with Section 3 of the Procedures.

At the same time as each Collateral Call (other than an Additional Collateral Call), except as otherwise provided for in the Procedures, each Clearing Member or LCH SA, as the case may be, shall also be required to (i) make an NPV Payment to satisfy the NPV Payment Requirement and/or (ii) make a Variation Margin Collateral Transfer to LCH SA to satisfy the Variation Margin Requirement applicable to each of the Clearing Member's Margin Accounts. Such NPV Payments and/or Variation Margin Collateral Transfers shall be made in the currency as provided for in Section 3 of the Procedures.

By exception to the above, in any circumstance preventing the NPV Payments or Variation Margin Collateral Transfers from being performed in US Dollar, LCH SA shall be entitled, and inform the Clearing Members of its intention, to convert any amount denominated in US Dollar into Euro, such conversion to be effected at the prevailing rate of exchange at the time of conversion and therefore, the NPV Payments and/or Variation Margin Collateral Transfers obligations shall be performed in Euro, in accordance with Section 3 of the Procedures.

All payments and/or transfers required to be made, in accordance with this Article 4.2.3.2, will be netted in the manner set out in Section 3 of the Procedures.

**Article 4.2.3.3**

The failure to transfer Collateral in an amount equal to:

(i) the House Excess Collateral Shortfall;

(ii) the Client Collateral Buffer Shortfall; and/or

(iii) the Allocated Client Collateral Buffer,

in accordance with Article 4.2.3.2 shall not constitute a Payment Failure in respect of the relevant Clearing Member.

## Section 4.2.4 Additional Collateral Call

**Article 4.2.4.1**

LCH SA shall, at any time on any day in accordance with the CDS Clearing Rules, have the right to calculate and make a Collateral Call on a Clearing Member to transfer to LCH SA such additional Collateral through:

(i) TARGET2, provided that such day is a Business Day;

(ii) its cash account(s) in US Dollar, provided that such day is a day on which commercial banks in New York City are open for business,

as LCH SA deems necessary to manage its risk exposure.

For the avoidance of doubt, such Collateral Call may relate to either a House Account Structure or a Client Account Structure of a Clearing Member.

**Article 4.2.4.2**

Where LCH SA makes a Collateral Call in accordance with Article 4.2.4.1, each relevant Clearing Member shall transfer Collateral in the form and by such time as is required by LCH SA. LCH SA shall notify each relevant Clearing Member, as soon as is reasonably practicable, providing at least 45 minutes notice of the time at which such Clearing Member is required to transfer Collateral to LCH SA. LCH SA shall use all reasonable endeavours, from the time at which the decision to make a Collateral Call is made by it and until the time at which the Clearing Member is required to transfer Collateral, to contact each relevant Clearing Member, by any method of communication available to it, to inform the Clearing Member of its intention to make a Collateral Call in accordance with Article 4.2.4.1. Provided that LCH SA has complied with the requirements of this Article 4.2.4.2, it shall have the right to debit a Clearing Member's TARGET2 Account or as the case may be, any cash account in US Dollar, using the Power of Attorney issued in its favour in accordance with Article 2.2.1.1(xiv)(a), to cover any such Collateral requirement.

## Section 4.2.5 Variation Margin and NPV Amounts

**Article 4.2.5.1**

In order to manage the risk of price fluctuations occurring in respect of a Clearing Member's CTM Cleared Transactions and/or STM Cleared Transactions, as applicable (and, as the case may be, Irrevocable Backloading CTM Transactions and/or Irrevocable Backloading STM Transactions, which are not Rejected Transactions), LCH SA and/or the Clearing Member (as applicable) shall be required to make Variation Margin Collateral Transfers or NPV Payments (as applicable) to meet (i) with respect to CTM Cleared Transactions (or Irrevocable Backloading CTM Transactions), the House Variation Margin Requirement and the Client Variation Margin Requirement(s) and (ii) with respect to STM Cleared Transactions (or Irrevocable Backloading STM Transactions), the House NPV Payment Requirement and the Client NPV Payment Requirement(s), when such amounts are due and payable.

**Article 4.2.5.2**

Variation Margin and NPV Amounts shall be payable by a Clearing Member or LCH SA, as applicable, at the same time as the Morning Call, except as otherwise provided for in the Procedures.

LCH SA and each Clearing Member required to make a Variation Margin Collateral Transfer and/or an NPV Payment (as applicable) in relation to such Variation Margin and/or NPV Amount shall do so by such times as set out in Section 3 of the Procedures.

LCH SA and the Clearing Members agree that satisfaction of the payment obligation arising under the NPV Payment Requirement by either party shall discharge such obligation for the purpose of settling the then outstanding exposure under an STM Cleared Transaction (and, as the case may be, an Irrevocable Backloading STM Transaction which is not a Rejected Transaction).

**Article 4.2.5.3**

Notwithstanding anything to the contrary in the CDS Clearing Documentation, neither LCH SA nor a Clearing Member shall be obliged to make any Variation Margin Collateral Transfer in respect of an STM Cleared Transaction (or Irrevocable Backloading STM Transactions). This shall be without prejudice to LCH SA's other rights to require Collateral to be transferred to it under the CDS Clearing Documentation (including, but not limited to, its right to require Collateral to be transferred to it in respect of a Clearing Member's Margin Requirement in respect of an STM Cleared Transaction).

## Section 4.2.6 Collateral

**Article 4.2.6.1**

The list of Eligible Currencies and Eligible Collateral is set out in Section 3 of the Procedures. LCH SA may notify Clearing Members of any change to what constitutes Eligible Currencies or Eligible Collateral in accordance with the conditions set out in Section 3 of the Procedures.

**Article 4.2.6.2**

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

**Article 4.2.6.3**

(i) A CCM shall post Cash Collateral and/or Eligible Collateral:

(a) to satisfy the Margin Requirement(s) in respect of the Margin Accounts for each of its Account Structures;

(b) where such CCM wishes to maintain Collateral over and above that which is needed to satisfy the CCM Client Margin Requirement(s) in respect of the Margin Accounts for any of its CCM Client Account Structures, in the relevant CCM Client Collateral Account;

(c) where such CCM wishes to maintain Collateral over and above that which is needed to satisfy the CCM House Margin Requirement in the CCM House Collateral Account; and/or

(d) where such CCM wishes to maintain CCM Client Collateral Buffer in its CCM House Collateral Account,

in accordance with the conditions set out in Section 3 of the Procedures.

(ii) An FCM/BD Clearing Member shall post Cash Collateral and/or Eligible Collateral:

(a) to satisfy the Margin Requirement, in respect of each of its Margin Accounts;

(b) where such FCM/BD Clearing Member wishes to maintain FCM/BD Client Collateral Buffer, in the relevant FCM/BD Buffer Financial Account; and/or

(c) where such FCM/BD Clearing Member wishes to maintain FCM/BD House Excess Collateral, in the FCM/BD House Collateral Account,

in accordance with the conditions set out in Section 3 of the Procedures.

**Article 4.2.6.4**

LCH SA ~~may apply such haircuts to Eligible Collateral and such FX adjustments to Cash Collateral as set out on the Website and in the Triparty Documentation, as applicable, in calculating~~ shall calculate:

(i) the Margin Balance for each Account Structure of a CCM;

(ii) the Margin Balance for any FCM/BD House Margin Account;

(iii) the aggregate value of Collateral (excluding FCM/BD Client Collateral Buffer) transferred by an FCM/BD Clearing Member to LCH SA to meet its FCM/BD Client Margin Requirement(s) for purposes of and to the extent relevant for determining the Margin Balance and the Legally Segregated Value for each FCM/BD Client Margin Account of such FCM/BD Clearing Member; and

(iv) the value of the Client Collateral Buffer,

in accordance with Section 3 of the Procedures.

**Article 4.2.6.5**

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

**Article 4.2.6.6**

In providing any Eligible Collateral to LCH SA, a Clearing Member shall represent and warrant that:

(i) the Clearing Member is the sole and beneficial owner of the assets making up such Eligible Collateral or, if an FCM/BD Clearing Member provides Eligible Collateral for which it is not the sole and beneficial owner, such FCM/BD Clearing Member has the right to grant to LCH SA a first security interest in and first priority and unencumbered first lien upon the assets making up such Eligible Collateral;

(ii) none of the assets making up the Eligible Collateral for which the Clearing Member is the sole and beneficial owner are subject to any security interest, encumbrance or other third party interest (other than a lien routinely imposed on all securities in a clearing system in which any such Eligible Collateral may be held);

(iii) the use or application of the Eligible Collateral by LCH SA will not breach Applicable Law or any obligations owed by such Clearing Member to any third party; and

(iv) it has the right, or will have the right at the time of their being credited to the relevant account, to transfer the Eligible Collateral to LCH SA for security purposes.

## Section 4.2.7 Markit LCH Settlement Price

**Article 4.2.7.1**

LCH SA will use End of Day Contributed Prices, or if, for any reason whatsoever, such End of Day Contributed Prices are not available to LCH SA, other composite prices/spreads provided by the Index Publisher or any data providers or such other prices/spreads as may be determined by the Risk Committee, for the purposes of any risk calculation performed by LCH SA pursuant to this CDS Clearing Rule Book including, without limitation, calculating and valuing a Clearing Member's Open Positions and calculating its Margin Requirement, Variation Margin Requirement and NPV Payment Requirement. The price/spread actually used by LCH SA to calculate the settlement prices for Cleared

Transactions on either an end of day or intra-day basis shall be referred to as the "**Markit LCH Settlement Price**".

**Article 4.2.7.2**

Each Clearing Member is hereby authorised:

(i) to use the Markit LCH Settlement Prices internally and solely in connection with its clearing functions;

(ii) to provide Markit LCH Settlement Prices to those Clients with Open Positions registered in its corresponding Client Margin Accounts and to its CDS Dealers as applicable; provided that: (a) such distribution is at no cost; (b) the Markit LCH Settlement Prices are provided for use by such Clients and/or the CDS Dealers internally and solely in connection with their clearing functions, (c) any permitted onward distribution to the Client and/or CDS Dealer's affiliates and clients is equivalently restricted, and (d) the Markit LCH Settlement Prices are identified as such.

For the avoidance of doubt, "clearing functions" shall mean the validation of the Clearing Member's, or any relevant Clients' or CDS Dealers', Margin Requirements, Variation Margin Requirements and NPV Payment Requirements and the calculation and valuation of the Clearing Member's, or any relevant Client's, Open Positions for the purposes of its own internal books and records.

**Article 4.2.7.3**

Each Clearing Member accepts that LCH SA, the Index Publisher and their data providers specifically disclaim (i) all warranties or representations as to, and (ii) all liabilities whether in contract, tort (including, but not limited to, negligence) or otherwise in relation to, the quality, fitness for purpose, completeness or accuracy of the Markit LCH Settlement Prices.

**Article 4.2.7.4**

Should a Clearing Member breach the provisions of this Section 4.2.7, it shall indemnify LCH SA for any losses, costs, or expenses incurred by LCH SA as a result of that breach.

**Article 4.2.7.5**

Each Clearing Member acknowledges and agrees that the Markit LCH Settlement Prices are provided "as is", and that neither the Index Publisher, LCH SA nor any other Person makes any representation or warranty related to the Markit LCH Settlement Prices nor shall the Index Publisher, LCH SA or any of their data providers have any liability, duty or obligation for or relating to the Markit LCH Settlement Prices, any errors, inaccuracies, omissions or delays in content, or for any actions taken in reliance thereon. In no event shall the Index Publisher, LCH SA or any of their data providers be liable for damages including, without limitation, damages resulting from lost data or lost profits or revenue, the costs of recovering such data, claims by third parties or for similar costs, or any special, incidental or

consequential damages arising out of the use of the Markit LCH Settlement Prices.

**Article 4.2.7.6**

Each Clearing Member hereby makes the Index Publisher an intended third party beneficiary of Article 4.2.7.1 to Article 4.2.7.5 above.

**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 the 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. The Price Contribution Participant shall evidence that such CDS and/or an Index Swaption has been entered into by the time and in the manner set out in Section 5 of the Procedures.

**Article 4.2.7.8**

A General Member or a Select Member which has opted to be a Price Contribution Participant in accordance with Article 2.2.0.4 can delegate the performance of: (i) the submission of Market Data pursuant to Section 5 of the Procedures; and (ii) the entry into CDS and/or Index Swaption pursuant to Article 4.2.7.7 above to its Price Contribution Delegate.

Notwithstanding the due appointment of a Price Contribution Delegate, the General Member or the Select Member which has opted to be a Price Contribution Participant in accordance with Article 2.2.0.4 shall remain responsible to LCH SA for the due performance of its obligations under Article 4.2.7.7 above and Section 5 of the Procedures.

## CHAPTER 3 - EVENTS OF DEFAULT

### Section 4.3.1 Events of Default

**Article 4.3.1.1**

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

(i) that Clearing Member fails to perform its obligations in accordance with, or is in breach of, the CDS Clearing Documentation, the Pledge Agreement or any Triparty Documentation;

(ii) that Clearing Member is declared to be in default by or is expelled from membership of another clearing house;

(iii) that Clearing Member is suspended by, or expelled from membership of, any Competent Authority;

(iv) that Clearing Member commits a Payment Failure;

(v) that Clearing Member is subject to Insolvency Proceedings;

(vi) that in LCH SA's opinion, that Clearing Member is likely to become subject to Insolvency Proceedings;

(vii) that Clearing Member is subject to an event of default in connection with any other clearing service provided to the Clearing Member by LCH SA; and/or

(viii) that in LCH SA's opinion, that Clearing Member is likely to commit a Payment Failure.

**Article 4.3.1.2**

Before LCH SA is entitled to determine that an Event constitutes an Event of Default, LCH SA must:

(i) attempt to notify (and, in the circumstances set out in Article 4.3.1.1(i), (ii), (iii) and (vi), consult or attempt to consult with) the relevant Clearing Member regarding such Event, further to which LCH SA may (without prejudice to any other rights under this Section 4.3.1) agree a grace period within which the Clearing Member may remedy such Event or institute Disciplinary Proceedings in respect of the Clearing Member;

(ii) ensure that a decision to determine that such Event is an Event of Default has been approved by the CEO of LCH SA or by appropriately senior personnel of LCH SA;

(iii) where such Event is neither a Payment Failure nor Insolvency Proceedings occurring in respect of it, or in respect of any Parent, consider whether:

(a) failing to determine that such Event constitutes an Event of Default would materially adversely impact the ongoing financial soundness or the proper performance of the CDS Clearing Service, or impact the solvency of LCH SA; and

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

(iv) notify the relevant Competent Authorities of such Event, provided that any failure to do so shall not affect the validity and effectiveness of a Default Notice issued by LCH SA in accordance with Article 4.3.1.3.

**Article 4.3.1.3**

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

(i) issue a Default Notice;

(ii) in the event that the Defaulting Clearing Member is an FCM/BD Clearing Member, confirm with the Defaulting Clearing Member the details of any FCM/BD Clients who have instructed LCH SA to transfer, or terminate, close out and re-establish, their FCM/BD Cleared Transactions to or with a Backup Clearing Member in accordance with Regulation 4 of the FCM/BD CDS Clearing Regulations and the CDS Default Management Process;

(iii) publish a Clearing Notice on the Website specifying the name of the Defaulting Clearing Member; and

(iv) notify the TIW and each Approved Trade Source System.

## Section 4.3.2 Measures in case of an Event of Default

**Article 4.3.2.1**

Following a determination that a particular Event should constitute an Event of Default, LCH SA:

(i) shall issue a Default Notice; and if the Defaulting Clearing Member is a CCM, at, or around the same time, request the Defaulting Clearing Member to transfer its Client Pledged Eligible Collateral, if any, to LCH SA in accordance with the CDS Admission Agreement and Section 3 of the Procedures; and

(ii) may, in co-ordination with the relevant Competent Authority(ies), as the case may be, take any measure it deems necessary in order to contain its exposure and to mitigate overall market effects, whether or not these measures are set out in the CDS Clearing Documentation.

**Article 4.3.2.2**

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

**Article 4.3.2.3**

Following the declaration of an Event of Default or the making of an Automatic Early Termination Event Stipulation and the issuance of a Default Notice, 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:

(i) in the case of a CCM, port some or all the Relevant Client Cleared Transactions and some or all of the Ported Collateral of the Defaulting Clearing Member to the appointed Backup Clearing Member in accordance with Clause 4.3 of the CDS Default Management Process and, in the case of an FCM/BD Clearing Member, arrange for porting to take place in accordance with Regulation 4 of the FCM/BD CDS Clearing Regulations and the CDS Default Management Process;

(ii) terminate the Defaulting Clearing Member's membership of the CDS Clearing Service in accordance with Article 2.4.2.1, it being specified that such termination shall not affect the Delegation, which will remain in full force and effect;

(iii) enter into and register any new Original Transaction in the name, or for the account, of the Defaulting Clearing Member;

(iv) suspend the Defaulting Clearing Member's ability and, as the case may be, the ability of each of the CDS Dealers with whom the Defaulting Clearing Member is party to a CDS Dealer Clearing Agreement, to submit any new Original Transactions for clearing by LCH SA or those Original Transactions that LCH SA does not consider as contributing to reducing the risks of the Defaulting Clearing Member;

(v) impose an increased Margin Requirement in respect of any of the Margin Accounts of the Defaulting Clearing Member in order to secure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;

(vi) call for Collateral equal to the value of any shortfall in the Defaulting Clearing Member's Contribution, arising from the Event of Default, and the Additional Contribution Amount to be transferred to LCH SA;

(vii) in the event that the Defaulting Clearing Member was a Matched Buyer for the purposes of Physical Settlement of a Cleared Transaction which was the subject of a Matched Pair, call for Collateral equal to the value of any claim by the corresponding Matched Seller under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the 2003 ISDA Credit Derivatives Definitions, or Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions as applicable, in accordance with Section 6.19 of Part A, or Section 6.19 of Part B as applicable, of the CDS Clearing Supplement, to be transferred to LCH SA;

(viii) declare any Cleared Transaction of the Defaulting Clearing Member, other than the Relevant Client Cleared Transactions which have been ported in accordance with Clause 4.3 of the CDS Default Management Process, to be terminated, declare one or more of the obligations of the Defaulting Clearing Member to be due and payable immediately, convert the delivery

obligations and/or Variation Margin Collateral Transfer obligations of the Defaulting Clearing Member or LCH SA into payment obligations and/or set off all the reciprocal payment obligations of the Defaulting Clearing Member and LCH SA, so that these payment obligations will be deemed satisfied, in whole or in part, to the extent of the set-off;

(ix) execute, for LCH SA's own account, hedging transactions including, without limitation, the purchase, exercise, sale or grant of Cleared Transactions;

(x) compress and/or liquidate, in respect of each Client Trade Account, any Non-Ported Cleared Transactions, and in respect of the House Trade Account, House Cleared Transactions of the Defaulting Clearing Member (and any hedging transactions executed in accordance with Article 4.3.2.3(ix), in consultation with the CDS Default Management Group and in accordance with Regulation 4 of the FCM/BD CDS Clearing Regulations (in the case of an FCM/BD Clearing Member) and the CDS Default Management Process;

(xi) obtain any advice, information or assistance from the Defaulting Clearing Member and/or any third party, as LCH SA may deem necessary for any matter arising out of or in connection with an Event of Default and at the expense of the Defaulting Clearing Member;

(xii) liquidate the Collateral posted by the Defaulting Clearing Member in its House Collateral Account and in respect of any Non-Ported Cleared Transactions, to ensure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;

(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;

(xiv) liquidate the Available Client Collateral Buffer posted by the Defaulting Clearing Member, if any;

(xv) liquidate the Collateral posted by the Defaulting Clearing Member that is an FCM/BD Clearing Member in respect of its provision of the CDS Clearing Service to its FCM/BD Clients in accordance with the FCM/BD CDS Clearing Regulations to ensure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;

(xvi) act in lieu of the Defaulting Clearing Member for performing its payment and/or delivery obligations under Cleared Transactions;

(xvii) impose upon the Defaulting Clearing Member a penalty for late delivery or payment, in the circumstances and at a rate set out by LCH SA;

(xviii) claim from the Defaulting Clearing Member Damages incurred in relation to the occurrence of an Event of Default or the processing of the Event of Default in accordance with this Article 4.3.2.3 or the CDS Default Management Process; and/or

(xix) enforce the security interest granted to LCH SA under, and in accordance with, the Pledge Agreement and/or, in the case of an FCM/BD Clearing Member, Regulation 5 of the FCM/BD CDS Clearing Regulations.

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

**Article 4.3.2.4**

Following the declaration of an Event of Default or the making of an Automatic Early Termination Event Stipulation and the issuance of a Default Notice, LCH SA shall return to the Defaulting Clearing Member, as applicable:

(i) in the case of a CCM, any Collateral recorded as CCM Unallocated Client Collateral for the account of its Clients; or

(ii) in the case of an FCM/BD Clearing Member, any FCM/BD Swaps Unallocated Client Excess Collateral and any FCM/BD SBS Client Excess Collateral.

**Article 4.3.2.5**

Other than in the circumstance set out in Article 4.3.2.6, LCH SA shall not enforce the security interest granted to it under, and in accordance with, the Pledge Agreement by appropriation of the Defaulting Clearing Member's Pledged Eligible Collateral until such time as LCH SA has published a Clearing Notice, in accordance with Article 1.2.2.8, giving effect to the relevant provisions of the Pledge Agreement regarding enforcement through appropriation. For the avoidance of doubt, any proposed modification to the CDS Clearing Documentation proposed by LCH SA, in connection with the issuance of a Clearing Notice contemplated by this Article 4.3.2.5, shall be made in accordance with Section 1.2.2.

**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), 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 Indirect Net Client Set(s) whose Relevant Client Cleared Transactions are to be transferred to a Backup Clearing Member.

**Article 4.3.2.7**

Where LCH SA elects to enforce the security interest granted to it under, and in accordance with, the Pledge Agreement, and/or in the case of an FCM/BD Clearing Member in accordance with Regulation 5 of the FCM/BD CDS Clearing Regulations LCH SA shall use all reasonable endeavours, taking into account prevailing market conditions, to realise the value of the Defaulting Clearing Member's Collateral as soon as is reasonably practicable and prior, wherever possible, to the commencement of Competitive Bidding pursuant to the CDS Default Management Process.

**Article 4.3.2.8**

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

### Section 4.3.3 Recourse following an Event of Default

**Article 4.3.3.1**

Any Damage incurred by LCH 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:

(I) 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

(II) 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:

(I) (x) 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 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 (y) in the case of an FCM/BD Clearing Member, the Legally Segregated Value recorded in the relevant FCM/BD Client Financial Account;

(II) 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 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 the rules applicable to such other clearing service(s);

(III) any House Excess Collateral remaining following the application of Article 4.3.3.1(i)(a) and in the case of an FCM/BD Clearing Member, any FCM/BD Allocated Client Collateral Buffer (but in no event any FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD SBS Client Excess Collateral); and

(IV) 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 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, subject to the last paragraph of Article 4.4.3.6;

(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 the LCH SA additional dedicated own resources in accordance with Article 9(14) of CCP Recovery and Resolution Regulation and Article 1 of Commission Delegated Regulation (EU) 2023/840 with regard to regulatory technical standards on the methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources, as determined from time to time: (a) up to the amount of such dedicated own resources allocated to the CDS Default Fund in proportion to the size of the CDS Default Fund; and (b) in the case of an Event of Default occurring after a previous Event of Default but before LCH SA has reinstated such dedicated own resources in accordance with Article 3(2) of Commission Delegated Regulation, up to the residual amount of such dedicated own resources in the CDS Default Fund;

(vii) 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

(viii) 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-paragraphs (iii) and (iv), an application of: (x) 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; and (y) the LCH SA additional dedicated own resources means an amount that LCH SA shall bear for its own account up to the amount of the dedicated own resources allocated to the CDS Default Fund.

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 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/BD Clearing Member, the Legally Segregated Value recorded in the relevant FCM/BD 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/BD Clearing Member, in accordance with Regulation 6 of the FCM/BD CDS Clearing Regulations.

**Article 4.3.3.3**

A Defaulting Clearing Member shall be liable for all Damage incurred by LCH SA, including any amounts payable by LCH SA in respect of the liquidation or hedging of its:

(i) House Cleared Transactions; and/or

(ii) Non-Ported Cleared Transactions;

which arise out of or in connection with an Event of Default or where an Automatic Early Termination Event Stipulation has been made by LCH SA, as applicable. The Defaulting Clearing Member shall immediately, and in any event no later than the close of business on the Business Day following demand by LCH SA, make up any shortfall in its Contribution arising from the Event of Default. Any positive values arising from the liquidation of the Defaulting Clearing Member's House Cleared Transactions shall be for the account of the Defaulting Clearing Member and any positive values arising from the liquidation of the Defaulting Clearing Member's Non-Ported Cleared Transactions shall form part of the CDS Client Clearing Entitlement (subject to the determination of amounts due from the Defaulting Clearing Member to LCH SA pursuant to Article 4.3.3.4).

**Article 4.3.3.4**

Following: (a) porting of Relevant Client Cleared Transactions and any Ported Collateral; and (b) liquidation of all of: (i) the House Cleared Transactions of the Defaulting Clearing Member, and (ii) Non-Ported Cleared Transactions in accordance with the CDS Default Management Process, LCH SA shall determine whether any amount is due to or from the Defaulting Clearing Member, taking into account:

(i) all costs and expenses for which the Defaulting Clearing Member is liable pursuant to the CDS Clearing Documentation;

(ii) any liability that LCH SA has to make payments to a Matched Seller (where the Defaulting Clearing Member was a corresponding Matched Buyer in respect of Physical Settlement of Cleared Transactions) in respect of any claim under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the 2003 ISDA Credit Derivatives Definitions, or Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions as applicable, in accordance with Section 6.18 of Part A, or Section 6.18 of Part B as applicable, of the CDS Clearing Supplement;

(iii) any liability that LCH SA has to make payments to the Defaulting Clearing Member as a Matched Seller in respect of any claim by the Defaulting Clearing Member under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the 2003 ISDA Credit Derivatives Definitions, or Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions as applicable, in accordance with Section 6.18 of Part A, or Section 6.18 of Part B as applicable, of the CDS Clearing Supplement; and

(iv) the right of the Defaulting Clearing Member to a return or repayment of any Collateral and/or any other sums due to it pursuant to this CDS Clearing Rule Book and the CDS Clearing Documentation (including return to an FCM/BD Clearing Member of any FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD Available Client Collateral Buffer or FCM/BD SBS Client Excess Collateral).

This calculation will be undertaken separately in respect of the Defaulting Clearing Member's House Trade Account and each of its Client Trade Accounts and LCH SA shall notify the Defaulting Clearing Member of the amount(s) which LCH SA owes to the Defaulting Clearing Member or the amount(s)

that the Defaulting Clearing Member owes to LCH SA, as the case may be. For the avoidance of doubt, where an amount is payable by LCH SA to the Defaulting Clearing Member in respect of its House Trade Account, the balance of the House Collateral Account shall not be applied to meet the shortfall(s) in the relevant Client Collateral Account(s), if any.

Any payments shall be due and payable on the Defaulting Clearing Member Termination Date.

In the event that LCH SA retains amounts to cover any liability arising in connection with Section 6.18 of Part A, or Section 6.18 of Part B as applicable, of the CDS Clearing Supplement, in accordance with sub-paragraph (ii) above, LCH SA shall notify the corresponding Matched Seller and shall pay such amounts to the Matched Seller as soon as possible following the Defaulting Clearing Member Termination Date.

**Article 4.3.3.5**

To the extent that:

(i) the porting of the Relevant Client Cleared Transactions of the Defaulting Clearing Member, pursuant to the CDS Default Management Process;

(ii) liquidation of the Defaulting Clearing Member's House Cleared Transactions, pursuant to the CDS Default Management Process; or

(iii) liquidation of the Non-Ported Cleared Transactions, pursuant to the CDS Default Management Process;

requires new Cleared Transactions to be created in the TIW reflecting another Clearing Member as counterparty to the Cleared Transaction, LCH SA will have to submit these Cleared Transactions to DTCC in accordance with Article 3.1.10.2 (or Article 3.1.10.3, as the case may be), provided that LCH SA will submit any reports required under Part 45 of the CFTC Regulations and/or applicable SEC Regulations for SBS trade reporting in accordance with Section 5 of the Procedures.

# CHAPTER 4 - CDS DEFAULT FUND

## Section 4.4.1 Purpose of the CDS Default Fund and Relevant Calculations

**Article 4.4.1.1**

The CDS Default Fund is established for the CDS Clearing Service only and is a default fund solely for Cleared Transactions and separate from the default fund(s) for LCH SA's other clearing services. Contributions shall only be applied by LCH SA in accordance with Article 4.3.3.1 following its determination of an Event of Default with respect to a Clearing Member pursuant to Article 4.3.1.2 or the making of an Automatic Early Termination Event Stipulation and where the resources listed in Article 4.3.3.1 (i) and (ii) are insufficient to cover the losses incurred by LCH SA as a result of such Event of Default.

To the extent a Defaulting Clearing Member is a member of another clearing service(s) provided by LCH SA, the Contribution and the Additional Contribution Amount of such Defaulting Clearing Member may additionally be used in accordance with the rules applicable to such other clearing service(s), provided, and only to the extent, that the Defaulting Clearing Member's Contribution and its Additional Contribution Amount have not been exhausted through the application of resources pursuant to Article 4.3.3.1(ii)(a).

Where the balance of a Defaulting Clearing Member's Contribution and/or its Additional Contribution Amount is used, in accordance with the rules applicable to another clearing service(s) provided by LCH SA, such use shall give rise to a corresponding discharge of LCH SA's obligations (whether through the operation of set off pursuant to Article 4.3.3.4 or otherwise pursuant to the CDS Clearing Documentation) to return an equivalent amount of such resources to the Defaulting Clearing Member in accordance with the CDS Clearing Documentation

**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 4.4.1.3**

Subject to Section 6 of the Procedures and any action taken by LCH SA in accordance with Section 8 of the Procedures, a Clearing Member's Contribution shall be equal to the greater of:

(i) such Clearing Member's proportionate share of the CDS Default Fund Amount, each Clearing Member's proportionate share being based on its Initial Margins calculated in respect of that Clearing Member's Account Structure over the last sixty Clearing Days (or, if there is less than sixty Clearing Days' worth of Initial Margins calculations available in respect of a Clearing Member's Account Structure, all available Clearing Days); and

(ii) a minimum contribution of EUR 10,000,000.

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

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

**Article 4.4.1.4**

Each Clearing Member has an unconditional obligation during any CDS Post-Default Period to pay a single Additional Contribution Amount to the CDS Default Fund if required to do so by LCH SA, calculated as of the date LCH SA makes a call on the CDS Default Fund in accordance with Section 6 of the Procedures. Each Clearing Member will pay such Additional Contribution Amount by such time specified in Section 6 of the Procedures. The Additional Contribution Amount may be called by LCH SA during any CDS Post-Default Period in one or more drawdowns, subject that the aggregate amount paid by a Clearing Member shall not exceed that Clearing Member's Additional Contribution Amount during such CDS Post-Default Period.

**Article 4.4.1.5**

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

(i) the fourth Business Day of each month; and

(ii) any Business Day should the largest two losses on that day described in Article 4.4.1.2 above change by more than 5% from the calculation date,

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

**Article 4.4.1.6**

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

(i) the final calendar day of a CDS Post-Default Period; or

(ii) a Clearing Member Termination Date which is other than in a CDS Post-Default Period.

**Article 4.4.1.7**

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

**Article 4.4.1.8**

If a Clearing Member is subject to a material change in its business, 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.

**Article 4.4.1.9**

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

For the avoidance of doubt:

(i) if the Clearing Member elects to transfer Collateral equal to the value of the Margin Shortfall, such Collateral shall only be available to cover losses incurred by LCH SA, as provided in the CDS Clearing Rules, following the occurrence of an Event of Default in respect of such Clearing Member and there shall be no effect on such Clearing Member's Contribution during the CDS Post-Default Period; and

(ii) the Clearing Member's Contribution Requirement shall be recalculated on the first Business Day following the final calendar day of the CDS Post-Default Period, as described in Article 4.4.1.6.

**Article 4.4.1.10**

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

**Article 4.4.1.11**

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

(i) the 20th Business Day following the date LCH SA delivers notice of such changes to the Clearing Members; and

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

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

**Article 4.4.1.12**

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

In the event such Membership Termination Notice is delivered to LCH SA prior to the effectiveness of the changes to the methodology for calculating the CDS Default Fund, as determined in accordance with Article 4.4.1.11, the Clearing Member's Contribution Requirement shall remain at the level

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

**Article 4.4.1.13**

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

## Section 4.4.2 Contribution to the CDS Default Fund

**Article 4.4.2.1**

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

**Article 4.4.2.2**

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

(i) the Business Day on or immediately following the calendar day on which the CDS Admission Agreement is executed by LCH SA and the Clearing Member; and

(ii) the Business Day preceding the day of the submission by a Clearing Member of its first Original Transaction.

**Article 4.4.2.3**

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

**Article 4.4.2.4**

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

The Collateral transferred to LCH SA for the purposes of a Clearing Member's Contribution Requirement shall be held by LCH SA and segregated from any Collateral recorded in a Collateral Account of such Clearing Member.

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

**Article 4.4.3.1**

Clearing Members' Contributions may be applied by LCH SA, pursuant to Article 4.3.3.1 and Article 4.3.3.2, in order to mitigate any Damage to LCH SA arising out of or in connection with an Event of Default. If LCH SA declares an Event of Default in respect of more than one Clearing Member simultaneously or in close sequence, LCH SA may, if it so chooses, manage each Event of Default separately under TITLE IV, CHAPTER 3 and TITLE IV, CHAPTER 4 to the extent permitted under Applicable Law.

**Article 4.4.3.2**

In the event the CDS Default Fund is applied by LCH SA pursuant to Article 4.3.3.1, each Clearing Member's Contribution or Additional Contribution Amount, as applicable, shall be applied in the order set out in Article 4.3.3.1, and in respect of each sub-paragraph, as set out in the relevant sub-paragraph of Article 4.3.3.1, on a *pro rata* basis by reference to the ratio such Clearing Member's Contribution bears to the aggregate CDS Default Fund.

Where LCH SA does so apply a Clearing Member's Contribution or Additional Contribution Amount pursuant to sub-paragraphs (ii), (iv), (v) or (vi) of Article 4.3.3.1, its obligation to redeliver any Collateral reflecting such Clearing Member's Contribution or Additional Contribution Amount shall be reduced on the value of the amount so applied and such action will constitute a full and final discharge of LCH SA's obligation to return the relevant amount of such Collateral.

**Article 4.4.3.3**

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

**Article 4.4.3.4**

During a CDS Post-Default Period, regardless of the number of Default Notices that are issued by LCH SA, LCH SA shall not be permitted to require a Clearing Member to transfer Collateral to LCH SA to meet any Contribution Requirement (including, for the avoidance of doubt, owing to any recalculation of the size of the CDS Default Fund or the Clearing Member's proportionate share of the CDS Default Fund or a replenishment of the Clearing Member's Contribution) other than to the extent that such Clearing

Member is requested to pay its Additional Contribution Amount, calculated in accordance with Article 4.4.1.4, subject to amendments pursuant to Article 4.4.1.9, as the case may be.

**Article 4.4.3.5**

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

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

**Article 4.4.3.6**

The LCH SA Contribution shall be deposited with an EEA Credit Institution or the Banque de France and shall only be applied pursuant to the waterfall process as described in the CDS Clearing Documentation. In the event it becomes necessary to apply all or part of the LCH SA Contribution pursuant to Article 4.3.3.1 (iii) LCH SA shall be required to restore its LCH SA Contribution in accordance with EMIR and by no later than within one Business Day following the final calendar day of the expiration of the related CDS Post-Default Period.

The LCH SA Contribution shall be limited to an aggregate maximum amount as required in accordance with EMIR, subject to the floor amount of Euro 20 million, during a CDS Post-Default Period regardless of the number of Default Notices that are issued during such CDS Post-Default Period.

**Article 4.4.3.7**

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

**Article 4.4.3.8**

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

(i) any amounts received from the Defaulting Clearing Member as a result of LCH SA being a creditor of the Defaulting Clearing Member in the context of Insolvency Proceedings or otherwise, other than in respect of sums due to LCH SA; or

(ii) any other amounts howsoever obtained or recovered in the course of LCH SA's operation of the CDS Default Management Process or which are otherwise referable to the Defaulting Clearing Member,

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

# TITLE V

# CCM CDS CLIENT CLEARING SERVICES

# CHAPTER 1 - GENERAL PROVISIONS

## Section 5.1.1 Provision of CDS Client Clearing Services

### Article 5.1.1.1

Any CCM may offer CDS Client Clearing Services to a CCM Client (which may include an Affiliate of such CCM) after obtaining confirmation from LCH SA it has duly filed and submitted all the documentation and information required pursuant to Section 1 of the Procedures.

### Article 5.1.1.2

CDS Client Clearing Services may be provided by a CCM to its CCM Clients on whatever terms the CCM decides should apply provided, however, that:

(i) each CCM shall, before providing CDS Client Clearing Services to any client, ensure that it has entered into a CDS Client Clearing Agreement pursuant to which the CCM Client agrees, among others, to be bound by the Mandatory Client Clearing Provisions;

(ii) Client Cleared Transactions, Collateral provided by a CCM to LCH SA in respect of Client Cleared Transactions and CCM Client Excess Collateral if any, shall always be separately identified by the CCM to LCH SA, in accordance with Section 3 of the Procedures;

(iii) each CCM shall be obliged to provide LCH SA with any information that LCH SA may reasonably require in relation to the CDS Client Clearing Services provided by that CCM to its CCM Clients;

(iv) a CCM shall not provide CDS Client Clearing Services to any U.S. CCM Client (other than a U.S. CCM Client that is an Affiliate of the CCM) with respect to an Original Transaction, unless the CCM:

(a) is an FCM/BD; and

(b) has provided LCH SA with an opinion of counsel confirming that the provision of CDS Client Clearing Services in accordance with Title V to any U.S. CCM Client would not be contrary to Applicable Law, in form and content acceptable to LCH SA; and

(v) a CCM shall, before granting an Exercise Delegation to a CCM Client, ensure that such CCM Client has duly created a Client Portal Account.

### Article 5.1.1.3

The following provisions shall constitute the Mandatory Client Clearing Provisions:

(i) the receipt of CDS Clearing Services from the CCM, which result in the registration of Client Cleared Transactions within such CCM's CCM Client Trade Account(s), will be governed by the applicable provisions of the CDS Clearing Documentation and the CDS Client Clearing Agreement;

(ii) upon LCH SA's registration of Client Cleared Transactions within the CCM Client Account Structure of the relevant CCM (whether following a novation pursuant to Title III, CHAPTER 1, transfer of Client Cleared Transactions pursuant to Title V, CHAPTER 3 or porting of Relevant Client Cleared Transactions pursuant to the CDS Client Clearing DMP):

(a) a client transaction having the same economic terms as the Client Cleared Transaction will be deemed to arise under the CDS Client Clearing Agreement (a "**Deemed Client Transaction**") whereby: (x) if the CCM is a CDS Seller or an Index Swaption Seller under a Client Cleared Transaction, such CCM shall be a CDS buyer or an Index Swaption buyer, as applicable, and the CCM Client shall be the CDS seller or Index Swaption seller, as applicable, under the Deemed Client Transaction; and (y) if the CCM is a CDS Buyer or an Index Swaption Buyer under a Client Cleared Transaction, such CCM shall be the CDS seller or Index Swaption seller, as applicable, and the CCM Client shall be the CDS buyer or Index Swaption buyer, as applicable, under the Deemed Client Transaction, and in each case such that the CCM Client will remain in the same economic position as it had in relation to the original transaction that it entered into; and

(b) where the Receiving Clearing Member receives Client Assets or the Backup Clearing Member receives Ported Collateral in connection with the registration of such Client Cleared Transaction, the CCM Client shall be deemed to have provided equivalent collateral in relation to the corresponding Deemed Client Transaction in such form as is agreed between the CCM and the CCM Client;

(iii) upon the transfer of a Client Cleared Transaction to a Receiving Clearing Member in accordance with Title V, Chapter 3, the corresponding Deemed Client Transaction shall:

(a) be terminated for zero value; and

(b) in the event that Client Assets are transferred at or around the same time, in accordance with the CDS Clearing Rules, to the Receiving Clearing Member, the collateral relating to the terminated Deemed Client Transaction shall be deemed to have been returned to the CCM Client;

(iv) upon the porting of a Relevant Client Cleared Transaction to a Backup Clearing Member in accordance with the CDS Client Clearing DMP, the corresponding Deemed Client Transaction shall:

(a) be terminated at the same value as the value given to the Client Cleared Transaction ported from the CCM Client Account Structure of the Defaulting Clearing Member; and

(b) in the event that Ported Collateral is transferred at or around the same time, in accordance with the CDS Clearing Rules, to the Backup Clearing Member, the collateral relating to the terminated Deemed Client Transaction shall be deemed to have been returned to the CCM Client;

(v) where a Client Cleared Transaction is liquidated in accordance with the CDS Client Clearing DMP, the corresponding Deemed Client Transaction shall be simultaneously terminated and valued using the methodology set out in the CDS Client Clearing DMP;

(vi) the CCM Client irrevocably consents to the benefit of the Delegation by which, under the CDS Admission Agreement, the CCM has delegated to LCH SA the obligation to pay to the CCM Client an amount equal to the CDS Client Clearing Entitlement, calculated in respect of each such CCM Client, if any. The Delegation is a délégation imparfaite governed by articles 1336 *et seq.* of the French Civil Code and the CDS Clearing Documentation. Accordingly, the CCM Client irrevocably acknowledges that, upon LCH SA's payment to the CCM Client under the Delegation, the CCM is discharged pro tanto from paying to the Client an amount equal to the CDS Client Clearing Entitlement automatically without further notice;

(vii) the Client undertakes to return to the CCM any amounts received from LCH SA pursuant to the Delegation where such amounts exceed the amount which is due from the CCM to the CCM Client in relation to the clearing of CDS and/or Index Swaptions, as applicable, through the CDS Clearing Service in accordance with the CDS Client Clearing Agreement;

(viii) following an LCH Default, each Deemed Client Transaction shall be valued using the methodology set out in Articles 1.3.1.4 to 1.3.1.6 and closed out simultaneously with the corresponding Client Cleared Transaction;

(ix) where compression of Client Cleared Transactions is undertaken by LCH SA in accordance with Title III, Chapter 3, equivalent compression of the associated Deemed Client Transactions will be undertaken by the CCM;

(x) LCH SA is authorised to make disclosure of information in accordance with the applicable provisions of the CDS Clearing Documentation;

(xi) the CCM Client represents that it shall comply at all times with the CDS Clearing Documentation as it applies to the CCM Client and shall not act so as to cause, whether directly or indirectly, a breach of the CDS Clearing Documentation;

(xii) save in the context of the Delegation and its right to receive an amount equal to the CDS Client Clearing Entitlement, the CCM Client has no contractual nexus with LCH SA and is not deemed to be party to, or participant in, the CDS Clearing Documentation;

(xiii) LCH SA will:

(a) rely on the latest documentation and information on the CCM Client received by LCH SA from the CCM, in accordance with Title II, Chapter 2 and Section 1 of the Procedures, for the purpose of the payment of the relevant CDS Client Clearing Entitlement to the CCM Client or for any other purpose; and

(b) have no liability provided it has relied on such latest documentation and information;

(xiv) where Collateral is transferred by the CCM in satisfaction of the applicable CCM Client Margin Requirement, the CCM 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;

(xv) LCH SA deals only with the CCM and the CCM Client shall have no right or authority to deal directly with LCH SA or to request any information from LCH SA save as otherwise provided by the CDS Clearing Documentation or any Applicable Law;

(xvi) the Client shall answer, and authorises the CCM to answer, inquiries made by LCH SA concerning the CDS Client Clearing Services pursuant to Articles L. 440-10 and L. 511-33 of the French Monetary and Financial Code;

(xvii) to the extent the Markit LCH Settlement Prices are provided to the CCM Client, the Client shall:

(a) use such Markit LCH Settlement Prices internally and solely in connection with its clearing functions; and

(b) only be permitted to provide the Markit LCH Settlement Prices to an affiliate or a client of its own if: (1) it does so at no cost; (2) the Markit LCH Settlement Prices are provided for the affiliate or client to use internally and solely in connection with their respective clearing functions; and (3) the Markit LCH Settlement Prices are identifiable as such;

For the avoidance of doubt, “clearing functions” shall mean the validation of the CCM Client's Margin Requirement (or any margin requirement applicable to the CCM Client’s affiliate or client) and Variation Margin Requirement and/or NPV Payment Requirement and the calculation and valuation of the CCM Client's Open Positions (or the net open positions of the CCM Client’s affiliate or client) for the purposes of its own internal books and records;

(xviii) the CCM Client agrees to indemnify and hold the CCM and/or 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, costs of collection, and any reasonable cost incurred in successfully defending against any claim) incurred by the CCM and/or LCH SA in connection with the indirect clearing arrangement referred to in Article 5.1.3.1 below and/or in connection with the provisions of the CDS Clearing Documentation applicable to indirect clearing and in particular Section 5.1.3, TITLE V, CHAPTER 3 and CHAPTER 4 below;

(xix) in respect of CCMs intending to allow their CCM 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; and

(xx) in respect of a CCM granting an Exercise Delegation to a CCM Client:

(a) the CCM shall delegate to such CCM Client sufficient powers in order for such CCM Client to be duly authorised to Exercise or Abandon Exercise Cleared Transactions identified in such delegation on behalf of the CCM; and

(b) except in case of an EEP Failure Event, the Exercise Delegation Beneficiary will Exercise or Abandon the relevant Exercise Cleared Transactions on behalf of the Delegating Clearing Member through the relevant applications available on the Client Portal Account only.

## Section 5.1.2 CDS Client Clearing DMP and Delegation

**Article 5.1.2.1**

Clause 4 of the CDS Client Clearing DMP sets out the process for: (i) porting Relevant Client Cleared Transactions and Ported Collateral; and/or (ii) liquidating Non-Ported Cleared Transactions and calculating the CDS Client Clearing Entitlement for each Client, of a Defaulting Clearing Member.

**Article 5.1.2.2**

Each CCM has irrevocably delegated LCH SA, in favour of each of its CCM Clients, in the payment to each of its CCM Clients of an amount equal to the CDS Client Clearing Entitlement calculated in respect of each of its CCM Clients, if any. The Delegation is a *délégation imparfaite* governed by articles 1336 *et seq.* of the French Civil Code and the CDS Clearing Documentation. Accordingly, the CCM irrevocably acknowledges that:

(i) it has directed LCH SA to pay to each of its CCM Clients, an amount equal to the relevant CDS Client Clearing Entitlement, if positive; and

(ii) upon LCH SA paying the amount due in accordance with the Delegation to each CCM Client of the CCM, LCH SA shall irrevocably be discharged pro tanto from paying an amount equal to the relevant CDS Client Clearing Entitlement to the CCM automatically without further notice;

For the avoidance of doubt, this Delegation shall not restrict or otherwise prejudice the entitlement of the CCM to any Collateral in relation to its CCM House Margin Account save as expressly provided above.

## Section 5.1.3 Indirect clearing

**Article 5.1.3.1**

A CCM which intends to allow its CCM 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 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 one or more CCM Indirect Client Segregated Account Structures in accordance with the wishes of the relevant CCM Indirect Clients who 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 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 Client (as a result of a request made by LCH SA to the CCM of such CCM Client) available to its CCM 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.

## CHAPTER 2 - CCM CLIENT ACCOUNT STRUCTURE

### Section 5.2.1 General Provisions

**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:

(i) a CCM Individual Segregated Account Structure;

(ii) a CCM Net Omnibus Segregated Account Structure;

(iii) a CCM Gross Omnibus Segregated Account Structure;

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

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

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

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, within a single CCM Net Omnibus Segregated Account Structure, to one or more CCM Client Trade Account(s), one CCM Client Margin Account and one CCM Client Collateral Account.

Each CCM Gross Omnibus Segregated Account Client must be allocated to one or more CCM Gross Omnibus Sub-Account Structure(s).

Each CCM Individual Segregated Account Client must be allocated to one or more CCM Individual Segregated Account Structure(s).

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 5.2.1.4**

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.

## Section 5.2.2 CCM Client Trade Accounts

**Article 5.2.2.1**

LCH SA shall open:

(i) one or more CCM Client Trade Account(s) for each CCM Omnibus Segregated Account Client;

(ii) one CCM Client Trade Account for each CCM Individual Segregated Account Structure; and

(iii) one or more CCM Client Trade Account(s) for each CCM Indirect Client belonging to a CCM Indirect Client Segregated Account Structure.

**Article 5.2.2.2**

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

## Section 5.2.3 CCM Client Margin Accounts

**Article 5.2.3.1**

LCH SA shall open:

(i) one CCM Individual Segregated Client Margin Account for each CCM Individual Segregated Account Structure for the purposes of risk calculation, as described in Title IV, to reflect the Open Positions attributable to such CCM Individual Segregated Account Structure;

(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;

(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 Structure 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 Structure;

(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

(vi) one CCM Indirect Client Gross Segregated Margin Account for each CCM Client Trade Account of 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 related to such CCM Indirect Client Gross Segregated Account Structure and 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 corresponding Open Positions, Variation Margin Requirements and/or NPV Payment Requirements, as applicable attributable to:

(i) the CCM Individual Segregated Account Client;

(ii) the relevant CCM Net Omnibus Client Set;

(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

(v) each CCM Indirect Client belonging to the relevant CCM Indirect Client Gross Segregated Account Structure,

as the case may be.

## Section 5.2.4 CCM Client Collateral Accounts

**Article 5.2.4.1**

Cash Collateral provided by CCMs to satisfy its CCM Client Margin Requirements or to create CCM Client Excess Collateral, will be provided by way of full title transfer and will be held by LCH SA in accordance with Section 3 of the Procedures.

**Article 5.2.4.2**

At the option of each CCM, and in accordance with Section 3 of the Procedures, Eligible Collateral may be transferred by the relevant CCM to LCH SA to satisfy its CCM Client Margin Requirements or to create CCM Client Excess Collateral, either on a full title transfer basis pursuant to Article L. 440-7 of the French Monetary and Financial Code, or by way of a Belgian law security interest with no title transfer pursuant to the applicable provisions of Belgian law.

**Article 5.2.4.3**

LCH SA shall open one CCM Client Collateral Account:

(i) for each CCM Individual Segregated Account Structure for the purposes of identifying Collateral provided by the relevant CCM for the benefit of the CCM Individual Segregated Account Client belonging to such CCM Individual Segregated Account Structure and CCM Client Excess Collateral if any;

(ii) for each CCM Net Omnibus Client Set for the purposes of identifying Collateral provided by the relevant CCM for the benefit of the CCM Net Omnibus Segregated Account Clients belonging to such CCM Net Omnibus Client Set and CCM Client Excess Collateral if any;

(iii) for each CCM Gross Omnibus Client Set for the purposes of identifying Collateral provided by the relevant CCM for the benefit of the CCM Gross Omnibus Segregated Account Clients belonging to such CCM Gross Omnibus Client Set 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 belonging

to such CCM Indirect Client Segregated Account Structure, and CCM Client Excess Collateral in respect of its CCM Indirect Clients, if any.

# CHAPTER 3 - TRANSFER

## Section 5.3.1 General

**Article 5.3.1.1**

Other than in the event that a CCM is a Defaulting Clearing Member, Client Cleared Transactions shall not be transferred from one CCM to another Clearing Member except as provided in TITLE V, CHAPTER 3 or CHAPTER 4 or as otherwise permitted by French law to LCH SA.

**Article 5.3.1.2**

Rights under a Client Cleared Transaction shall not be capable of assignment by a CCM. Any purported assignment by a CCM or any purported transfer that is not in compliance this TITLE V, CHAPTER 3 shall be void.

## Section 5.3.2 Full transfers

**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 Client Cleared Transactions registered in the CCM Individual Segregated Account Structure of that CCM Individual Segregated 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 attributable to such CCM Individual Segregated Account Client 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 (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 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) 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 5.3.2.1(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 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 5.3.2.2**

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

(a) each of such CCM Net Omnibus Segregated Account Clients' entire portfolio (and not less than an entire portfolio) of Client Cleared Transactions 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 Net Omnibus Segregated Account Clients 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) none of the CCM Net Omnibus Segregated Account Clients within the relevant CCM Net Omnibus Client Set has become insolvent (each such CCM Net Omnibus 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) 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 5.3.2.2(vi) above, the Carrying Clearing Member will be entitled to reject the transfer of the relevant Client Cleared Transactions only if: (a) one or more of the relevant CCM Net Omnibus Segregated Account Clients 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 one or more of the CCM Net Omnibus Segregated Account Clients 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 one or more of the CCM Net Omnibus Segregated Account Clients.

**Article 5.3.2.3**

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

(a) each of such CCM Gross Omnibus Multi Sub-Account Clients' entire portfolio (and not less than an entire portfolio) of Client Cleared Transactions 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 relating to the CCM Cleared Transactions that are being transferred to a Receiving Clearing Member designated by such CCM Gross Omnibus Multi 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) none of the CCM Gross Omnibus Multi Sub-Account Clients within the relevant CCM Gross Omnibus Multi Sub-Account Client Set has become insolvent (each such CCM Gross Omnibus Multi 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 5.3.2.3(vi) above, the Carrying Clearing Member will be entitled to reject the transfer of the relevant Client Cleared Transactions only if: (a) one or more of the relevant CCM Gross Omnibus Multi Sub-Account Clients 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 one or more of the CCM Gross Omnibus Multi Sub-Account Clients 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 one or more of the CCM Gross Omnibus Multi Sub-Account Clients.

**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 Single Sub-Account Client (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 5.3.2.6**

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, 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, Article 5.3.2.4 or Article 5.3.2.5 (as applicable).

## Section 5.3.3 Partial transfers

**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 portion of the portfolio of Client Cleared Transactions registered in the CCM Individual 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 (v) 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) 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) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and

(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(v) 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 5.3.3.2**

Upon the instruction of a CCM Net Omnibus Segregated Account Client in circumstances where (a) one or more CCM Net Omnibus Segregated Account Clients within the relevant CCM Net Omnibus Client Set of a Carrying Clearing Member do not wish to transfer all the relevant Client Cleared Transactions to the Receiving Clearing Member; or (b) a CCM Net Omnibus Segregated Account Client within the relevant CCM Net Omnibus Client Set wishes to transfer a portion of such CCM Net Omnibus Segregated Account Client's 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 Client Cleared Transactions to the relevant CCM Client Trade Account of the Receiving Clearing Member. Subject to paragraph (v) 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 5.3.3.2, 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 the transfer of the Client Cleared Transactions of the CCM Net Omnibus Segregated Account Client(s) that:

(i) no CCM Net Omnibus Segregated Account Client within the relevant CCM Net Omnibus Client Set has become insolvent (each CCM Net Omnibus 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) 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) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and

(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 purposes of 0(v) above, the Carrying Clearing Member may be entitled to reject the transfer of the relevant Client Cleared Transactions only if; (a) one or more CCM Net Omnibus Segregated Account

Clients within the relevant CCM Net Omnibus Client Set 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 would result in one or more CCM Net Omnibus Segregated Account Clients 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 Net Omnibus Segregated Account Clients.

**Article 5.3.3.3**

Upon the instruction of a CCM Gross Omnibus Multi Sub-Account Client in circumstances where (a) one or more CCM Gross Omnibus Multi Sub-Account Clients within the relevant CCM Gross Omnibus Multi Sub-Account Client Set of a Carrying Clearing Member do not wish to transfer all the relevant Client Cleared Transactions to the Receiving Clearing Member; or (b) a CCM Gross Omnibus Multi Sub-Account Client within the relevant CCM Gross Omnibus Multi Sub-Account Client Set wishes to transfer a portion of such CCM Gross Omnibus Multi Sub-Account Client's 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 Client Cleared Transactions to the relevant CCM Client Trade Account of the Receiving Clearing Member. Subject to paragraph (v) 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 5.3.3.3, 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 the transfer of the Client Cleared Transactions of the CCM Gross Omnibus Multi Sub-Account Client(s) that:

(i) no CCM Gross Omnibus Multi Sub-Account Client within the relevant CCM Gross Omnibus Multi Sub-Account Client Set has become insolvent (each CCM Gross Omnibus Multi 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) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and

(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 purposes of Article 5.3.3.3(v) above, the Carrying Clearing Member may be entitled to reject the transfer of the relevant Client Cleared Transactions only if; (a) one or more CCM Gross Omnibus Multi Sub-Account Clients within the relevant CCM Gross Omnibus Multi Sub-Account Client Set 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 would result in one or more CCM Gross Omnibus Multi Sub-Account Clients 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 Multi Sub-Account Clients.

**Article 5.3.3.4**

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 portion of the 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.

Subject to paragraph (v) 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 5.3.3.4, 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 the Client Cleared Transactions 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) both the Carrying Clearing Member and the Receiving Clearing Member have satisfied their obligations in respect of the relevant Morning Call; and

(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 5.3.3.4(v) above, the Carrying Clearing Member may be entitled to reject the transfer of the relevant Client Cleared Transactions only if; (a) the 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 5.3.3.5**

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.

## Section 5.3.4 Transfer of Client Assets

**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, 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, sub-paragraphs (i) to (vi) of Article 5.3.2.4, or sub-paragraphs (i) to (vii) of Article 5.3.2.5 (as applicable) are satisfied in relation to such transfer.

**Article 5.3.4.3**

Provided that the Receiving Clearing Member has not rejected the transfer all of the Client Assets in accordance with Article 5.3.4.2, LCH SA shall transfer the Client Assets from the Carrying Clearing Member's relevant CCM Client Collateral Account to the Receiving Clearing Member's relevant CCM Client Collateral Account. In the event that, for whatever reason, LCH SA is unable to transfer such Client Assets, LCH SA will not proceed with the transfer of the relevant Client Cleared Transactions.

## Section 5.3.5 Transfer process

**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, 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, 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, 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 5.3.5.2**

Subject to Article 5.3.5.3 below, but otherwise notwithstanding anything to the contrary in the CDS Clearing Rules, in making any transfer of Client Cleared Transactions and (if applicable) Client Assets pursuant to this TITLE V, Chapter 3, LCH SA shall be authorised and entitled to rely conclusively on the instructions of and information provided by the relevant CCM(s), which shall be solely responsible for all such instructions and information, including ensuring that:

(i) the transfer is properly authorised or rejected (as the case may be);

(ii) the appropriate CCM Client Trade Account(s) have been identified; and

(iii) in the case of a partial transfer of Client Cleared Transactions pursuant to Article 5.3.3.1, Article 5.3.3.2, Article 5.3.3.3 or Article 5.3.3.4 the appropriate Client Cleared Transactions have been identified by the Receiving Clearing Member,

and LCH SA shall have no responsibility or liability therefore.

**Article 5.3.5.3**

LCH SA shall verify that the Client Cleared Transactions notified to it by a CCM, as being the subject of such a transfer, correspond to Client Cleared Transactions which, according to its records, are registered in the Client Account Structure of the Carrying Clearing Member in respect of the relevant CCM Client and CCM Indirect Clients (if applicable). In the event that LCH SA identifies a discrepancy, it will notify the relevant CCM(s) and no transfer will occur pursuant to TITLE V, Chapter 3, until such time as the Client Cleared Transactions identified to LCH SA by the relevant CCM(s) can be verified by LCH SA.

**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, Article 5.3.3.4 or Article 5.3.3.5 (as the case may be).

## CHAPTER 4 - EARLY TERMINATION

**Article 5.4.1.1**

If at any time an early termination date, howsoever described in the relevant CDS Client Clearing Agreement, occurs in respect of one or more Deemed Client Transaction(s) (other than Deemed Client Transactions entered into in relation to Client Cleared Transactions registered in a CCM Indirect Client Segregated Account Structure) and provided that, at the time of such early termination date, the relevant CCM is not a Defaulting Clearing Member, that CCM may instruct LCH SA to transfer the corresponding Client Cleared Transactions from the relevant CCM Client Trade Account(s) to the House Trade Account of such CCM, in accordance with Section 5 of the Procedures.

**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 another CCM Client 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:

(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

(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 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;

in 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 5.4.1.4**

LCH SA will arrange a transfer of the relevant Client Cleared Transactions mentioned in Article 5.4.1.1, Article 5.4.1.2 and Article 5.4.1.3 in the conditions set out in Section 5 of the Procedures and provided that LCH SA has received an indemnity from the relevant CCM in a form suitable to LCH SA to cover any losses, costs or expenses incurred by LCH SA in connection with the transfer.

**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 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 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.

# TITLE VI

# FCM/BD CDS CLIENT CLEARING SERVICES

## CHAPTER 1 - GENERAL PROVISIONS

**Article 6.1.1.1**

An FCM/BD Clearing Member may provide CDS Client Clearing Services to its FCM/BD Clients after obtaining confirmation from LCH SA it has duly filed and submitted all the documentation and information required pursuant to Section 1 of the Procedures. An FCM/BD Clearing Member may also enter into Cleared Transactions for its own account. Notwithstanding the foregoing, an FCM/BD Clearing Member may not enter into Cleared Transactions for the account of an Affiliate, unless such FCM/BD Clearing Member first provides LCH SA with an opinion of counsel, in form and content acceptable to LCH SA, confirming that entry into such Cleared Transactions would not be contrary to Applicable Law.

**Article 6.1.1.2**

An FCM/BD Clearing Member may provide CDS Clearing Services to a Client (or, if permitted pursuant to Article 6.1.1.1, an Affiliate) on any terms and conditions mutually agreed to by it and such Person; provided, however, that:

(i) an FCM/BD Clearing Member shall, before providing CDS Client Clearing Services to any Client or Affiliate, ensure that it has entered into an agreement, or an addendum to an existing agreement, with such Person, that binds such Person to the applicable provisions of the CDS Clearing Rules (including the FCM/BD CDS Clearing Regulations) by direct reference thereto or otherwise, and any other provisions as shall be agreed from time to time between LCH SA and FCM/BD Clearing Members, or as may be prescribed by LCH SA;

(ii) an FCM/BD Clearing Member shall notify LCH SA of each Affiliate for which it provides CDS Clearing Services;

(iii) an FCM/BD Clearing Member shall provide, and separately identify, to LCH SA Client Cleared Transactions and Collateral in respect of Client Cleared Transactions (in the aggregate);

(iv) an FCM/BD Clearing Member may deliver, and shall separately identify, to LCH SA Collateral as FCM/BD Client Collateral Buffer;

(v) an FCM/BD Clearing Member shall not submit for clearing any Original Transaction to be registered in its House Account Structure for any Person other than itself, with respect to any Original Transaction that is an SBS, as set out in Section 4 of the Procedures; and

(vi) before granting an Exercise Delegation to an FCM/BD Client, ensure that such FCM/BD Client has duly created a Client Portal Account.

**Article 6.1.1.3**

Each FCM/BD Client (and, if permitted pursuant to Article 6.1.1.1, an Affiliate), by participating in Original Transactions and entering FCM/BD Cleared Transactions through its FCM/BD Clearing Member, shall be deemed to understand, acknowledge and agree that:

(i) the receipt of CDS Clearing Services from the FCM/BD Clearing Member which result in the registration of FCM/BD Cleared Transactions within such FCM/BD Clearing Member's Client Trade Account(s) or House Trade Account, as the case may be, will be governed by the applicable provisions of the CDS Clearing Documentation;

(ii) it shall be bound by the applicable provisions of the CDS Clearing Documentation in respect of any FCM/BD Cleared Transactions which are attributable to it;

(iii) at the time an FCM/BD Cleared Transaction is registered in an FCM/BD Client Trade Account or House Trade Account of the FCM/BD Clearing Member, as the case may be, on its behalf, the FCM/BD Client or Affiliate, as applicable, will be deemed to be bound by the relevant FCM/BD Cleared Transaction on the terms entered into between the FCM/BD Clearing Member and LCH SA and such FCM/BD Client or Affiliate agrees to be bound automatically and without further action by the FCM/BD Clearing Member or the FCM/BD Client or Affiliate;

(iv) it shall not act so as to cause, whether directly or indirectly, a breach of the FCM/BD CDS Clearing Documentation;

(v) the provisions of the CDS Clearing Documentation referring to FCM/BD Clients or Affiliates, for the benefit of LCH SA, including without limitation applicable provisions of this CDS Clearing Rule Book, are enforceable against such FCM/BD Client or Affiliate by LCH SA as if they had been entered into by each such Person directly with LCH SA;

(vi) LCH SA deals only with Clearing Members, and the FCM/BD Client or Affiliate will have no right or authority to deal directly with LCH SA, including but not limited to in connection with the matters described in this Title VI;

(vii) it will deal only with its FCM/BD Clearing Member in connection with all FCM/BD Cleared Transactions that are cleared on its behalf by such FCM/BD Clearing Member through LCH SA;

(viii) upon an Event of Default occurring in relation to an FCM/BD Clearing Member, if LCH SA:

(a) is required to do so by any Competent Authority or Applicable Law,

(b) cannot for any reason proceed with a porting of the FCM/BD Cleared Transactions registered in an FCM/BD Clearing Member's Account Structure and attributable to an FCM/BD Client, or

(c) determines in its discretion that it is necessary for its protection,

LCH SA may close out and terminate the FCM/BD Cleared Transactions registered in the FCM/BD Clearing Member's Client Account Structure or House Account Structure and attributable to an FCM/BD Client or Affiliate, regardless whether such FCM/BD Client or Affiliate had itself defaulted, and in certain circumstances LCH SA will not transfer or otherwise re-establish such positions;

(ix) it will not be entitled to instruct LCH SA to act or omit to act in any manner at any time prior to an Event of Default in relation to the relevant FCM/BD Clearing Member;

(x) it will not be entitled to receive any information from LCH SA in respect of any Margin Balance that is recorded in either the FCM/BD House Collateral Account or any FCM/BD Client Financial Account, the FCM/BD Swaps Unallocated Client Collateral Financial Account, the FCM/BD SBS Client Excess Collateral Financial Account or the FCM/BD Buffer Financial Account of an FCM/BD Clearing Member;

(xi) LCH SA will not hold any assets transferred to it directly on behalf of any such individual FCM/BD Client or Affiliate;

(xii) to the extent the Markit LCH Settlement Prices are provided to the FCM/BD Client, the FCM/BD Client shall:

(a) use such Markit LCH Settlement Prices internally and solely in connection with its clearing functions; and

(b) only be permitted to provide the Markit LCH Settlement Prices to an affiliate or a client of its own if: (1) it does so at no cost; (2) the Markit LCH Settlement Prices are provided for the affiliate or client to use internally and solely in connection with their respective clearing functions; and (3) the Markit LCH Settlement Prices are identifiable as such.

For the avoidance of doubt, "clearing functions" shall mean the validation of the FCM/BD Client's Margin Requirement (or any margin requirement applicable to the FCM/BD Client's affiliate or client) and the calculation and valuation of the FCM/BD Client's Open Positions (or the net open positions of the Client's affiliate or client) and NPV Payment Requirements for the purposes of its own internal books and records;

(xiii) where Collateral is deposited by the FCM/BD Clearing Member in satisfaction of the House Margin Requirement or the Client Margin Requirement (as applicable), it shall not be entitled to assert any equitable or other claim to the Collateral in circumstances where the assertion of such a claim would delay or inhibit the disposal of such Collateral by LCH SA and/or the application of the proceeds of sale of such Collateral in accordance with the provisions of the CDS Clearing Rules and Applicable Law;

(xiv) the FCM/BD Clearing Member has its unconditional consent to furnish or deposit Collateral with LCH SA in satisfaction of the Client Margin Requirement or House Margin Requirement

which is attributable to the FCM/BD Cleared Transactions cleared on its behalf, in accordance with the CDS Clearing Rule Book and the FCM/BD CDS Clearing Regulations, and to re-pledge such property to LCH SA;

(xv) LCH SA is authorized to make disclosure of information in accordance with the applicable provisions of the CDS Clearing Documentation;

(xvi) its agreement or agreement and addendum described in Article 6.1.1.2(i) is consistent with the CDS Clearing Documentation and Applicable Law; and

(xvii) in respect of an FCM/BD Clearing Member granting an Exercise Delegation to an FCM/BD Client:

(a) the FCM/BD Clearing Member shall delegate to such FCM/BD Client sufficient powers in order for such FCM/BD Client to be duly authorised to Exercise or Abandon the Exercise Cleared Transactions identified in such delegation on behalf of the FCM/BD Clearing Member; and

(b) except in case of an EEP Failure Event, the Exercise Delegation Beneficiary shall Exercise or Abandon the relevant Exercise Cleared Transactions on behalf of the Delegating Clearing Member through the relevant applications available on the Client Portal Account only.

**Article 6.1.1.4**

Each FCM/BD Clearing Member shall be obliged (to the extent permitted by Applicable Law) to provide LCH SA with any information that LCH SA may reasonably require in relation to the CDS Clearing Services provided by that Clearing Member to its Clients or Affiliates, including, where and to the extent necessary for the proper performance by LCH SA of its risk management functions and legal and regulatory obligations, information on the identify of any of its FCM/BD Clients or any of its Affiliates to which it provides FCM/BD CDS Clearing Services, along with details of:

(i) any agreement relating to the provision of CDS Client Clearing Services by the FCM/BD Clearing Member to its FCM/BD Clients and Affiliates (including the Clearing Agreements);

(ii) any document reflecting the recording of the FCM/BD Cleared Transactions in the different accounts held by the FCM/BD Clearing Member *per* Clearing Day, the details of such FCM/BD Cleared Transactions and the cover held in respect of such FCM/BD Cleared Transactions; and

(iii) the FCM/BD Clearing Member's written anti-money laundering procedures and written risk management policies and procedures, and practices, addressing the risks that such FCM/BD Clearing Member may pose to LCH SA including, but not limited to, information and documents relating to the liquidity of such FCM/BD Clearing Member's financial resources and settlement procedures.

**Article 6.1.1.5**

Each FCM/BD Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding (i) its FCM/BD Clients and any Affiliates for which it provides CDS Clearing Services, and (ii) its Client Cleared Transactions and House Cleared Transactions. Without limitation of the foregoing, each FCM/BD Clearing Member shall ensure that its books and records accurately reflect the Cleared Transactions maintained in the FCM/BD Client Trade Accounts and corresponding Collateral maintained in the FCM/BD Client Financial Accounts for its relevant FCM/BD Clients, as applicable. Each FCM/BD Clearing Member will carry accounts for Clients within its own books and records, and maintain the funds and other property it holds on behalf of its Clients in respect of their Cleared Transactions, in accordance with the FCM/BD CDS Clearing Regulations and Applicable Law.

# CHAPTER 2 – FCM/BD CLIENT ACCOUNT STRUCTURE

## Section 6.2.1 General Provisions

### Article 6.2.1.1

LCH SA shall open and maintain for each FCM/BD Clearing Member, within its books and records for the CDS Clearing System, the accounts comprising the FCM/BD Client Account Structure, as follows:

(i) For an FCM/BD Clearing Member that is an FCM (which may also be a BD), with respect to FCM/BD Cleared Transactions that are Cleared Swaps, the following accounts (collectively, "FCM/BD Swaps Client Account Structure"):

(a) a separate FCM/BD Swaps Client Trade Account for each Cleared Swaps Customer;

(b) a separate FCM/BD Swaps Client Margin Account for each Cleared Swaps Customer;

(c) a separate FCM/BD Swaps Client Financial Account for each Cleared Swaps Customer;

(d) an FCM/BD Swaps Unallocated Client Collateral Financial Account; and

(e) an FCM/BD Swaps Buffer Financial Account; and

(f) an FCM/BD Swaps Client Collateral Account; and

(ii) For an FCM/BD Clearing Member that is a BD (which may also be an FCM), with respect to FCM/BD Cleared Transactions that are SBS (excluding SBS that constitute FCM/BD Portfolio Margining Transactions), the following accounts (collectively, "FCM/BD SBS Client Account Structure"):

(a) a separate FCM/BD SBS Client Trade Account for each SBS Customer;

(b) a separate FCM/BD SBS Client Margin Account for each SBS Customer;

(c) a separate FCM/BD SBS Client Financial Account for each SBS Customer;

(d) an FCM/BD SBS Client Excess Collateral Financial Account;

(e) an FCM/BD SBS Buffer Financial Account; and

(f) an FCM/BD SBS Client Collateral Account.

### Article 6.2.1.2

LCH SA shall open and maintain the FCM/BD Client Account Structure for an FCM/BD Clearing Member in the name of such FCM/BD Clearing Member for the benefit of its FCM/BD Clients. The accounts comprising each FCM/BD Clearing Member's FCM/BD Client Account Structure shall have their situs located in the United States.

**Article 6.2.1.3**

LCH SA shall open and maintain the accounts comprising the FCM/BD Client Account Structure for each FCM/BD Clearing Member, and maintain the Collateral it holds on behalf of the FCM/BD Clearing Member's FCM/BD Clients in respect of their Cleared Transactions, in accordance with this TITLE VI, the FCM/BD CDS Clearing Regulations, the Procedures and Applicable Law.

**Article 6.2.1.4**

For the avoidance of doubt, an FCM/BD Clearing Member may request LCH SA to open one or more CCM Indirect Client Segregated Account Structures, provided that such FCM/BD 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.

### Section 6.2.2 FCM/BD Client Trade Account

**Article 6.2.2.1**

LCH SA shall open (i) with respect to Cleared Swaps, one FCM/BD Swaps Client Trade Account for each Cleared Swaps Customer and (ii) with respect to SBS (excluding SBS that constitute FCM/BD Portfolio Margining Transactions), one FCM/BD SBS Client Trade Account for each SBS Customer.

**Article 6.2.2.2**

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

### Section 6.2.3 FCM/BD Client Margin Account

**Article 6.2.3.1**

LCH SA shall open (i) with respect to Cleared Swaps and SBS that are permitted to be held in the FCM/BD Swaps Client Account Structure as Cleared Swaps pursuant to Article 6.2.1.1 (i), one FCM/BD Swaps Client Margin Account for each FCM/BD Client of each FCM/BD Clearing Member and (ii) with respect to SBS (excluding SBS that constitute FCM/BD Portfolio Margining Transactions), one FCM/BD SBS Client Margin Account for each SBS Customer of each FCM/BD Clearing Member.

**Article 6.2.3.2**

FCM/BD Cleared Transactions (i) registered in an FCM/BD Swaps Client Trade Account for a Cleared Swaps Customer will be allocated to the corresponding FCM/BD Cleared Swaps Client Margin Account and (ii) registered in an FCM/BD SBS Client Trade Account for an SBS Customer will be allocated to the

corresponding FCM/BD SBS Client Margin Account, for the purpose of the determination of the Open Positions and NPV Payment Requirements attributable to such FCM/BD Client.

**Article 6.2.3.3**

Each FCM/BD Client's Open Positions will be margined on a portfolio basis. The Total Margin Requirement for all Client Margin Accounts of an FCM/BD Clearing Member will be margined based on the gross sum of the margin requirements for all such Client Margin Accounts.

## Section 6.2.4 FCM/BD Client Collateral Account, FCM/BD Client Financial Account and Related Accounts

**Article 6.2.4.1**

(i) With respect to Cleared Swaps, LCH SA shall open:

(a) an FCM/BD Swaps Client Financial Account for each Cleared Swaps Customer, in which LCH SA will record the value of Collateral provided by the FCM/BD Clearing Member in respect of such Cleared Swaps Customer's Open Positions in Cleared Swaps;

(b) an FCM/BD Swaps Buffer Financial Account, in which LCH SA will record the value of Collateral provided by the FCM/BD Clearing Member as FCM/BD Swaps Client Collateral Buffer;

(c) an FCM/BD Swaps Unallocated Client Collateral Financial Account, in which LCH SA will record the value of FCM/BD Swaps Unallocated Client Excess Collateral; and

(d) an FCM/BD Swaps Client Collateral Account, in which LCH SA will record the Collateral held by LCH SA recorded in the foregoing accounts.

(ii) With respect to SBS (excluding SBS that constitute FCM/BD Portfolio Margining Transactions), LCH SA shall open:

(a) an FCM/BD SBS Client Financial Account for each SBS Customer, in which LCH SA will record the value of Collateral provided by the FCM/BD Clearing Member in respect of such SBS Customer's Open Positions in SBS (other than SBS that constitute FCM/BD Portfolio Margining Transactions);

(b) an FCM/BD SBS Buffer Financial Account, in which LCH SA will record the value of Collateral provided by the FCM/BD Clearing Member as FCM/BD SBS Client Collateral Buffer;

(c) an FCM/BD SBS Client Excess Collateral Financial Account, in which LCH SA will record the value of FCM/BD SBS Client Excess Collateral; and

(d) an FCM/BD SBS Client Collateral Account, in which LCH SA will record the Collateral held by LCH SA recorded in the foregoing accounts.

**Article 6.2.4.2**

LCH SA is entitled to assume that all Collateral delivered by an FCM/BD Clearing Member to LCH SA:

(i) to meet Client Margin Requirements is the sole legal and beneficial property of the FCM/BD Clearing Member or is furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM/BD Clearing Member to re-pledge such property to LCH SA; and

(ii) as FCM/BD Client Collateral Buffer is the sole legal and beneficial property of the FCM/BD Clearing Member.

An FCM/BD Clearing Member shall not deliver securities or other assets to LCH SA as Collateral for any FCM/BD Client Financial Account or as FCM/BD Client Collateral Buffer otherwise than in conformity to this Section 6.2.4. It shall be accepted by every Person (including FCM/BD Clients) subject to or dealing on the terms of these CDS Clearing Rules, that an FCM/BD Clearing Member has its respective FCM/BD Clients' unconditional consent to deliver to LCH SA as Collateral for the purposes of these CDS Clearing Rules any securities or other assets of such Person in the FCM/BD Clearing Member's possession.

**Article 6.2.4.3**

All Collateral delivered by an FCM/BD Clearing Member to meet its House Margin Requirement and its Client Margin Requirement shall be transferred to, and held by, LCH SA in accordance with Section 3 of the Procedures and the FCM/BD CDS Clearing Regulations.

**Article 6.2.4.4**

When LCH SA determines the value of Collateral recorded in the FCM/BD Client Collateral Account by applying haircuts to Eligible Collateral and/or FX adjustments to Cash Collateral in accordance with Article 4.2.6.4 (which determinations will occur at the times set out in Section 3 of the Procedures):

(i) if there is an increase in the value of such Collateral, an amount of Collateral equal to such resulting increase will, following such determination, be transferred to the FCM/BD Swaps Unallocated Client Collateral Financial Account or FCM/BD SBS Client Excess Collateral Financial Account, as the case may be, whereupon such amount will become FCM/BD Client Excess Collateral; or

(ii) if there is a decrease in the value of such Collateral, following such determination, such decrease in value shall be allocated first against the FCM/BD Swaps Available Client Collateral Buffer or FCM/BD SBS Available Client Collateral Buffer, as the case may be (if any), which will be reduced by an amount of Collateral equal to such resulting decrease. In the case where the FCM/BD Available Cleared Swaps Client Collateral Buffer or FCM/BD SBS Available Client Collateral Buffer, as the case may be, is not sufficient to cover the total amount of Collateral equal to the resulting decrease, the portion which is not covered by the FCM/BD Swaps

Available Client Collateral Buffer or FCM/BD SBS Available Client Collateral Buffer, as the case may be, will reduce on a pro rata basis:

(a) the Legally Segregated Value recorded in each FCM/BD Client Financial Account;

(b) the value of the FCM/BD Allocated Client Collateral Buffer recorded in the FCM/BD Buffer Financial Account; and

(c) the value of the FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD SBS Client Excess Collateral, as the case may be, recorded in the FCM/BD Swaps Unallocated Client Collateral Financial Account or FCM/BD SBS Client Excess Collateral Financial Account, as the case may be, of such FCM/BD Clearing Member.

## Section 6.2.5 FCM/BD Client Collateral Buffer and FCM/BD Client Excess Collateral

**Article 6.2.5.1**

With respect to Cleared Swaps, if an FCM/BD Clearing Member maintains any FCM/BD Excess Collateral or FCM/BD Swaps Client Collateral Buffer with LCH SA, then such FCM/BD Excess Collateral or FCM/BD Swaps Client Collateral Buffer shall be subject to the provision of this Article 6.2.5.1 and other applicable provisions of the CDS Clearing Rules.

(i) House Excess Collateral. An FCM/BD Clearing Member is permitted to maintain FCM/BD House Excess Collateral with LCH SA. An FCM/BD Clearing Member that is not a Defaulting Clearing Member may request the return of its FCM/BD House Excess Collateral above its FCM/BD House Excess Collateral Threshold at any time, and upon such request LCH SA shall return such amount, unless the FCM/BD Clearing Member has a Margin Shortfall in any of its FCM/BD Swaps Client Margin Accounts and does not have sufficient FCM/BD Swaps Client Collateral Buffer to satisfy such Margin Shortfall. LCH SA may also, in its discretion, elect at any time to return any FCM/BD House Excess Collateral to the applicable FCM/BD Clearing Member.

(ii) FCM/BD Swaps Client Excess Collateral and reclassification of same as FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD Swaps Client Collateral Buffer. An FCM/BD Clearing Member is not permitted to maintain any FCM/BD Swaps Client Excess Collateral on a day-to-day basis, but may hold FCM/BD Swaps Client Excess Collateral on an intraday basis. Any intraday Client Excess Collateral attributable to a specific FCM/BD Swaps Client Margin Account shall be available for purposes of LCH SA carrying out a Notional and Collateral Check in respect of the Client Trade Leg of an Eligible Intraday Transaction for such FCM/BD Client, as provided in Article 4.2.2.4 and Section 2 of the Procedures. LCH SA shall transfer the value of any FCM/BD Client Swaps Excess Collateral that is reflected in any FCM/BD Swaps Client Financial Account of the FCM/BD Clearing Member prior to the Morning Call to the FCM/BD Clearing Member's FCM/BD Swaps Unallocated Client Collateral Financial Account, which transfer will occur after (and only after) the FCM/BD Clearing Member's satisfaction of that Morning Call, whereupon

the FCM/BD Client Excess Collateral shall become "**FCM/BD Swaps Unallocated Client Excess Collateral**". FCM/BD Swaps Unallocated Client Excess Collateral also includes any amounts transferred to the FCM/BD Swaps Unallocated Client Collateral Financial Account in accordance with Article 6.2.4.4(i). If at any time an FCM/BD Clearing Member delivers Collateral to LCH SA on behalf of one or more FCM/BD Clients in an amount that would cause an FCM/BD Swaps Client Financial Account to contain FCM/BD Swaps Client Excess Collateral, LCH SA will accept the deposit and immediately transfer the amount of such excess to the FCM/BD Clearing Member's FCM/BD Swaps Buffer Financial Account, whereupon it shall also become FCM/BD Swaps Client Collateral Buffer.

(iii) FCM/BD Swaps Client Collateral Buffer. An FCM/BD Clearing Member may deposit Collateral that is the property of such FCM/BD Clearing Member (and not of any of its FCM/BD Clients) with LCH SA to serve as FCM/BD Swaps Client Collateral Buffer for the benefit of all of its Cleared Swaps Customers with respect to their Cleared Swaps, subject to the following provisions and the provisions of Article 6.2.4.4(ii):

(a) The FCM/BD Clearing Member shall not, and represents to LCH SA that it shall not, deposit an amount of FCM/BD Swaps Client Collateral Buffer with LCH SA that, in combination with any other money, securities or other property deposited by it with any other Derivatives Clearing Organization or Clearing Agency, in a manner whereby such FCM/BD Clearing Member is assumed to be the sole legal and beneficial owner of such property, to meet the aggregate obligations of its Cleared Swaps Customers, exceeds its residual financial interest in its aggregate Cleared Swaps Customer Collateral. For purposes of this provision only, the term "residual financial interest" has the meaning as contemplated in CFTC Regulation 22.2(e)(4) and (g).

(b) LCH SA shall record such FCM/BD Swaps Client Collateral Buffer in the FCM/BD Clearing Member's FCM/BD Swaps Buffer Financial Account. If an FCM/BD Clearing Member is a Defaulting Clearing Member, LCH SA may transfer FCM/BD Allocated Cleared Swaps Client Collateral Buffer previously allocated (in accordance with Article 4.2.2.4 and Article 6.2.4.4) to an applicable FCM/BD Swaps Client Financial Account from the FCM/BD Swaps Buffer Financial Account to apply such Collateral to cover any Margin Shortfall in such FCM/BD Client Financial Account. The value of any FCM/BD Swaps Client Collateral Buffer so transferred shall be recorded in the applicable FCM/BD Swaps Client Financial Account and shall be deemed to become part of the relevant Cleared Swaps Customer's Client Assets and shall no longer be deemed FCM/BD Swaps Client Collateral Buffer.

(c) Upon the request of an FCM/BD Clearing Member, in accordance with Section 3 of the Procedures, LCH SA will return any amount of excess FCM/BD Swaps Client Collateral Buffer to such FCM/BD Clearing Member.

(iv) Treatment of FCM/BD Swaps Unallocated Client Excess Collateral. The following provisions apply to FCM/BD Swaps Unallocated Client Excess Collateral:

(a) LCH SA shall hold FCM/BD Swaps Unallocated Client Excess Collateral in the FCM/BD Swaps Unallocated Client Collateral Financial Account for the benefit of the applicable FCM/BD Clearing Member's Cleared Swaps Customers as a class, segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. LCH SA shall treat and record the FCM/BD Swaps Unallocated Client Excess Collateral on an unallocated basis, in that it shall not attribute any portion thereof to any individual Cleared Swaps Customer of an FCM/BD Clearing Member.

(b) Each FCM/BD Clearing Member that maintains any FCM/BD Swaps Unallocated Client Excess Collateral with LCH SA shall ensure that its books and records accurately reflect at all times the Cleared Swaps Customer or Cleared Swaps Customers to which the value of such FCM/BD Swaps Unallocated Client Excess Collateral is attributable and the amount attributable to each such Cleared Swaps Customers.

(c) LCH SA shall not, at any time, apply any FCM/BD Swaps Unallocated Client Excess Collateral as FCM/BD Client Collateral Buffer, except where the FCM/BD Clearing Member has made a request in accordance with Article 6.2.5.1(iv)(d), or to the relevant FCM/BD House Margin Account, or to any of such FCM/BD Clearing Member's FCM/BD Swaps Client Financial Account(s).

(d) Upon the request of an FCM/BD Clearing Member, LCH SA will either: (x) return FCM/BD Swaps Unallocated Client Excess Collateral to such FCM/BD Clearing Member in accordance with the conditions set out in Section 3 of the Procedures; or (y) reclassify such FCM/BD Swaps Unallocated Client Excess Collateral as FCM/BD Swaps Client Collateral Buffer and record the value of such Collateral to the relevant FCM/BD Swaps Buffer Financial Account. The FCM/BD Clearing Member shall be deemed to represent and warrant to LCH SA, upon making any such request, that such request complies with the CFTC Regulations and has been made by an individual who is properly authorised to make such request. An FCM/BD Clearing Member requesting LCH SA to return FCM/BD Swaps Unallocated Client Excess Collateral shall be deemed to further represent to LCH SA that the returned FCM/BD Swaps Unallocated Client Excess Collateral will remain segregated as and to the extent required under the CFTC Regulations and the CDS Clearing Rules. An FCM/BD Clearing Member requesting LCH SA to reclassify such FCM/BD Swaps Unallocated Client Excess Collateral as FCM/BD Swaps Client Collateral Buffer and record the value of such Collateral to the relevant FCM/BD Swaps Buffer Financial Account shall be deemed to further represent to LCH SA that such request reflects the true characterisation of the Collateral held by LCH SA, including in particular that the Collateral is the property of the FCM/BD Clearing Member. The FCM/BD Clearing Member must

furthermore provide such additional information as LCH SA may reasonably request for purposes of effecting the requested return or reclassification.

(e) Upon the default of an FCM/BD Clearing Member, any FCM/BD Swaps Unallocated Client Excess Collateral in such FCM/BD Clearing Member's FCM/BD Swaps Unallocated Client Collateral Financial Account shall be held by LCH SA for the benefit of such FCM/BD Clearing Member's Cleared Swaps Customers in accordance with Part 190 of the CFTC Regulations and Applicable Law. LCH SA shall not apply any such FCM/BD Swaps Unallocated Client Excess Collateral to the obligations of the FCM/BD Clearing Member to LCH SA, in respect of its Cleared Swaps Customers, SBS Customers, or otherwise, except to the extent directed by the applicable bankruptcy trustee or Competent Authority in accordance with Applicable Law.

**Article 6.2.5.2**

With respect to SBS held in the FCM/BD SBS Client Account Structure, if an FCM/BD Clearing Member maintains any FCM/BD Excess Collateral or FCM/BD SBS Client Collateral Buffer with LCH SA, then such FCM/BD Excess Collateral or FCM/BD SBS Client Collateral Buffer shall be subject to the provision of this Article 6.2.5.2 and other applicable provisions of the CDS Clearing Rules.

(i) House Excess Collateral. An FCM/BD Clearing Member is permitted to maintain FCM/BD House Excess Collateral with LCH SA. An FCM/BD Clearing Member that is not a Defaulting Clearing Member may request the return of its FCM/BD House Excess Collateral above its FCM/BD House Excess Collateral Threshold at any time, and upon such request LCH SA shall return such amount, unless the FCM/BD Clearing Member has a Margin Shortfall in any of its FCM/BD SBS Client Margin Accounts and does not have sufficient FCM/BD SBS Client Collateral Buffer to satisfy such Margin Shortfall. LCH SA may also, in its discretion, elect at any time to return any FCM/BD House Excess Collateral to the applicable FCM/BD Clearing Member.

(ii) FCM/BD SBS Client Excess Collateral and reclassification of same as FCM/BD SBS Client Collateral Buffer. An FCM/BD Clearing Member is not permitted to maintain any FCM/BD Client Excess Collateral on a day-to-day basis with respect to SBS, but may hold FCM/BD Client Excess Collateral on an intraday basis. Any intraday Client Excess Collateral attributable to a specific FCM/BD SBS Client Margin Account shall be available for purposes of LCH SA carrying out a Notional and Collateral Check in respect of the Client Trade Leg of an Eligible Intraday Transaction for such FCM/BD Client, as provided in Article 4.2.2.4 and Section 2 of the Procedures. LCH SA shall transfer the value of any FCM/BD Client Excess Collateral that is reflected in any FCM/BD SBS Client Financial Account of the FCM/BD Clearing Member prior to the Morning Call to the FCM/BD Clearing Member's FCM/BD SBS Client Excess Collateral Financial Account, which transfer will occur after (and only after) the FCM/BD Clearing Member's satisfaction of that Morning Call, whereupon such FCM/BD Client Excess Collateral

shall become "**FCM/BD SBS Client Excess Collateral**". FCM/BD SBS Client Excess Collateral also includes any amounts transferred to the FCM/BD SBS Client Collateral Financial Account in accordance with Article 6.2.4.4(i). If at any time an FCM/BD Clearing Member delivers Collateral to LCH SA on behalf of one or more SBS Customers in an amount that would cause an FCM/BD SBS Client Financial Account to contain FCM/BD SBS Client Excess Collateral, LCH SA will accept the deposit and immediately transfer the amount of such excess to the FCM/BD Clearing Member's FCM/BD SBS Buffer Financial Account, whereupon it shall also become FCM/BD SBS Client Collateral Buffer.

(iii) FCM/BD SBS Client Collateral Buffer. An FCM/BD Clearing Member may deposit Collateral that is the property of such FCM/BD Clearing Member (and not of any of its FCM/BD Clients) with LCH SA as FCM/BD SBS Client Collateral Buffer for the benefit of all of its FCM/BD Clients that are SBS Customers, subject to the following provisions and the provisions of Article 6.2.4.4(ii):

(a) LCH SA shall record such FCM/BD SBS Client Collateral Buffer in the FCM/BD Clearing Member's FCM/BD SBS Buffer Financial Account. If an FCM/BD Clearing Member is a Defaulting Clearing Member, LCH SA may transfer FCM/BD SBS Client Collateral Buffer previously allocated (in accordance with Article 4.2.2.4 and Article 6.2.4.4) to an FCM/BD Client SBS Financial Account from the FCM/BD SBS Buffer Financial Account to apply such Collateral to cover any Margin Shortfall in such FCM/BD SBS Client Financial Account. The value of any SBS FCM/BD Client Collateral Buffer so transferred shall be recorded in the FCM/BD SBS Client Financial Account and shall no longer be deemed FCM/BD Client Collateral Buffer.

(b) Upon the request of an FCM/BD Clearing Member, in accordance with Section 3 of the Procedures, LCH SA will return any amount of excess FCM/BD SBS Client Collateral Buffer to such FCM/BD Clearing Member.

(iv) Treatment of FCM/BD SBS Client Excess Collateral. The following provisions apply to FCM/BD SBS Client Excess Collateral:

(a) LCH SA shall hold FCM/BD SBS Client Excess Collateral in the FCM/BD SBS Client Excess Collateral Financial Account for the benefit of FCM/BD Clearing Member's FCM/BD Clients that are SBS customers as a class in accordance with SEC Regulations and Applicable Law.

(b) LCH SA shall not, at any time, apply any FCM/BD SBS Client Excess Collateral as FCM/BD SBS Client Collateral Buffer, except where the FCM/BD Clearing Member has made a request in accordance with Article 6.2.5.2(iv)(c), or to the relevant FCM/BD House Margin Account, but may apply FCM/BD SBS Client Excess Collateral to applicable FCM/BD SBS Client Financial Accounts to cover any Margin Shortfalls in such FCM/BD Client Financial Accounts on a pro rata basis. The pro rata value of any FCM/BD SBS Client Excess Collateral so transferred shall be recorded in the applicable FCM/BD SBS Client Financial Accounts

and shall be deemed to become part of the relevant SBS Customers' Client Assets and shall no longer be deemed FCM/BD Client Excess Collateral.

(c) Upon the request of an FCM/BD Clearing Member, LCH SA will either: (x) return FCM/BD SBS Client Excess Collateral to such FCM/BD Clearing Member in accordance with the conditions set out in Section 3 of the Procedures; or (y) reclassify such FCM/BD SBS Client Excess Collateral as FCM/BD SBS Client Collateral Buffer and record the value of such Collateral to the relevant FCM/BD SBS Buffer Financial Account. The FCM/BD Clearing Member shall be deemed to represent and warrant to LCH SA, upon making any such request, that such request complies with the SEC Regulations and has been made by an individual who is properly authorised to make such request. An FCM/BD Clearing Member requesting LCH SA to return FCM/BD SBS Client Excess Collateral shall be deemed to further represent to LCH SA that the returned FCM/BD SBS Client Excess Collateral will remain segregated as and to the extent required under the SEC Regulations and the CDS Clearing Rules. An FCM/BD Clearing Member requesting LCH SA to reclassify such FCM/BD SBS Client Excess Collateral as FCM/BD Swaps Client Collateral Buffer and record the value of such Collateral to the relevant FCM/BD SBS Buffer Financial Account shall be deemed to further represent to LCH SA that such request reflects the true characterisation of the Collateral held by LCH SA, including in particular that the Collateral is the property of the FCM/BD Clearing Member. The FCM/BD Clearing Member must furthermore provide such additional information as LCH SA may reasonably request for purposes of effecting the requested return or reclassification.

(d) Upon the default of an FCM/BD Clearing Member, any FCM/BD SBS Client Excess Collateral in such FCM/BD Clearing Member's FCM/BD SBS Client Excess Collateral Financial Account shall be held by LCH SA for the benefit of such FCM/BD Clearing Member's FCM/BD Clients that are SBS Customers in accordance with SEC Regulations and Applicable Law. LCH SA may apply such FCM/BD SBS Client Excess Collateral to the obligations of the FCM/BD Clearing Member to LCH SA in respect of its SBS Customers, but shall not apply any such FCM/BD SBS Client Excess Collateral to the obligations of the FCM/BD Clearing Member to LCH SA, in respect of its FCM/BD Swaps Clients or otherwise, except to the extent directed by the applicable bankruptcy trustee or Competent Authority in accordance with Applicable Law.

## Section 6.2.6 Customer Margin Requirements

**Article 6.2.6.1**

An FCM/BD Clearing Member must collect Collateral from each FCM/BD Client in respect of such FCM/BD Client's Open Positions in Cleared Swaps in an amount at least equal to the greater of (i) the amount required by LCH SA for the FCM/BD Swaps Client Margin Account for such FCM/BD Client, or

(ii) such higher amount as required in Section 2 of the Procedures if the relevant FCM/BD Client is identified by the FCM/BD Clearing Member as an FCM/BD Client with heightened risk profile.

An FCM/BD Clearing Member must collect Collateral from its SBS Customers in respect of the SBS Customers' Open Positions in SBS (other than SBS that are FCM/BD Portfolio Margining Transactions) in an amount at least equal to the amount required by LCH SA for the FCM/BD SBS Client Margin Accounts for the SBS Customers.

**Article 6.2.6.2**

No FCM/BD shall permit an FCM/BD Client to withdraw cash, securities or other property from the Cleared Swaps Customer Account (as that term is defined in CFTC Regulation 22.1) or Customer Reserve Bank Account (as that term is defined in SEC Rule 15c3-3) carried by the FCM/BD Clearing Member for such Client if such withdrawal would cause the account to be undermargined.

## CHAPTER 3- TRANSFER

### Section 6.3.1 General

**Article 6.3.1.1**

Other than in the event that an FCM/BD Clearing Member is a Defaulting Clearing Member, FCM/BD Cleared Transactions shall not be transferred from one FCM/BD Clearing Member to another FCM/BD Clearing Member except as provided in this TITLE VI, CHAPTER 3.

Rights under an FCM/BD Cleared Transaction shall not be capable of assignment by an FCM/BD Clearing Member. Any purported assignment by an FCM/BD Clearing Member or any purported transfer that is not in compliance this TITLE VI, CHAPTER 3 shall be void.

### Section 6.3.2 Full Transfers

**Article 6.3.2.1**

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

(i) such FCM/BD Client is solvent (such FCM/BD Client will 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) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member, and no Event has occurred or is occurring with respect to either the Carrying Clearing Member or the Receiving Clearing Member;

(iii) the Receiving Clearing Member and Carrying Clearing Member are each FCM/BD Clearing Members, and the Receiving Clearing Member is in compliance with all obligations imposed on it as an FCM/BD Clearing Member;

(iv) the Receiving Clearing Member has consented in writing to such transfer, and has performed all necessary steps to allow LCH SA to open one or more appropriate FCM/BD Client Trade Accounts and one or more appropriate FCM/BD Client Margin Accounts in respect of the relevant FCM/BD Client in its FCM/BD Client Account Structure;

(v) LCH SA has received sufficient Collateral (being the difference between the Receiving Clearing Member's FCM/BD Client Margin Requirement in respect of the relevant FCM/BD Cleared Transactions and the Client Assets that are to be transferred) from the Receiving Clearing Member in order to enable the transfer; and

(vi) the FCM/BD Client has satisfied (such satisfaction to be presumed 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) all outstanding obligations that are due and payable to the Carrying Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying Clearing Member otherwise consents in writing.

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

### Section 6.3.3 Partial Transfers

**Article 6.3.3.1**

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

(i) such FCM/BD Client is solvent (such FCM/BD Client will 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) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulting Clearing Member, and no Event has occurred or is occurring with respect to either the Carrying Clearing Member or the Receiving Clearing Member;

(iii) the Receiving Clearing Member and Carrying Clearing Member are each FCMs and/or /BDs, and the Receiving Clearing Member is in compliance with all obligations imposed on it as an FCM/BD Clearing Member;

(iv) the Receiving Clearing Member has consented in writing to such transfer, and has performed all necessary steps to allow LCH SA to open one or more appropriate FCM/BD Client Trade

Accounts and one or more FCM/BD Client Margin Accounts in respect of the relevant FCM/BD Client in its Account Structure;

(v) the Receiving Clearing Member has provided sufficient Collateral to LCH SA in respect of its current FCM/BD Cleared Transactions and the Porting FCM/BD Cleared Transactions in order to enable the transfer;

(vi) the FCM/BD Client has satisfied (such satisfaction to be presumed 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) all outstanding obligations that are due and payable to the Carrying Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying Clearing Member otherwise consents in writing; and

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

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

### Section 6.3.4 Transfer of Client Assets

**Article 6.3.4.1**

Upon request from LCH SA, and in order to facilitate a transfer pursuant to Article 6.3.2.1, the Carrying Clearing Member shall notify LCH SA of the Client Assets which are attributable to the transferring FCM/BD Client 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 FCM/BD Client, LCH SA shall transfer such Collateral from the Carrying Clearing Member's relevant FCM/BD Client Collateral Account to the Receiving Clearing Member's applicable FCM/BD Client Collateral Account as it deems appropriate and as set out in Section 5 of the Procedures.

**Article 6.3.4.2**

Once LCH SA has notified the Receiving Clearing Member of the Client Assets which are to be transferred in accordance with Article 6.3.2.1, 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 FCM/BD 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 (vi) of Article 6.3.2.1 are satisfied in relation to such transfer.

## Section 6.3.5 Transfer process

**Article 6.3.5.1**

(i) By notifying LCH SA of a request to accept a transfer of some or all of the FCM/BD Cleared Transactions of an FCM/BD Client, and the related Client Assets if applicable, pursuant to Article 6.3.2.1 or Section 6.3.1, the Receiving Clearing Member shall be deemed to have represented to LCH SA that all of the conditions set forth herein and in Section 5 of the Procedures to the transfer of the account of the FCM/BD Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under this CDS Clearing Rule Book, LCH SA shall transfer the FCM/BD Cleared Transaction(s) into the relevant FCM/BD Client Trade Account(s) of the Receiving Clearing Member.

(ii) In the case where a transfer of FCM/BD Cleared Transactions pursuant to Article 6.3.2.1 will include the transfer of the related Client Assets:

(1) In respect of Client Assets comprising Cash Collateral, 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 FCM/BD 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.

(2) In respect of Client Assets that are subject to the security interest granted by the Receiving Clearing Member pursuant to Regulation 5 of the FCM/BD CDS Clearing Regulations, such transfer shall be effected in accordance with Section 3 of the Procedures.

(i) 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.

(ii) The transfer of the FCM/BD Cleared Transactions and related Client Assets shall be deemed to occur simultaneously, and the transfer of the FCM/BD Cleared Transactions shall be conditioned on the transfer of the related Client Assets, and vice versa.

(iii) If the transfer of all of such FCM/BD Cleared Transactions and related Client Assets is not completed for any reason, then any actual transfer of Client Assets or FCM/BD Cleared Transactions that has occurred, as the case may be, shall be deemed void, and any actual transfer of Client Assets or FCM/BD Cleared Transactions that has occurred shall be immediately unwound.

**Article 6.3.5.2**

In making any transfer of FCM/BD Cleared Transactions and Client Assets pursuant to this TITLE VI, Chapter 3, LCH SA shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM/BD Clearing Member(s), which shall be solely responsible for all such instructions and information, including ensuring that the transfer is properly authorised and that the appropriate FCM/BD Client Trade Account(s), FCM/BD Client Margin Account(s), FCM/BD Cleared Transactions and Client Assets have been identified, and provided that the Carrying Clearing Member's Cleared Swaps (including SBS held in the FCM/BD Swaps Client Account Structure) and the related Client Assets shall be transferred to the Receiving Clearing Member's FCM/BD Swaps Client Account Structure and the Carrying Clearing Member's SBS held in the FCM/BD SBS Client Account Structure and the related Client Assets shall be transferred to the Receiving Clearing Member's FCM/BD SBS Client Account Structure.

## CHAPTER 4– LIQUIDATION EVENT

**Article 6.4.1.1**

If at any time a liquidation date, howsoever described in the relevant clearing agreement or addendum to an existing agreement between an FCM/BD Clearing Member and its FCM/BD Client relating, in whole or in part, to clearing of CDS and/or Index Swaptions, as the case may be, through the CDS Clearing Service, occurs in respect of one or more of the FCM/BD Cleared Transaction(s) carried by an FCM/BD Clearing Member for the account of an FCM/BD Client and, at the time of such liquidation date, the relevant FCM/BD Clearing Member is not a Defaulting Clearing Member, the relevant FCM/BD Clearing Member may instruct LCH SA to transfer the relevant Client Cleared Transactions from the relevant FCM/BD Client Trade Account to its FCM/BD House Trade Account, in accordance with this TITLE VI, CHAPTER 4 and the Procedures.

**Article 6.4.1.2**

Subject to Article 6.4.1.3 below, LCH SA will arrange a transfer of the relevant Client Cleared Transactions as soon as reasonably practicable (and usually within 24 hours of receipt of the documents listed in paragraphs (i) to (iii) of Article 6.4.1.3 below).

**Article 6.4.1.3**

A transfer pursuant to this Article 6.4.1.3 will be subject to the receipt by LCH SA of the following:

(i) a copy of the notice from the relevant FCM/BD Clearing Member to the relevant FCM/BD Client designating the relevant liquidation date, or if such liquidation date has occurred automatically, evidence of the relevant event of default or liquidation event having occurred;

(ii) a copy of the notice served by the relevant FCM/BD Clearing Member on the relevant FCM/BD Client alerting that FCM/BD Client of its intention to request a transfer of the relevant Client Cleared Transactions attributable to the FCM/BD Client pursuant to this TITLE VI, CHAPTER 4; and

(iii) an indemnity from the relevant FCM/BD Clearing Member in a form suitable to LCH SA to cover any losses, costs or expenses incurred by LCH SA in connection with the transfer.

# APPENDIX 1
# CDS DEFAULT MANAGEMENT PROCESS

## 1 Interpretation

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

### 1.1 Definitions

**"Adjusted Loss Distribution Cap Amount"** means, in respect of any Non-Defaulting Clearing Member, such amount as agreed between that Non-Defaulting Clearing Member and LCH SA pursuant to Clause 7.3;

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

"**Auction Non Bidder Bid Size**" means for each Auction Package (including any Residual Auction Package) and each Non Bidder, the Non Bidder's Minimum Bid Size (or Recalculated Minimum Bid Size for any Residual Auction Package) minus the aggregate Bid Size of the Market Bids submitted by the Non Bidder for the Auction Package, or Residual Auction Package as the case may be;

"**Auction Non Bidder Fraction**" is for each Non Bidder and each Auction Package, or Residual Auction Package as the case may be, the ratio of the Auction Non Bidder Bid Size to the member's Minimum Bid Size (or Recalculated Minimum Bid Size for any Residual Auction Package);

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

"**Auction Package Weight**" is for each Auction Package the ratio of the Spread Margin of the said Auction Package to the aggregate of Spread Margin across all Auction Packages. For the purposes of the foregoing, if for an Auction Package there is a Residual Auction Package which is subject to a second round of Competitive Bidding, the Auction Package Weight shall be divided as between the Reduced Auction Package and the Residual Auction Package on a *pro rata* basis by reference to the percentage of the Auction Package that is subject to the Residual Auction Package;

"**Auction Portfolio**" means all the House Cleared Transactions of a Defaulting Clearing Member and/or the Non-Ported Cleared Transactions attributable to such Defaulting Clearing Member together with any connected hedging trades that have been concluded by LCH SA through Hedging;

"**Auction Transactions**" means the transactions making up an Auction Package;

"**Available CDS Funds**" means the amount of resources available to LCH SA as calculated in accordance with Clause 8.4;

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

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

"**Bid Credit**" has the meaning set out in Clause 5.9(i);

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

"**Bid Price**" means the price submitted to LCH SA by a Non-Defaulting Clearing Member representing the nominal price that a 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 a Non-Defaulting Clearing Member;

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

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

**“Cash Gainer Adjustment”** has the meaning set out in Clause 7.1.1;

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

**“Cash Loser Adjustment”** has the meaning set out in Clause 7.1.2;

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

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

**"Clearing Member Adjustment Amount"** means, in respect of the Margin Account(s) of any Non-Defaulting Clearing Member and any Loss Distribution Day, an amount equal to the sum of the Cumulative Hypothetical Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Clearing Member less the sum of the Cumulative Actual Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls, provided that the calculations shall be conducted separately for House Margin Account(s) and Client Margin Account(s);

"**Client LCH Repayment Amount**" has the meaning set out in Clause 8.6.

"**Competitive Bidding**" means the competitive auction process in which Non-Defaulting Clearing Members 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;

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

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

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

**“Cumulative LCH Transfer Cost”** means, on any Business Day during any Loss Distribution Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call prior to Default to and including such Business Day;

"**Discounted CDS Repayment Amount**" means the amount determined in relation to a Positive CDS Repayment Amount in accordance with Clause 8.4;

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

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

where:

"LUL" means the LCH Uncovered Loss; and

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

"**DMG Member**" means a Clearing Member's DMG Representative within the CDS Default Management Group;

"**DMG Representatives**" has the meaning set out in Clause 11.2.2;

"**DMG Rotation Plan**" has the meaning set out in Clause 11.2.2;

"**DMG Term**" has the meaning set out in Clause 11.2.2;

"**Early Termination Trigger Date**" means the date specified in Clause 8.1;

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

"**House LCH Repayment Amount**" has the meaning set out in Clause 8.6.

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

"**Initial Allocation Price**" means the price at which the entire Auction Package (subject to adjustment pursuant to Clause 5.6.3 (i)) is allocated in accordance with Clauses 5.6.2 and 5.8.1;

"**Initial Transfer Payable**" means the amount a Non-Defaulting Clearing Member 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 a Non-Defaulting Clearing Member 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 Bid**" means a Bid (or part thereof) which has been allocated against the Auction Package at the Initial Allocation Price or at the Non Bidder Allocation Price pursuant to Clause 5.6.1 or 5.6.3, as may be amended in accordance with Clause 5.8.1 if appropriate;

"**Initial Winning Bidder**" means a Non-Defaulting Clearing Member or Non Bidder, as the case may be, holding an Initial Winning Bid who is notified of this pursuant to Clause 5.6.4;

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

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

"**LCH Repayment Amount**" means the amount payable to LCH SA by a Clearing Member or by a Clearing Member to LCH SA in accordance with Clause 8.6;

"**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 Non-Defaulting Clearing Members 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 Non-Defaulting Clearing Members following the conclusion of Competitive Bidding;

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

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

where:

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

"CLC" means the Cumulative LCH Transfer Cost;

"AR" means the Available Resources; and

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

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

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

(ii) the net amount of any Margin Account Adjustment paid and/or received by such Clearing Member to LCH SA with respect to each Margin Account of such Clearing Member as a result of the application of the Loss Distribution Process in any previous Loss Distribution Period the first day of which falls within the same CDS Post-Default Period as such Loss Distribution Period (but, for the avoidance of doubt, excluding any Loss Distribution Period the first day of which falls within a different CDS Post-Default Period),

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

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

**"Loss Distribution Period"** means the period from, but excluding, the day on which an Event of Default is declared with respect to any Clearing Member pursuant to Article 4.3.1.2 to but excluding the earlier of:

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

(ii) the Early Termination Trigger Date;

**"Margin Account Adjustment"** means, in respect of each Margin Account and any Business Day, any Cash Gainer Adjustment or Cash Loser Adjustment as the case may be payable in connection with such Margin Account on such Business Day;

"**Margin Repayment Amount**" has the meaning set out in Clause 8.5;

"**Market Bid**" means any Bid which satisfies the Market Bid Metric and any other Bid which LCH SA has determined not to be a Non Market Bid;

"**Market Bid Metric**" is satisfied by a Bid where:

(i) in respect of a Bid for an Auction Package for which there will be an LCH Transfer Cost, the Bid Price is equal to or less than the aggregate of: (i) the Relevant Pro Rata Share of the

Initial Allocation Price or Residual Allocation Price, as the case may be, and (ii) the Relevant Pro Rata Share of two times the Spread Margin calculated for the Auction Package on the basis of the Initial Allocation Price or Residual Allocation Price, as the case may be; and

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

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

"**Minimum Bid Size**" has the meaning set out in Clause 5.4.4;

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

"**Negative CDS Repayment Amounts**" means the negative single net sum determined in respect of the House Account Structure and each Client Account Structure of a Clearing Member in accordance with Clause 8.2;

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

"**Non Bidder**" means 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 Non-Defaulting Clearing Member is required to bid for the relevant Auction Package(s) in accordance with Clause 5.4.1;

"**Non Bidder Allocation Price**" means the price at which Auction Transactions are allocated to Non Bidders in accordance with Clauses 5.6.3 and 5.8.1;

"**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 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 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);

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

"**Positive CDS Repayment Amounts**" means the positive single net sum determined in respect of the House Account Structure and each Client Account Structure of a Clearing Member in accordance with Clause 8.2;

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

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

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

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

"**Residual Allocation Price**" means the Bid Price of the Bid(s) at which the Residual Auction Package is allocated in accordance with Clause 5.6.2, pursuant to Clause 5.9;

"**Residual Auction Package**" means the portion of the Auction Package that LCH SA, in consultation with the CDS Default Management Group, determines should be the subject of a second round of Competitive Bidding in accordance with Clause 5.7.1;

"**Residual Transfer Payable**" means the amount 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 a Non-Defaulting Clearing Member 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 Bid**" means a Bid (or part thereof) which has been allocated against the Residual Auction Package at the Residual Allocation Price or at the Non Bidder Allocation Price pursuant to Clause 5.6.1 or 5.6.3, pursuant to Clause 5.9;

"**Residual Winning Bidder**" means a Non-Defaulting Clearing Member or Non Bidder, as the case may be, holding a Residual Winning Bid who is notified of this pursuant to Clause 5.9.3;

**"t"** means, in respect of any determination made in relation to a Business Day, such Business Day;

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

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

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

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

"**Total Non Bidder Fraction**" is for a Non-Defaulting Clearing Member, who is a Non Bidder for one or more Auction Packages, the sum across all Auction Packages of the product of the Auction Package Weight and the Non Bidder's Auction Non Bidder Fraction for that Non-Defaulting Clearing Member;

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

(i) Index Cleared Transactions together with the relevant off-setting Single Name Cleared Transactions;

(ii) Single Name Cleared Transactions;

(iii) Index Swaption Cleared Transactions together with the relevant off-setting Index Cleared Transactions;

(iv) residual Index Cleared Transactions;

(v) residual Single Name Cleared Transactions; and

(vi) residual Index Swaption Cleared Transactions;

"**Transfer Positions**" means the positions allocated to a Non-Defaulting Clearing Member pursuant to Clauses 5.6.2 and 5.8.1, if applicable;

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

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

### 1.2 Singular, plural, gender

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

### 1.3 Headings

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

### 1.4 Annexes etc.

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

## 2 CDS Default Management Process

### 2.1 The CDS Default Management Process

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

#### 2.1.1 Hedging

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

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

Non-Defaulting Clearing Members commit to participate in Hedging on a collaborative basis with LCH SA.

#### 2.1.2 Competitive Auction

LCH SA shall then auction the Auction Package(s) to Non-Defaulting Clearing Members 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.

#### 2.1.3 Loss Distribution Process

In the event that LCH SA determines during a Loss Distribution Period that it has an LCH Uncovered Loss, LCH SA shall be permitted to invoke the Loss Distribution Process as set out in Clause 7.

#### 2.1.4 Early Termination

In the event LCH SA determines that any of the circumstances as described under sub-clauses (i), (ii) or (iii) of Clause 8.1.1 have occurred, the provisions of Clause 8 will apply and LCH SA and each Clearing Member agree to be bound by such provision.

#### 2.1.5 LCH Default

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

### 2.2 Status of the CDS Default Management Process

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

### 2.3 LCH SA's financial resources

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

### 2.4 CDS Default Management Guidance Manual

LCH SA may from time to time supplement the details of the stages set out in Clause 2.1, or any other aspects of the CDS Default Management Process or CDS Client Clearing DMP, in consultation with the CDS Default Management Committee either by way of updating the CDS Default Management Guidance Manual or immediately upon notice to Clearing Members on a case-by-case basis where LCH SA deems it appropriate to do so in the circumstances of a particular Event of

Default, provided that LCH SA may not take any such action that effects a material change to the CDS Default Management Process or CDS Client Clearing DMP unless it complies with the procedures set out in Article 1.2.2.7, as applicable.

## 3 Obligations and Undertakings

### 3.1 Continuing obligations

The Clearing Member and, as applicable, any Auction Member Representative, shall:

**3.1.1** be bound by and act in accordance with the CDS Default Management Process, to the extent required by LCH SA;

**3.1.2** enter Bid(s) for Auction Package(s) as part of, and in accordance with the provisions relating to, Competitive Bidding; and

**3.1.3** take all steps and execute all documents necessary or desirable to comply with its obligations as a Clearing Member or, as applicable, any Auction Member Representative arising out of the CDS Default Management Process.

### 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 Non-Defaulting Clearing Members an amount less than the Initial Transfer Receivable or the Residual Transfer Receivable for each such Non-Defaulting Clearing Member.

### 3.3 FCM/BD Clearing Members

LCH SA and Clearing Members agree that, where an Event of Default as defined in Article 4.3.1.1 (v) or (vi) has been declared in respect of an FCM/BD Clearing Member in accordance with the CDS Clearing Rule Book, this CDS Default Management Process shall be carried out:

**3.3.1** in accordance with Regulation 4 of the FCM/BD CDS Clearing Regulations, applicable US law and regulation (including but not limited to, as applicable, the requirements of the CEA, CFTC Regulations, the Exchange Act, SEC Regulations, SIPC and applicable bankruptcy laws

regarding the liquidation or transfer of FCM/BD Cleared Transactions) and any directions issued by a Competent Authority and/or a duly appointed trustee for the liquidation of the Defaulting FCM/BD Clearing Member; and

**3.3.2** in a manner that ensures the segregation of Client Assets attributable to FCM/BD Cleared Transactions cleared on behalf of FCM/BD Clients as is required by the CEA, CFTC Regulations, the Exchange Act, and SEC Regulations, as applicable, in accordance with Regulation 6 of the FCM/BD CDS Clearing Regulations.

## 4 CDS Client Clearing Default Management Process

### 4.1 Scope

The CDS Client Clearing DMP in respect of any Relevant Client Cleared Transactions of the Defaulting Clearing Member shall involve the stages set out in this Clause 4. For the purposes of this Clause 4, a Relevant Client Cleared Transaction will be included in an Auction Package from such time as LCH SA determines that such Relevant Client Cleared Transaction will not be ported. For the avoidance of doubt, any such Auction Package will only contain Non-Ported Cleared Transactions. LCH SA shall not be entitled to include Non-Ported Cleared Transactions and House Cleared Transactions of the Defaulting Clearing Member in a single Auction Package pursuant to this Clause 4.

### 4.2 Stages

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

**4.2.1** return any CCM Unallocated Client Collateral or in the case of an FCM/BD Clearing Member, any FCM/BD Swaps Unallocated Client Excess Collateral and any FCM/BD SBS Client Excess Collateral (as applicable) to the Defaulting Clearing Member in accordance with Article 4.3.2.4;

**4.2.2** determine whether any Client Collateral Buffer has been allocated to (I) if the Defaulting Clearing Member is a CCM, a particular CCM Client Account Structure or (II) if the Defaulting Clearing Member is an FCM/BD Clearing Member, a particular FCM/BD Client Margin Account in accordance with Article 4.2.2.4 and Section 2 of the Procedures and, to the extent it has:

(i) if the Defaulting Clearing Member is a CCM, transfer an amount denominated in Euro of:

(a) Cash Collateral;

(b) any relevant proceeds following liquidation into Euro of the Collateral other than Cash Collateral denominated in Euro; and/or

(c) any relevant proceeds following the enforcement of its security interest under, and in accordance with, the Pledge Agreement and the realisation of the value of the

Pledged Eligible Collateral, by liquidating such Pledged Eligible Collateral into Euro in accordance with Article 4.3.2.7,

which is equal to the CCM Allocated Client Collateral Buffer for the relevant CCM Client Account Structure from the CCM House Collateral Account to the relevant CCM Client Collateral Account; or

(ii) if the Defaulting Clearing Member is an FCM/BD Clearing Member, transfer an amount of Collateral which is equal to the FCM/BD Allocated Client Collateral Buffer for the relevant FCM/BD Client Margin Requirement from the FCM/BD Buffer Financial Account to the relevant FCM/BD Client Financial Account;

**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/BD Client, as applicable;

**4.2.4** if the Defaulting Clearing Member is a CCM and such Defaulting Clearing Member transfers its Client Pledged Eligible Collateral to LCH SA in accordance with Article 4.3.2.1, update its books and records to show that the Eligible Collateral has been provided to LCH SA with full title and ensure that the precise Eligible Collateral, provided in respect of each CCM Individual Segregated Account Structure, CCM Net Omnibus Segregated Account Structure and/or CCM Gross Omnibus Segregated Account Structure, is recorded in the relevant CCM Client Collateral Account(s) in accordance with Section 3 of the Procedures;

**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;

(d) each CCM Indirect Gross Account Segregated Client of the Defaulting Clearing Member has appointed a single Backup Clearing Member; and

(iii) if the Defaulting Clearing Member is an FCM/BD Clearing Member, each of the FCM/BD 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;

**4.2.6** in respect of each CCM Gross Omnibus Segregated Account Structure for which all of the Relevant Client Cleared Transactions are not to be transferred to a single Backup Clearing Member:

(i) if the Defaulting Clearing Member has failed 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), 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 in accordance with Article 4.3.2.6 and ensure that the precise Eligible Collateral is recorded in the relevant CCM Client Collateral Account; and

(ii) determine whether Client Assets recorded in the CCM Client Collateral Account of the relevant CCM Gross Omnibus Segregated Account Structure shall be liquidated (in whole or in part) and, as the case may be, liquidate such Client Assets and credit the liquidation value of such Client Assets to the CCM Client Collateral Account of that CCM Gross Omnibus Segregated Account Structure;

**4.2.7** determine the Ported Collateral, in accordance with Clause 4.5, attributable to each Client Margin Account, of the Defaulting Clearing Member (ensuring that any Collateral which has been, or is to be, transferred to the relevant Client Collateral Account pursuant to Clause 4.2.2 above is taken into account for these purposes), save where all of the Relevant Client Cleared Transactions of a CCM Gross Omnibus Segregated Account Structure are to be transferred to a single Backup Clearing Member. In such a case, LCH SA will determine the Ported Collateral attributable to that CCM Gross Omnibus Segregated Account Structure by treating the CCM Client Margin Accounts that are part of such CCM Gross Omnibus Segregated Account Structure as if they were a single CCM Client Margin Account;

**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/BD Client of the Defaulting Clearing Member that is an FCM/BD Clearing Member;

**4.2.9** if the Defaulting Clearing Member is a CCM and where such Defaulting Clearing Member has failed to transfer its Client Pledged Eligible Collateral to LCH SA in accordance with Article 4.3.2.1(i), 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 in accordance with Article 4.3.2.6;

**4.2.10** notify the Defaulting Clearing Member of those Relevant Client Cleared Transactions that will be ported to the appointed Backup Clearing Member(s) and those Non-Ported Cleared Transactions that will be liquidated pursuant to the CDS Client Clearing DMP;

**4.2.11** effect porting of the Relevant Client Cleared Transactions and transfer of the Ported Collateral to the Backup Clearing Member(s);

**4.2.12** once LCH SA has determined that porting in respect of a Client Account Structure will not occur, perform such risk neutralisation as is required and thereafter commence the Competitive Bidding process in respect of any Auction Packages containing Non-Ported Cleared Transactions and, if the Defaulting Clearing Member is a CCM, enforce its security interest under, and in accordance with, the Pledge Agreement and realise the value of the Client Pledged Eligible Collateral (if any), in accordance with Clause 4.4.2, by liquidating such Client Pledged Eligible Collateral.

### 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, (III) a CCM Indirect Gross Segregated Account Client of a Defaulting Clearing Member that is a CCM, or (IV) an FCM/BD Client of a Defaulting Clearing Member that is an FCM/BD Clearing Member has appointed a Backup Clearing Member and informed LCH SA of the identity of such Backup Clearing Member in the conditions set out in a Clearing Notice and 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 in the conditions set out in a Clearing Notice to act as Backup Clearing Member in relation to all the Relevant Client Cleared Transactions registered in the Client Trade Account of (I) the relevant CCM Individual Segregated Account Structure, (II) the relevant CCM Gross Omnibus Single Sub-Account Structure, (III) the relevant CCM Indirect Client Gross Segregated Account Structure, or (IV) the relevant FCM/BD 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.

**4.3.2** Provided, if the Defaulting Clearing Member is a CCM, that (a) (I) all of the CCM Net Omnibus Segregated Account Clients within a CCM Net Omnibus Client Set of a Defaulting Clearing Member or (II) all of the CCM Gross Omnibus Multi Sub-Account Clients within a CCM Gross Omnibus Multi Sub-Account Client Set of a Defaulting Clearing Member, have appointed a single Backup Clearing Member and informed LCH SA of the identity of such Backup Clearing Member in the conditions set out in a Clearing Notice and 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 in the conditions set out in a Clearing Notice to act as Backup Clearing Member in relation to

all the Relevant Client Cleared Transactions registered in the relevant Client Trade Accounts and the receipt of the related Ported Collateral; (c) LCH SA has received confirmation from each of such CCM Clients (in respect of such matters and in such form as LCH SA may require at the relevant time); and (d) such Defaulting Clearing Member has transferred ownership of the Client Pledged Eligible Collateral to LCH SA in accordance with the CDS Admission Agreement 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 CCM Clients 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 CCM Clients. Transferred or replacement Relevant Client Cleared Transactions will be registered in Client Trade Accounts of the Backup Clearing Member and the Ported Collateral (where transferred in accordance with paragraph (ii) of this Clause 4.3.2) will be credited to the relevant Client Collateral Account of the Backup Clearing Member overnight, in accordance with this Clause 4.3.2;

(ii) where each of the relevant CCM Clients instructs a transfer of the Ported Collateral attributable to the relevant CCM Client Collateral 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 CCM Clients shall be reduced by an amount equivalent to the Ported Collateral transferred to the Backup Clearing Member, as referred to in paragraph (ii) of this Clause 4.3.2.

**4.3.3** For the purposes of Clause 4.3.1 or Clause 4.3.2 above, the relevant Client may provide consent to LCH SA in writing (including by facsimile and email) and shall not be entitled to withdraw such consent once received by LCH SA.

### 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:

**4.4.1** carry out Hedging and Competitive Bidding, in relation to such Non-Ported Cleared Transactions, in accordance with the provisions of the CDS Default Management Process, save that when establishing the Auction Packages for Competitive Bidding, LCH SA shall not

combine the House Cleared Transactions of the Defaulting Clearing Member with such Non-Ported Cleared Transactions in a single Auction Package;

**4.4.2** if the Defaulting Clearing Member is a CCM, enforce its security interest under, and in accordance with, the Pledge Agreement and realise the value of the Client Pledged Eligible Collateral (if any) associated with each CCM Client Account Structure, by liquidating such Pledged Eligible Collateral in accordance with Article 4.3.2.7 and crediting such value to the relevant CCM Client Collateral Account(s);

**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, 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/BD Clearing Member, in respect of each FCM/BD Client, the value of the Client Assets attributable to such FCM/BD Client's FCM/BD 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 (ii) of this Clause 4.4.3, such pro rata share being determined in accordance with the methodology set out in Clause 4.5.2;

**4.4.4** if the Defaulting Clearing Member is a CCM, pay to such Client an amount equal to the relevant CDS Client Clearing Entitlement, in accordance with the Delegation.

### 4.5 Calculation process

**4.5.1** Determination of the Ported Collateral and calculation of the CDS Client Clearing Entitlement for each Client will be undertaken by LCH SA in accordance with its own records based on information provided to it by the Defaulting Clearing Member. LCH SA shall be under no obligation to verify or conduct any independent enquiry in respect of any such information and shall be entitled for all purposes to treat it as definitive. However, LCH SA may, in its absolute discretion, adjust its records to reflect any matter which it believes should be taken into account in determining the Ported Collateral and/or calculating the CDS Client Clearing Entitlements.

**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:

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

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 maintained by the Defaulting Clearing Member in respect of (I) a CCM Individual Segregated Account Client, (II) a CCM Gross Omnibus Single Sub-Account 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, (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, 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/BD Clearing Member, the last Client Margin Requirement for the FCM/BD Client Margin Account maintained by the FCM/BD Clearing Member on behalf of an FCM/BD 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 Competitive Bidding

## 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 shall be required to participate in Competitive Bidding without prejudice to Clause 5.4.1;

(ii) 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).

## 5.2 Construction of Auction Packages

### 5.2.1 Determination by LCH SA

LCH SA will determine, in consultation with the CDS Default Management Group, the number of Auction Packages to be subject to Competitive Bidding.

LCH SA shall be permitted to establish multiple Auction Packages divided either by reference to the different Transaction Categories or within the same Transaction Category, provided that the determination of Auction Packages by LCH SA is made in accordance with Clause 4.4.1.

The determination of LCH SA, in consultation with the CDS Default Management Group, shall be made in its discretion depending on the context of the particular Event of Default and the circumstances of the Defaulting Clearing Member.

### 5.2.2 Off-setting

Where a decision is taken to divide the Auction Portfolio into multiple Auction Packages in accordance with Clause 5.2.1, LCH SA, in consultation with the CDS Default Management Group, shall undertake such division at its discretion in good faith with a view to ensuring that Competitive Bidding is carried out in accordance with the principles set out in Clause 5.1. In exercising its discretion under this Clause 5.2.2, LCH SA, in consultation with the CDS Default Management Group, shall consider, wherever possible, taking into account LCH SA's margining methodology, including within each Auction Package, any Cleared Transactions which have been offset for the purposes of calculating the Defaulting Clearing Member's Margin Requirement under Article 4.2.3.1.

### 5.3 Competitive Bidding for multiple Auction Packages

LCH SA shall hold a separate auction for each Auction Package. The principles set out in Clauses 5.4 to 5.9.2 shall govern Competitive Bidding for each Auction Package and shall apply to each Auction Package separately.

### 5.4 Conduct of Competitive Bidding

#### 5.4.1 Participation in Competitive Bidding

All Non-Defaulting Clearing Members are required to participate in Competitive Bidding for each Auction Package notwithstanding that any 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 Non-Defaulting Clearing Member, in which case that Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for that Auction Package;

(ii) a Non-Defaulting Clearing Member is a Select Member provided that:

(a) it is not required to participate in Competitive Bidding pursuant to Article 2.2.0.4; and

(b) it has (y) not elected to participate in Competitive Bidding within 1 hour of the declaration of an Event of Default by LCH SA and (z) not complied with its obligations under Article 2.2.1.1(xi), in accordance with the conditions set out in Article 2.2.0.4,

in which case such Non-Defaulting Clearing Member is not required to participate in Competitive Bidding;

(iii) 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 Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for an Auction Package containing any Index Swaption Cleared Transaction;

(iv) a Non-Defaulting Clearing Member is a BD but not an FCM, in which case such Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for an Auction Package containing any Cleared Swaps;

(v) a Non-Defaulting Clearing Member is an FCM but not a BD, in which case such Non-Defaulting Clearing Member is not required to participate in Competitive Bidding for an Auction Package containing any SBS; and

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

Where two or more Non-Defaulting Clearing Members within a Financial Group request LCH SA to treat them as a single 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 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 Non-Defaulting Clearing Members to receive;

(ii) the number of 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 Non-Defaulting Clearing Members within a Financial Group as a single Non-Defaulting Clearing Member;

(iii) the Minimum Bid Size Multiplier;

(iv) in respect of each Auction Package, the Minimum Bid Size for each 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 Non-Defaulting Clearing Member who participates in Competitive Bidding for an Auction Package is required to submit 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.

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.

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 Non-Defaulting Clearing Members in reasonable time prior to the Bid Deadline, a grace period may be granted to all 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 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:

$$MBS = \min([A/B] \times C; 100\%)$$

Where:

**A** is the amount of the 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, 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 Non-Defaulting Clearing Member, pursuant to Clause 5.4.1.

**B** is the sum of Contributions of all 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 Multiplierr.

### 5.4.5 Satisfying the Minimum Bid Size

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 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

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 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

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 Non-Defaulting Clearing Member's Bid(s) as a whole.

### 5.5 Non Bidders

For the avoidance of doubt, if:

**5.5.1** 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 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** 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 Non-Defaulting Clearing Member to be a Non Bidder in respect of that Auction Package.

### 5.6 Allocation of the Auction Package

#### 5.6.1 Calculation of the Initial Allocation Price

Following the earlier of the receipt of final Bids from all 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 Non-Defaulting Clearing Member as the product of the aggregate of the Bid Sizes of that 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, 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 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, 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 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 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 Review of Competitive Bidding

#### 5.7.1 Decision to hold a second round of Competitive Bidding

Where, following the calculation of the Initial Allocation Price and the Non Bidder Allocation Price (as appropriate), the Initial Transfer Payable and the Initial Transfer Receivable in accordance with Clause 5.6.1, LCH SA, in consultation with the CDS Default Management Group, determines that an LCH Transfer Cost arises such as to require recourse to the LCH SA Contribution, in accordance with Article 4.3.3.1, then it shall be permitted to consider holding a second round of Competitive Bidding.

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

(i) it would be possible, through holding a second round of Competitive Bidding, to generate higher LCH Transfer Receipts (if the Auction Package has a positive mark-to-market) or a lower LCH Transfer Cost (if the Auction Package has a negative mark-to-market); and

(ii) it would not be unrealistic that, following a second round of Competitive Bidding, the LCH Transfer Receipt or LCH Transfer Cost would be such as to enable LCH SA to register the Winning Bids within the Account Structure of the Non-Defaulting Clearing Member(s), in accordance with Clause 6.1, without exhausting the financial resources available to LCH SA under Article 4.3.3.1.

#### 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 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 Recalculated Allocation of the Auction Package and Initial Registration

#### 5.8.1 Recalculation of Initial Allocation Price

In the event that LCH SA determines that a second round of Competitive Bidding shall take place, LCH SA, in consultation with the CDS Default Management Group, shall recalculate the Initial Allocation Price and the Non Bidder Allocation Price, as appropriate, (and, by definition, the Bids thereby treated as Initial Winning Bids) and Initial Transfer Payable or Initial Transfer Receivable by following the procedure set out in Clause 5.6.1 in respect of the Reduced Auction Package.

#### 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 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 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 Conduct of Competitive Bidding for the Residual Auction Package

Competitive Bidding for the Residual Auction Package should be carried out in accordance with Clauses 5.1 to 5.4, treating the Residual Auction Package as the Auction Package for purposes of interpreting such provisions, but subject to the remainder of this Clause 5.9.

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

(i) the Residual Allocation Price shall be determined on the basis that it were the Initial Allocation Price;

(ii) the Residual Winning Bids shall be determined on the basis that they were Initial Winning Bids;

(iii) the Residual Transfer Payable shall be determined on the basis that it were the Initial Transfer Payable;

(iv) the Residual Transfer Receivable shall be determined on the basis that it were the Initial Transfer Receivable; and

(v) LCH SA shall allocate the Auction Transactions for the Residual Auction Package in accordance with Clause 5.6.2.

**5.9.1 Recalculated Minimum Bid Size**

Each 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 a Non-Defaulting Clearing Member's Initial Winning Bids for the related Auction Package exceeds that Non-Defaulting Clearing Member's original Minimum Bid Size calculated in accordance with Clause 5.4.4, that 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 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 Non-Defaulting Clearing Member's Initial Winning Bids, subject to the maximum value for the Bid Credit of the Minimum Bid Size;

(ii) for each Non-Defaulting Clearing Member to whom a Bid Credit has not been ascribed, that 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.

**5.9.2 Competitive Bidding Process**

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

**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 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 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 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 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 Non-Defaulting Clearing Member.

## 6 Registration of Transfer Positions

### 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 any Index Swaption Cleared Transaction in the House Account Structure of a Clearing Member which is not registered for the Index Swaption Clearing Service, that Clearing Member will be automatically registered for the Index Swaption Clearing Service. 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.

**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, 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 that is transferred or received; or NPV Amount paid or received, in relation to the Cleared Transactions of the Defaulting Clearing Member representing such Transfer Positions, to date.

### 6.3 Failed Registration Obligations

#### 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, 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, 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.

# 7 Loss Distribution Process

## 7.1 Adjustment of Variation Margin Collateral Transfers and NPV Payments

### 7.1.1 Cash Gainer

On each Loss Distribution Day for each Margin Account of each Non-Defaulting Clearing Member that is deemed to be a Cash Gainer, the relevant Non-Defaulting Clearing Member shall be required to pay LCH SA an amount equal to any positive amount determined in accordance with the following formula or, as applicable, LCH SA shall be required to pay the relevant Non-Defaulting Clearing Member the absolute value of any negative amount determined in accordance with the following formula (in each case, such amount the "**Cash Gainer Adjustment**"):

$$\text{Cash Gainer Adjustment}_{(t)} = PHG_{(t)} – (CHG_{(t)} * \text{Max}(0, 1 - DH_{(t)}) – CAG_{(t-1)})$$

where:

"PHG" means the Pre Haircut Gains, Losses and Realised Cash Flows;

"CHG" means the Cumulative Hypothetical Gains, Losses and Realised Cash Flows;

"DH" means the Distribution Haircut; and

"CAG" means the Cumulative Actual Gains, Losses and Realised Cash Flows and where "CAG" as at the Last Call prior to Default shall be zero.

### 7.1.2 Cash Loser

On each Loss Distribution Day for each Margin Account of each Non-Defaulting Clearing Member that is deemed to be a Cash Loser, LCH SA shall be required to pay the absolute value of an amount (the "**Cash Loser Adjustment**") determined in accordance with the following formula:

$$\text{Cash Loser Adjustment}_{(t)} = PHG_{(t)} – (CHG_{(t)} – CAG_{(t-1)})$$

where:

"PHG" means the Pre Haircut Gains, Losses and Realised Cash Flows;

"CHG" means the Cumulative Hypothetical Gains, Losses and Realised Cash Flows; and

"CAG" means the Cumulative Actual Gains, Losses and Realised Cash Flows and where "CAG" as at the Last Call prior to Default shall be zero.

#### 7.1.3 Application of Margin Account Adjustment

On each Loss Distribution Day, LCH SA shall apply the payment or receipt of any Margin Account Adjustment as an offset against any payments from or receivable by the relevant Clearing Member in respect of the same Margin Account.

#### 7.1.4 Adjustments for Physical Settlement

Where Physical Settlement is applicable to any Cleared Transaction on any Loss Distribution Day, LCH SA may, following consultation with the Risk Committee or the CDS Default Management Group, as appropriate, make such adjustments as are necessary to the calculation of Cash Gainer Adjustment or Cash Loser Adjustment to reflect the payment flows arising from such Physical Settlement, keeping in mind the principle that the calculation of Cash Gainer Adjustment and Cash Loser Adjustment is designed to capture all profits and/or losses on positions during the relevant Loss Distribution Period.

### 7.2 Application of Cash Gainer Adjustment

LCH SA shall apply all Cash Gainer Adjustment it receives solely for the purposes of meeting Damage incurred by LCH SA following, and in relation to, each relevant Event of Default, as contemplated at and in accordance with Article 4.3.3.1 of the CDS Clearing Rule Book.

### 7.3 Adjustment to Loss Distribution Cap Amount

If, during any Loss Distribution Period, it appears to LCH SA that the Clearing Member Adjustment Amount for any Non-Defaulting Clearing Member is, or is about to be, equal to or greater than the Loss Distribution Cap Amount, LCH SA may request that an adjustment be made to the Loss Distribution Cap Amount for such Non-Defaulting Clearing Member. The relevant Non-Defaulting Clearing Member may, but is not required to, agree to an adjustment to such Loss Distribution Cap Amount. Once a Non-Defaulting Clearing Member has provided agreement to adjust the Loss Distribution Cap Amount in the form and within the timeframe set out in the relevant Clearing Notice referred to in Article 3.1.9.2 of the CDS Clearing Rule Book, such agreement will be considered irrevocable and cannot be withdrawn.

The Adjusted Loss Distribution Cap Amount shall be applicable in accordance with the agreement between the relevant Non-Defaulting Clearing Member and LCH SA and for such period as may be agreed by the relevant Non-Defaulting Clearing Member, but which shall in no event be longer than the applicable Loss Distribution Period.

### 7.4 No rebate

The payment to LCH SA of any Cash Gainer Adjustment by any Non-Defaulting Clearing Member shall be final and shall not give rise to any obligation of LCH SA to repay any such amount or to pay any interest thereon, unless prior to the end of the Loss Distribution Period, there is an Early Termination Trigger Date or an LCH Default, in which case any net Cash Gainer Adjustment paid by a Non-Defaulting Clearing Member shall be repayable by LCH SA in respect of the relevant Margin

Account pursuant to Clause 8 or TITLE I, Chapter 3 of the CDS Clearing Rule Book, as the case may be.

### 7.5 Application of any recoveries

Notwithstanding the provisions of Article 4.4.3.8 of the CDS Clearing Rule Book, if the Loss Distribution Process has been invoked by LCH SA in accordance with this Clause 7, LCH SA shall reimburse the Clearing Members (irrespective of whether they remain Clearing Members at the time of the recovery) and LCH SA on a *pro rata* basis by reference to the resources which have been applied pursuant to Article 4.3.1.1 of the CDS Clearing Rule Book during any CDS Post-Default Period relating to the relevant Defaulting Clearing Member and including the net amount of any Margin Account Adjustment paid by the relevant Clearing Members during such CDS Post-Default Period, the LCH SA Contribution, the Contributions, the LCH SA dedicated own resources allocated to the CDS Default Fund referred to in sub-paragraph (vi) of Article 4.3.3.1 and/or Additional Contribution Amounts of Clearing Members so applied, in respect of:

**7.5.1** any amounts received from the Defaulting Clearing Member as a result of LCH SA being a creditor of the Defaulting Clearing Member in the context of Insolvency Proceedings or otherwise, other than in respect of sums due to LCH SA; or

**7.5.2** any other amounts howsoever obtained or recovered in the course of LCH SA's operation of the CDS Default Management Process or which are otherwise referable to the Defaulting Clearing Member,

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

## 8 Early Termination

### 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 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 in accordance with the provisions of this Clause 8.

**8.1.2** Upon the occurrence of an Early Termination Trigger Date, LCH SA shall promptly publish a Clearing Notice in accordance with Article 3.1.9.4 of the CDS Clearing Rule Book.

**8.1.3** In circumstances where CCM Client Collateral Buffer has been allocated to a CCM Client Account Structure in accordance with Article 4.2.2.4 and Section 2 of the Procedures, LCH SA shall transfer an amount denominated in Euro of: (x) Cash Collateral; and/or (y) any relevant proceeds following liquidation into Euro of the Collateral other than (I) Cash Collateral denominated in Euro and (II) Pledged Eligible Collateral, which is equal to the CCM Allocated Client Collateral Buffer (minus the value in Euro of the Pledged Eligible Collateral taken into account in that CCM Allocated Client Collateral Buffer, if any) for the relevant CCM Client Account Structure from the CCM House Collateral Account to the CCM Client Collateral Account of that CCM Client Account Structure as soon as reasonably practicable.

**8.1.4** For these purposes, the amounts to be repaid shall include, in respect of each Margin Account of each Non-Defaulting Clearing Member:

(i) Variation Margin;

(ii) NPV Amount;

(iii) any Collateral recorded in the relevant Collateral Account (including: (x) in the case of a CCM Client Margin Account, any CCM Allocated Client Collateral Buffer (if any) due to be transferred to the relevant CCM Client Collateral Account by LCH SA; and (y) in the case of a CCM House Collateral Account, excluding any CCM Allocated Client Collateral Buffer (if any) due to be transferred pursuant to Clause 8.1.3). Such amount

will not include Pledged Eligible Collateral, CCM Unallocated Client Collateral, FCM/BD Swaps Unallocated Client Excess Collateral, FCM/BD SBS Client Excess Collateral or, as the case may be, Collateral other than Cash Collateral denominated in Euro returned to the relevant Non-Defaulting Clearing Member without applying any haircuts to the valuation of the Collateral, in accordance with Clause 8.7;

(iv) any net Cash Gainer Adjustments which has been paid by the Clearing Member to LCH SA pursuant to Clause 7.1, for each Margin Account;

(v) any other amounts that may be due to or from either the Clearing Member or LCH SA to or from the other in relation to the CDS Clearing Service pursuant to the CDS Clearing Documentation; and

(vi) in respect of a Non-Defaulting Clearing Member's House Margin Account, such Clearing Member's Contribution Balance.

**8.2 CDS Repayment Amount**

LCH SA shall calculate the CDS Repayment Amount separately in respect of each Non-Defaulting Clearing Member's House Account Structure and each of its Client Account Structures in accordance with the following:

(i) LCH SA shall establish the value of (a) each Cleared Transaction as a result of the termination of each payment or delivery which would otherwise have been required to be made under the relevant Cleared Transaction (assuming satisfaction of each applicable condition precedent and based on its determination of the observable market price to be determined in accordance with Clause 8.3 below) and without application of the Loss Distribution Process, (b) any net Cash Gainer Adjustments to be repaid to the Clearing Member; (c) the Variation Margin(s) and NPV Amount(s) to be returned or repaid, as applicable, by the Clearing Member or LCH SA to the other; and (d) any other amounts that may be due to or from LCH SA in relation to Cleared Transactions pursuant to the CDS Clearing Rules, but excluding any repayment or redelivery obligations relating to any relevant Margin Balance, Excess Collateral and/or Client Collateral Buffer; and

(ii) on the basis of the sums so established, an account shall be taken of the amounts owed by either the Clearing Member or LCH SA to the other and the sums due from one shall be set off against the sums due from the other and only the balance shall be payable by either the Clearing Member or LCH SA to the other.

**8.3 Observable Market Price**

For the purpose of determining an observable market price for each Cleared Transaction pursuant to Clause 8.2(i) above, LCH SA shall use its best efforts to determine the price of the relevant Cleared Transactions as at the end of the Business Day following the Early Termination Trigger Date, using such sources as it believes reasonable to provide the value of such Cleared Transactions. In doing

so, LCH SA would be expected to use the following sources in order of descending priority as valuation points:

(i) other objective and observable market prices for the relevant valuation day;

(ii) the end of day settlement prices published by another reputable clearing house operating in respect of CDS and/or Index Swaptions, as applicable, for the relevant valuation day; and

(iii) the mean settlement price for the relevant valuation day, calculated on the basis of a broad-based survey of market participants active in trading CDS and/or Index Swaptions, as applicable.

**8.4 Available CDS Funds**

Following its determination of the CDS Repayment Amount in relation to each of the Non-Defaulting Clearing Member's House Account Structure and each of its Client Account Structures, LCH SA shall calculate the Available CDS Funds as the sum equal to the aggregate of the Negative CDS Repayment Amounts in respect of each Non-Defaulting Clearing Member.

Where the Available CDS Funds are less than the aggregate amount of Positive CDS Repayment Amounts, LCH SA shall calculate the Discounted CDS Repayment Amount for each Positive CDS Repayment Amount payable to a Non-Defaulting Clearing Member by multiplying each such Positive CDS Repayment Amount by the fraction determined by dividing A by B, where "A" is the Available CDS Funds and "B" is the aggregate amount of Positive CDS Repayment Amounts.

**8.5 Margin Repayment Amounts**

**8.5.1** In respect of each Negative CDS Repayment Amount calculated pursuant to Clauses 8.1 to 8.4 above, provided such Negative CDS Repayment Amount has not already been discharged by the Non-Defaulting Clearing Member by way of a cash payment denominated in Euro received by LCH SA, LCH SA shall be entitled to liquidate in Euro the Collateral other than Cash Collateral denominated in Euro (excluding Pledged Eligible Collateral, CCM Unallocated Client Collateral, FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD SBS Client Excess Collateral returned to the relevant Non-Defaulting Clearing Member in accordance with Clause 8.7) recorded in the Collateral Account of the relevant Account Structure and credit the resulting amount in Euro to that Collateral Account.

**8.5.2** LCH SA shall then calculate an amount in respect of each Margin Account of each Non-Defaulting Clearing Member (the "**Margin Repayment Amount**") which shall include the

value of Collateral recorded in the relevant Collateral Account. Such Margin Repayment Amounts shall also include:

(a) in the case of a Positive CDS Repayment Amount, or Discounted CDS Repayment Amount as the case may be, calculated in respect of the relevant Account Structure of a Non-Defaulting Clearing Member:

(i) in respect of a CCM Client Margin Account, the amount denominated in Euro of: (x) Cash Collateral; and/or (y) any relevant proceeds following liquidation into Euro of the Collateral other than (I) Cash Collateral denominated in Euro and (II) Pledged Eligible Collateral, which is equal to the CCM Allocated Client Collateral Buffer (minus the value in Euro of the Pledged Eligible Collateral taken into account in that CCM Allocated Client Collateral Buffer, if any) transferred (or due to be transferred) to the relevant CCM Client Collateral Account by LCH SA pursuant to Clause 8.1.3 (if any);

(i) in respect of a House Margin Account, such Non-Defaulting Clearing Member's Contribution Balance, excluding any CCM Allocated Client Collateral Buffer (if any) due to be transferred pursuant to Clause 8.1.3; and

(ii) Cash Collateral denominated in Euro without applying any haircuts; and

(b) in the case of a Negative CDS Repayment Amount determined in respect of the relevant Account Structure of a Non-Defaulting Clearing Member:

(i) in respect of a CCM Client Margin Account, the amount denominated in Euro of: (x) Cash Collateral; and/or (y) any relevant proceeds into Euro following liquidation of the Collateral other than (I) Cash Collateral denominated in Euro and (II) Pledged Eligible Collateral, which is equal to the CCM Allocated Client Collateral Buffer (minus the value in Euro of the Pledged Eligible Collateral taken into account in that CCM Allocated Client Collateral Buffer, if any) transferred (or due to be transferred) to the relevant CCM Client Collateral Account by LCH SA pursuant to Clause 8.1.3 (if any);

(ii) in respect of a House Margin Account, such Non-Defaulting Clearing Member's Contribution Balance, excluding any CCM Allocated Client Collateral Buffer (if any) due to be transferred pursuant to Clause 8.1.3;

(iii) Cash Collateral denominated in Euro without applying any haircuts ; and

(iv) the Euro amount resulting from the liquidation in Euro of the Collateral other than Cash Collateral denominated in Euro (excluding Pledged Eligible

Collateral, CCM Unallocated Client Collateral, FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD SBS Client Excess Collateral returned to the relevant Non-Defaulting Clearing Member in accordance with Clause 8.7) and credited to the relevant Collateral Account by LCH SA, in accordance with Clause 8.5.1.

In determining such amounts, LCH SA shall not separately value, nor take into account, as an amount due to the Clearing Member, any Collateral:

(x) in respect of which the value has been accounted for in the determination of the value of any Cleared Transaction (including any Variation Margin or NPV Amount);

(y) which the Clearing Member has transferred to LCH SA and which the Clearing Member will otherwise receive back in accordance with the CDS Clearing Rules (including any Pledged Eligible Collateral, CCM Unallocated Client Collateral, FCM/BD Swaps Unallocated Client Excess Collateral, FCM/BD SBS Client Excess Collateral or, as the case may be, Collateral other than Cash Collateral denominated in Euro returned to the relevant Non-Defaulting Clearing Member in accordance with Clause 8.7); or

(z) which LCH SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 of the CDS Clearing Rule Book and the CDS Default Management Process.

The Margin Repayment Amounts shall become immediately due and payable to the Clearing Member.

**8.6 LCH Repayment Amounts**

Following the calculation of each CDS Repayment Amount, or Discounted CDS Repayment Amount as the case may be, and each Margin Repayment Amount pursuant to Clauses 8.1 to 8.5 above, LCH SA shall calculate a LCH repayment amount separately in respect of each Non-Defaulting Clearing Member's (i) House Account Structure (the "**House LCH Repayment Amount**") and (ii) each of its Client Account Structures ("**Client LCH Repayment Amount**") (the "House LCH Repayment Amount" and "Client LCH Repayment Amount" being together referred to as the "**LCH Repayment Amounts**"). The LCH Repayment Amounts shall be determined as set out below.

LCH SA shall, for the House Account Structure and each of the Client Account Structures of the Non-Defaulting Clearing Member: (a) aggregate each Positive CDS Repayment Amount, or Discounted CDS Repayment Amount, as the case may be, with the Margin Repayment Amounts, or (b) net and set off each Negative CDS Repayment Amount with the Margin Repayment Amounts, in each case to produce the House LCH Repayment Amount in respect of the House Account Structure and a Client LCH Repayment Amount for each of the Client Account Structures, respectively.

Where the determination in accordance with this Clause 8.6 produces positive amounts, LCH SA shall pay the LCH Repayment Amounts to the Clearing Member in accordance with Clause 8.7 and,

where it produces negative amounts, the Clearing Member shall pay the LCH Repayment Amounts to LCH SA in accordance with Clause 8.7.

LCH SA shall notify each Clearing Member of the LCH Repayment Amounts which it will pay to the relevant Clearing Member, or which the relevant Clearing Member is required to pay to LCH SA, as the case may be. Such notification shall be made promptly and by no later than the end of the second Business Day following the Early Termination Trigger Date.

This notification shall show in reasonable detail how the LCH Repayment Amount has been calculated by LCH SA.

Prior to making such notification, LCH SA shall determine whether it has sufficient funds in place in order to repay the aggregate of all Margin Repayment Amounts. If LCH SA determines that it is unable to pay the aggregate amount of the Margin Repayment Amounts, LCH SA shall notify the Clearing Members by the times set out in (i) and (ii) by posting such notice on its Website.

**8.7 Payment of LCH Repayment Amounts and repayment/redelivery of Collateral**

Where the House LCH Repayment Amount and/or the Client LCH Repayment Amount is to be paid to LCH SA by a Clearing Member, it shall be paid in Euro by 15.00 on the Business Day following notification in accordance with Clause 8.6.

Where the House LCH Repayment Amount and/or the Client LCH Repayment Amount is to be paid by LCH SA to a Clearing Member, it shall be paid in Euro by 17.00 on the Business Day following notification in accordance with Clause 8.6.

LCH SA shall redeliver or repay the following Collateral to the Clearing Member by 17.00 on the Business Day following notification in accordance with Clause 8.6, provided that where the following Collateral comprises Eligible Collateral, LCH SA shall use its reasonable endeavours to redeliver such Eligible Collateral by 17.00 on the Business Day following notification in accordance with Clause 8.6:

(i) any Pledged Eligible Collateral (other than Pledged Eligible Collateral which LCH SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) which the Clearing Member has transferred to LCH SA;

(ii) any CCM Unallocated Client Collateral, any FCM/BD Swaps Unallocated Client Excess Collateral or FCM/BD SBS Client Excess Collateral, as the case may be; and

(iii) any Collateral (other than Cash Collateral denominated in Euro) which has not been liquidated by LCH SA in accordance with Clause 8.5.1.

**8.8 Recalculation of Available CDS Funds**

In the event that LCH SA does not receive the aggregate LCH Repayment Amounts due to it from Clearing Members in full by the time specified in Clause 8.7, LCH SA shall reduce each LCH Repayment Amount it is due to pay (which includes a Positive CDS Repayment Amount or

Discounted CDS Repayment Amount, as the case may be) by an amount equal to the relevant Clearing Member's *pro rata* share of the shortfall.

### 8.9 Recovery of LCH Repayment Amounts

If at any time LCH SA recovers amounts in addition to the Available CDS Funds calculated pursuant to Clause 8.4, or receives LCH Repayment Amounts from Clearing Members after the time specified in Clause 8.7 and following the adjustments contemplated by Clause 8.8, it shall promptly make such further payments in respect of any House Margin Account, CCM Client Account Structure or FCM/BD Client Margin Account for which a discount to the relevant CDS Repayment Amount was applied in accordance with Clause 8.4 *pro rata* the amount of the discounts applied across all such House Margin Account, CCM Client Account Structure or FCM/BD Client Margin Account.

### 8.10 Conversion

For the purposes of any calculation required to be made under Clause 8.2, any sums calculated other than in Euro shall be converted into Euro at the relevant exchange rate as at 10.00 on the second Business Day following Early Termination Trigger Date. The relevant exchange rate shall be determined by the European Central Bank and taken from Reuters or, where not available for the relevant currency, such other provider as is notified in a Clearing Notice.

### 8.11 No Rebate

Subject to the obligations of LCH SA pursuant to Clause 8.9 above, the payment by LCH SA of any LCH Repayment Amount to a Non-Defaulting Clearing Member shall be final. Any claim by a Clearing Member to recover amounts owed to it as a result of the adjustment of the CDS Repayment Amount pursuant to Clause 8.3 or 8.8 above shall be extinguished and the relevant Clearing Member shall have no further recourse to LCH SA in respect thereof.

### 8.12 LCH Default

Any failure by LCH SA to pay any LCH Repayment Amount in full to a Clearing Member, other than by operation of Clause 8.8, shall constitute an event falling within Article 1.3.1.1(ii).

## 9 Information regarding the CDS Default Management Process

### 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:

**9.1.1** when a Default Notice has been issued in respect of a Clearing Member, in accordance with Article 4.3.1.3;

**9.1.2** in advance of both the first and second round of Competitive Bidding, as the case may be, those items listed in Clause 5.4.2;

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

**9.1.4** whether or not some or all of their Bid(s) have been deemed to be Market Bid(s) in the course of either the first or second round of Competitive Bidding (if applicable);

**9.1.5** whether or not they are an Initial Winning Bidder, what the Initial Allocation Price is and what the Initial Transfer Payable or Initial Transfer Receivable, as the case may be, is in accordance with Clause 5.6.4 and/or Clause 5.8.1;

**9.1.6** whether or not they have been deemed a Non Bidder, what the Non Bidder Allocation Price is and what the Initial Transfer Payable or Initial Transfer Receivable, as the case may be, is in accordance with Clause 5.6.3;

**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

**9.1.8** whether or not a second round of Competitive Bidding will be held;

**9.1.9** to the extent a second round of Competitive Bidding is held, whether or not they are the holder of a Residual Winning Bid, what the Residual Allocation Price is and what the Residual Transfer Payable or Residual Transfer Receivable, as the case may be, is;

**9.1.10** 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

**9.1.11** where LCH SA has determined that its financial resources are not sufficient to meet its obligations arising from either the first or second round of Competitive Bidding, as the case may be, in accordance with Clause 5.8.1, of the failure of Competitive Bidding and the occurrence of an LCH Default.

### 9.2 Sensitive Information

Nothing in this Clause 9 shall require LCH SA to disclose information in respect of the CDS Default Management Process which, in the reasonable opinion of LCH SA, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in LCH SA's reasonable opinion, inappropriate for disclosure to Clearing Members.

### 9.3 Competitive Bidding

The Nominated Representative will ensure that the identity of each Non-Defaulting Clearing Member, or, as applicable, each Auction Member Representative, is not revealed to the DMG Members.

## 10 Role and Constitution of the CDS Default Management Committee

### 10.1 Role

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

**10.1.1** determine the provisions of the CDS Default Management Guidance Manual that will supplement the principles set out in the CDS Default Management Process and assist the members of the CDS Default Management Group in implementing the CDS Default Management Process;

**10.1.2** keep both the CDS Default Management Process and the CDS Default Management Guidance Manual under review and to assist LCH SA in the design, testing and further improvement of the CDS Default Management Process;

**10.1.3** participate in regular fire drills in relation to the CDS Default Management Process;

**10.1.4** keep Section 9 of Part A or Part B, as applicable, of the CDS Clearing Supplement and Section 4.2 of the Procedures under review and assist members of the CDS Default Management

Group in implementing the auction procedure to terminate any Self Referencing Transactions and enter into equivalent Single Name Cleared Transactions;

**10.1.5** keep under review the terms of reference for both the CDS Default Management Committee and the CDS Default Management Group to ensure they remain appropriate;

**10.1.6** maintain and keep under review the DMG Rotation Plan, as described at Clause 11.2.2 below;

**10.1.7** consider appropriate supplements or amendments to the CDS Default Management Process and/or the CDS Default Management Guidance Manual in order to improve the procedures in place;

**10.1.8** keep under review the manner in which 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

**10.1.9** consider any other business relevant to the CDS Default Management Process which any member of the CDS Default Management Committee from time to time sees fit to raise at such meetings.

**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 for the avoidance of doubt, those nominated by a Select Member in accordance with Article 2.2.0.4, (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;

**10.2.2** at least one director (staff member of director grade) of the LCH SA Risk Management department, who shall be appointed as the vice-chairman of the CDS Default Management Committee by the LCH SA chief executive; and

**10.2.3** such other individuals as the CDS Default Management Committee and/or the Risk Committee considers appropriate from time to time in relation to such meetings.

In making such appointments, LCH SA shall ensure that the composition of the CDS Default Management Committee is such as to provide effective review of the CDS Default Management Process and has suitable expertise and representation of market-making capacity in the event of an Event of Default.

In carrying out each appointment, LCH SA shall require each representative of a Clearing Member mentioned in Clause 10.2.1 and each individual mentioned in Clause 10.2.3 to file a fitness self certification and a *curriculum vitae* with LCH SA. LCH SA shall be permitted to undertake reasonable diligence in respect of each of them before appointing them as members of the CDS Default Management Committee, and may require a Clearing Member to nominate alternative representative(s) if it is not reasonably satisfied that the proposed representative(s) comply with the requirements set out in Clause 10.2.1 and/or refuse to appoint any individual mentioned in Clause 10.2.3.

# 11 Role and Constitution of the CDS Default Management Group

## 11.1 Role

### 11.1.1 CDS Default Management Process

The CDS Default Management Group shall meet within one hour, or as soon as reasonably practical, following notification by LCH SA that a Clearing Member is the subject of an Event of Default in accordance with Article 4.3.1.2, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist LCH SA in the implementation of the CDS Default Management Process. Such implementation shall include, without limitation, the provision of default management advice with regard to:

(i) the ongoing obligations of LCH SA to Non-Defaulting Clearing Members;

(ii) Hedging and closing-out of Cleared Transactions registered in the name of the Defaulting Clearing Member; and

(iii) the registration of Transfer Positions in accordance with the CDS Default Management Process.

### 11.1.2 Auctions in respect of Self Referencing Transactions

In the event that LCH SA determines to conduct an auction pursuant to Section 9 of Part A or Part B, as applicable, of the CDS Clearing Supplement, the CDS Default Management Group shall meet as soon as reasonably practical, following notification by LCH SA that an auction to terminate any Self Referencing Transactions and enter into equivalent Single Name Cleared Transactions is required, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist LCH SA in the implementation of the relevant auction procedure.

### 11.2 Composition

#### 11.2.1 Membership

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

(i) the Global Head of CDSClear who shall act as chairman or any director of CDSClear as may be appointed by the Chairman as the Vice Chairman;

(ii) representatives from the trading function of at least five Clearing Members, being senior executives with appropriate skills and expertise, knowledge of the CDS Default Management Process and experience of fire drills undertaken by the CDS Default Management Committee, who shall be nominated by the relevant Clearing Members and appointed in accordance with Clause 11.2.2 below;

(iii) at least one director (staff member of director grade) of the LCH SA risk management department; and

(iv) such other individuals as the CDS Default Management Group considers appropriate from time to time in relation to individual meetings.

In making such appointments, LCH SA shall ensure that the composition of the CDS Default Management Group is such as to provide effective review of the CDS Default Management Process and has suitable expertise and representation of market-making capacity in the event of an Event of Default.

#### 11.2.2 Appointment of Clearing Member representatives

Each General Member and any Select Member that has elected to do so in accordance with Article 2.2.0.4 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**").

In nominating DMG Representatives, each Clearing Member shall identify a representative that shall be its principal DMG Representative and representative(s) that shall be its back-up DMG Representative(s).

Each proposed DMG Representative and each individual mentioned in Clause 11.2.1(iv) shall be required to file a fitness self certification and a *curriculum vitae* with LCH SA. LCH SA shall be permitted to undertake reasonable diligence in respect of any proposed DMG Representative before approving such representative's inclusion, on behalf of the relevant Clearing Member, on the rotational plan (the "**DMG Rotation Plan**") and may require a Clearing Member to nominate

alternative DMG Representative(s) if it is not reasonably satisfied that the nominated representative(s) comply with the requirements set out in Clause 11.2.1(ii). LCH SA shall also be permitted to undertake reasonable diligence in respect of any individual mentioned in Clause 11.2.1(iv) and to refuse to appoint any such individual.

The DMG Rotation Plan will be managed by the CDS Default Management Committee in accordance with the following principles:

(i) the DMG Rotation Plan will list all DMG Representatives and the Clearing Member that each DMG Representative represents;

(ii) the DMG Rotation Plan will set out a timetable for the appointment/retirement of Clearing Members to/from the CDS Default Management Group, the timetable being set by the CDS Default Management Committee in its discretion with a view to ensuring that the composition of the CDS Default Management Group at any one time has suitable expertise and representation of market-making capacity in the event of a default;

(iii) at least five different Clearing Members shall be appointed to the CDS Default Management Group at any one time, provided that among those Clearing Members, at least two Clearing Members shall be registered for the Index Swaption Clearing Service. For the avoidance of doubt, in the event that the CDS Default Management Group is required to convene in accordance with Clause 11.1.1, a Clearing Member that has been appointed to the CDS Default Management Group shall be permitted to provide any (but not all) of its principal or back up DMG Representatives to assist LCH SA in the management of the relevant Event of Default;

(iv) the duration of each Clearing Member's appointment to the CDS Default Management Group shall be for a minimum of 6 months and a maximum of 5 years (at the discretion of the relevant Clearing Member) (the "**DMG Term**");

(v) at the end of a Clearing Member's DMG Term (save where the expiry of such DMG Term arises in the course of management of an Event of Default, in which case the Clearing Member's DMG Term shall be extended at the discretion of the CDS Default Management Committee), the DMG Representatives representing such Clearing Member shall retire from the CDS Default Management Group and DMG Representatives (representing a different Clearing Member), as set out in the DMG Rotation Plan, shall be appointed to the CDS Default Management Group simultaneously in his/her place(s);

(vi) only two Clearing Members may retire from the CDS Default Management Group and be replaced, in accordance with paragraph (v) above, in any 3 month period so as to maintain continuity of participation in the CDS Default Management Group.

#### 11.2.3 Additional members

Following consultation with the CDS Default Management Group, LCH SA may invite the Defaulting Clearing Member to nominate one or more representatives to join the CDS Default Management Group to assist it in carrying out its functions under the CDS Default Management Process for that Defaulting Clearing Member. LCH SA may also request that representatives from other Clearing Members join the CDS Default Management Group, following consultation with the CDS Default Management Group.

In the event of receiving such request, the Defaulting Clearing Member and/or the Clearing Member, as appropriate, will be obliged to provide its CDS Default Management Committee representative, or an alternate with appropriate skills, experience and expertise as if that representative were a member of the CDS Default Management Committee, to participate in the CDS Default Management Group. The CDS Default Management Committee shall be able to request a substitute where it believes the Defaulting Clearing Member and/or the Clearing Member's nominated representative, as appropriate, does not have the requisite skills or expertise.

### 11.3 Organisation

#### 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, 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.

## 12 Participation in the CDS Default Management Committee and CDS Default Management Group

### 12.1 No liability

Each Clearing Member shall accept that representatives of Clearing Members serving on the CDS Default Management Committee and DMG Members are doing so in order to assist LCH SA in ensuring the ongoing integrity of the CDS Clearing Service in the interests of Non-Defaulting Clearing Members, and that those representatives/DMG Members or their employers, shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the CDS Default Management Process.

### 12.2 LCH SA's Actions

LCH SA agrees that, in exercising its rights and obligations in consulting with the CDS Default Management Committee or the CDS Default Management Group, as the case may be, pursuant to the CDS Default Management Process, it will use all reasonable commercial endeavours to agree a common position with the CDS Default Management Committee or the CDS Default Management Group, as appropriate, provided that nothing in this Clause 12.2 shall prevent LCH SA acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing obligations as a clearing house under the supervision of its Competent Authorities.

## 13 Subsistence of the CDS Default Management Process

### 13.1 Applications for membership

Every Applicant shall be required to execute the CDS Admission Agreement, a condition of which shall be an undertaking to adhere to the CDS Default Management Process, failing which an application for membership shall not be approved by LCH SA.

### 13.2 Condition of Continuing Membership

Each Clearing Member shall be required to participate in the CDS Default Management Process as a condition of continuing membership of the CDS Clearing Service.

### 13.3 Automatic Termination

Save with regard to the provisions of Clause 13.4, the CDS Default Management Process shall cease to bind a Clearing Member immediately upon Membership Termination.

### 13.4 Survival

Membership Termination shall not affect any accrued rights or liabilities of either LCH SA or the Clearing Member nor shall it affect the coming into force or the continuance in force of any provision of the CDS Default Management Process which is expressly or by implication intended to come into

or continue in force on or after that termination, including without limitation the provisions of Clauses 2.3, 11.2, 11.3, 13 and 14.

## 14 Liability of LCH SA

The liability of LCH SA to Clearing Members shall be as detailed in Section 1.2.10.

## 15 Governing Law

The CDS Default Management Process shall be governed by and construed in accordance with the laws of France.

**Annex**

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

## General obligations of the Clearing Member

### 1 Confidentiality

**1.1** The Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of the CDS Default Management Process in respect thereof and, subject to paragraph 1.3, will not disclose it to any Person without the prior written permission of the managing director of the LCH SA risk management department, providing always that the Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:

**1.1.1** it comes into the public domain other than through a breach by the Clearing Member of the CDS Default Management Process; or

**1.1.2** the Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the Clearing Member.

**1.2** The Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with the CDS Default Management Process might result in the gaining of an unfair commercial advantage by the Clearing Member over other Clearing Members.

**1.3** Subject to paragraph 1.5, the Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such Person needs that Confidential Material for the Permitted Purpose (and to that extent only), provided that the Clearing Member notifies the vice-chairman of the CDS Default Management Committee prior to such disclosure.

**1.4** The Clearing Member agrees to, 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.

**1.5** This paragraph and the duties hereunder shall survive the termination of the CDS Default Management Process and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the Clearing Member, without prejudice to confidentiality obligations under any Applicable Law which would prevent the Clearing Member from disclosing or using any Confidential Material otherwise than pursuant to and in accordance with paragraphs 1.1 to 1.4 above.

## 2 Secrecy

**2.1** Except in accordance with the terms of this Annex, the Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any Person:

**2.1.1** Confidential Material;

**2.1.2** the fact that it has received any Confidential Material;

**2.1.3** the existence of any discussions or negotiations between the parties in this matter.

**2.1.4** details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the foregoing. Subject only to the Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 1.1.1 and 1.1.2.

**2.2** LCH SA undertakes to ensure that the Clearing Member is fully appraised of information on the CDS Default Management Process that it makes public and which is accordingly of relevance to the Clearing Member's obligations.

## 3 Property

The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the Clearing Member or any Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the Clearing Member or any Clearing Member unless expressly so agreed by LCH SA in writing.

## 4 Return of Confidential Material

Upon request by LCH SA, and in any event upon fulfilment of the Permitted Purpose, the Clearing Member shall promptly return to LCH SA by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to LCH SA in writing that it has done so provided that the Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

## 5 No Representations or Warranties; No Conflict of Interest

**5.1** Subject to references made in paragraph 6, the Confidential Material is disclosed by LCH SA without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

**5.2** LCH SA acknowledges and agrees that, subject to compliance with the terms of this Annex by the Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Annex, the Clearing Member's participation in the CDS Default Management Process shall not prevent the Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, LCH SA agrees that it shall not be able to assert that the Clearing Member has a conflict of interest in doing so nor shall LCH SA have a claim or action in respect of the foregoing against the Clearing Member or any of its directors, employees or other representatives.

## 6 Remedies

Without affecting any other rights or remedies that LCH SA may have, the Clearing Member acknowledges that LCH SA may be irreparably harmed by any breach of the terms of the CDS Default Management Process and that damages alone may not necessarily be an adequate remedy. Accordingly, LCH SA will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce the CDS Default Management Process.

## General Terms of Participation in the CDS Default Management Group

## 7 Conflict of interest

The Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the CDS Default Management Group, he shall promptly report his view to the Chairman of the CDS Default Management Group, who shall act accordingly, taking the advice of other DMG Members as appropriate.

## 8 Confidentiality

**8.1** Subject to paragraph 8.3 below, the Clearing Member shall procure that the DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any Person who is not a DMG Member (including, for the avoidance of doubt, the Clearing Member who recommended his appointment to the CDS Default Management Group or his employer (if different) or any other employee, adviser, officer or fellow worker of that Clearing Member or his employer) without the prior

written permission of the managing director of LCH SA's risk management department or his properly authorised delegate, providing always that the DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 1.1.1 and 1.1.2.

**8.2** Subject to paragraph 8.3 below, the Clearing Member shall procure that the DMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a DMG Member.

**8.3** The parties acknowledge that, where LCH SA has declared an Event of Default in accordance with Article 4.3.1.2, the DMG Member may be required by a Clearing Member and/or his employer (if different) to provide certain services to LCH SA in the management of the default. In such event, and only in such event, the parties acknowledge that the DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by LCH SA, in such manner and form and in accordance with such procedures as may prescribed by LCH SA and/or the CDS Default Management Group with regard to the management of that default.

**8.4** Upon request by LCH SA, and in any event upon termination of the membership of the DMG Member of the CDS Default Management Group, the Clearing Member shall procure that the DMG Member shall promptly return to LCH SA by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to LCH SA in writing that it has done so, provided that the DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

## 9 Warranty and representation

The Clearing Member represents and warrants that it will procure that:

**9.1** the Clearing Member and the DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of the CDS Default Management Process; and

**9.2** nothing in the CDS Default Management Process will cause the DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Clearing Member or to his employer, if different, or any other contract counterparty of the DMG Member.