

Via CFTC Portal

22nd September 2017

Mrs. Parisa Abadi

Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mrs. Abadi,

Pursuant to CFTC regulation §40.6(a), LCH SA (“**LCH**”), a derivatives clearing organization (“**DCO**”) registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the amendments to the CDS Clearing Rule Book, CDS Clearing Supplement, CDS Dispute Resolution Protocol and Procedures (the “**Rules**”) related to the proposed extension of the CDS clearing service to the clearing of options on index credit default swaps (“**CDS options**”).

The intended date of implementation is October 10th 2017 subject to any relevant regulatory review and/or approval process duly completed and in no event, the new service will be implemented earlier than ten (10) business days after the formal filing with the CFTC.

The submission changes made to the Rules are attached hereto as Appendix except for the CDS Dispute Resolution Protocol, subject to the confidential treatment requested by LCH SA.

Part I: Explanation and Analysis

LCH intends to extend the CDS clearing service to the clearing of credit index options referencing certain European indices. Clearing members will have the possibility to subscribe to this additional service for which both General Members and Select Members may choose to register to clear credit index options for their own account and/or with respect to General Members only, for the account of their clients.

New eligibility requirements regarding credit index options have been added, together with the process for exercising the credit index options.

The default management process has been also adjusted to take into account this additional service and in particular to provide that only clearing members registered for the options clearing service will be required to bid on auction packages containing credit index options.

We have also taken the opportunity to make some amendment to the Rules for consistency purpose.

The launch of the CDS options clearing service will be contingent on LCH SA’s receipt of all necessary regulatory review comments and approvals.

Part II: Description of Rule Changes

The following Rules have been amended:

- (i) CDS Clearing Rule Book with respect to the adding of new definitions related to credit index options, the new options clearing service, the default management process and other minor amendments for consistency purposes;
- (ii) CDS Clearing Supplement with respect to a new Part C governing the terms of an option cleared transaction being added;
- (iii) Procedures:
 - Section 1 with respect to the new options clearing service;
 - Section 2 with respect to references to options being added;
 - Section 3 with respect to references to options being added;
 - Section 4 with respect to new eligibility requirements for options being added;
 - Section 5 with respect to a new report on the options to be exercised being added, the update of the TIW, the compression for options and the price contribution process for options;
- (iv) The proposed changes to the CDS Dispute Resolution Protocol have been communicated to the CFTC via emails with confidential treatment requested.

Two separate self-certifications are submitted concurrently with the CFTC with respect to (i) amendments to LCH SA CDSClear Margin Framework and Default Fund Methodology and to (ii) the new applicable fee grid.

Part III: Core Principle Compliance

LCH will continue to comply with all Core Principles following the introduction of this change and has concluded that its compliance with the Core Principles would not be adversely affected by this change.

Part IV: Public Information

LCH has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH's website at:

<http://www.lch.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

There were no opposing views expressed to LCH by governing board or committee members, members of LCH that were not incorporated into the rule.

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in the Commission regulation §40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at: françois.faure@lch.com.



Francois Faure
Chief Compliance Officer
+33 1 70 37 65 96

APPENDIX

Relevant extracts of:

- 1) CDS Clearing Rule Book
- 2) CDS Clearing Supplement
- 3) Section 1 of the Procedures
- 4) Section 2 of the Procedures
- 5) Section 3 of the Procedures
- 6) Section 4 of the Procedures
- 7) Section 5 of the Procedures
- 8) CDS Dispute Resolution Protocol **(to be filed separately with the CFTC under Confidential Treatment request)**

Relevant extracts

LCH The Markets'
Partner

CDSClear

LCH SA
CDS Clearing Rule Book

~~10 January 2017~~

[●] 2017

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.

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

Article 1.0.1.3

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.

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

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.

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) Fixed Amounts;
- (iv) Variation Margin;
- (v) Initial Payment Amount;
- (vi) Premiums;
- ~~(vi)~~(vii) any fees due to LCH SA;
- ~~(vii)~~(viii) _____ cash amounts due in connection with an MTM Change; or
- ~~(viii)~~(ix) any other cash amounts (other than Cash Collateral).

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.

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

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 Product Family Forms do not form part of the CDS Clearing Documentation.

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 Clearing Member pursuant to TITLE VI.

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

CDS Intraday Transaction: A CDS 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.

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

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.

Delegation: The *délégation de créance imparfaite* mechanism governed by articles 12751336 et seq. of the French Civil Code, as described in Article 5.1.2.2.

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.

Exercise Cleared Transaction: This term shall have the meaning set out in the [CDS Clearing Supplement](#).

Exercise Notice: This term shall have the meaning set out in the [CDS Clearing Supplement](#).

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.

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

- (i) the novation of an FCM 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 FCM Cleared Transactions to a single FCM Cleared Transaction pursuant to TITLE III, Chapter 3;
- (iv) LCH SA entering into hedging transactions with an FCM Clearing Member pursuant to the CDS Default Management Process;
- (v) the transfer of FCM Cleared Transactions or Porting FCM Cleared Transactions in accordance with Section 3.4.1;
- (vi) the Porting of FCM Cleared Transactions in accordance with the CDS Default Management

<p>Process; or</p> <p>LCH SA and a Backup Clearing Member entering into a new contract on equivalent terms to a terminated FCM Cleared Transaction as part of Porting pursuant to the CDS Default Management Process.</p>
<p>House Trade Leg: Any trade leg of a CDS in respect of which a Clearing Member acts as protection buyer or protection seller, <u>or any trade leg of an Index Swaption in respect of which a Clearing Member acts as Index Swaption buyer or Index Swaption seller.</u></p>
<p>Index Publisher: For the iTraxx® Europe Indices and Markit CDX™ Indices, Markit Group Limited or any successor thereto or any replacement then appointed by the Index Sponsor for purposes of officially publishing the relevant index.</p>
<p>Index Swaption: <u>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.</u></p>
<p>Index Swaption Buyer: <u>A Clearing Member that is party to an Index Swaption Cleared Transaction as buyer.</u></p>
<p>Index Swaption Clearing Service: <u>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 to submit Index Swaptions for clearing by LCH SA in accordance with the CDS Clearing Documentation.</u></p>
<p>Index Swaption Cleared Transaction: <u>This term shall have the meaning set out in the CDS Clearing Supplement.</u></p>
<p>Index Swaption Cleared Transaction Confirmation: <u>This term shall have the meaning set out in the CDS Clearing Supplement.</u></p>
<p>Index Swaption Intraday Transaction: <u>An Index Swaption which:</u></p> <ul style="list-style-type: none"> <u>(i) has been entered into between two ATSS Participants; and</u> <u>(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.</u>
<p>Index Swaption Seller: <u>A Clearing Member that is party to an Index Swaption Cleared Transaction as seller.</u></p>

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.

Intraday Transaction: A CDS ~~which:~~

~~(ix) — has been entered into between two ATSS Participants; and~~

~~is submitted for clearing to LCH SA by the relevant ATSS Participants through Intraday Transaction or an Approved Trade Source System in accordance with Section 3.1.4 Index Swaption Intraday Transaction.~~

LCH Settlement Price: This term shall have the meaning given in [Article 4.2.7.1](#).

Non-U.S. CCM: When used in the context of an Original Transaction that is an SBS, a “Non-U.S. CCM” shall mean a CCM that ~~is not a U.S. Person as that term is defined under SEC Regulations.~~engages in securities business activities solely outside the United States, its territories or possessions (except as otherwise permitted under SEC Regulation 15a-6 under the Exchange Act or under any other SEC Regulation without triggering a requirement to be registered as a “broker” or “dealer” under the Exchange Act, as those terms are defined in Section 3 of the Exchange Act). When used in the context of an Original Transaction that is not an SBS, a “Non-U.S. CCM” shall mean a CCM that ~~is not a U.S. Person as that term is defined under CFTC Regulations.~~organized under the laws of, or has its main center of business located in, a jurisdiction other than the United States, its territories or possessions.

Non-U.S. CCM Client: When used in the context of an Original Transaction ~~that is an SBS,~~ a “Non-U.S. CCM Client” shall mean a CCM Client that is organized under the laws of, or has its main center of business located in, a jurisdiction other than the United States, its territories or possessions. ~~not a U.S. Person as that term is defined under SEC Regulations.~~ When used in the context of an Original Transaction that is not an SBS, a “Non-U.S. CCM Client” shall mean a CCM Client that ~~is not a U.S. Person as that term is defined under CFTC Regulations.~~

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, 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; and
- (iv) Cash Payment to satisfy its Variation Margin Requirement.

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

Product Family: Each category of CDS or Index Swaption in respect of which LCH SA provides CDS Clearing Services and that may be selected by a Select Member in its Product Family Form.

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

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.

U.S. CCM: A CCM that is not a Non-U.S. CCM.~~When used in the context of an Original Transaction that~~

~~is an SBS, a "U.S. CCM" shall mean a CCM that is a U.S. Person as that term is defined under SEC Regulations. When used in the context of an Original Transaction that is not an SBS, a "U.S. CCM" shall mean a CCM that is a U.S. Person as that term is defined under CFTC Regulations.~~

~~**U.S. CCM Client:** When used in the context of an Original Transaction that is an SBS, a "U.S. CCM Client" shall mean a CCM Client that is not a Non-U.S. CCM Client is a U.S. Person as that term is defined under SEC Regulations. When used in the context of an Original Transaction that is not an SBS, a "U.S. CCM Client" shall mean a CCM Client that is a U.S. Person as that term is defined under CFTC Regulations.~~

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 1.1.3.8

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 ~~or, [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 ~~or, [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 "~~CDS~~[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 1.2.2.6

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 1.2.2.11

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 1.2.9.2

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

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 1.2.14.2

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 2.2.0.4

Each Select Member shall indicate in its Product Family Form the Product Families that such Select Member intends to clear through LCH SA.

The Product Family Form of a Select Member may be updated in accordance with Article 3.1.6.8 ~~and~~, Section 5 of the Procedures and Clause 6.1 of the CDS Default Management Process.

A Select Member is entitled to add or remove any Product Family indicated in its Product Family Form in accordance with this Article 2.2.0.4, Article 3.1.6.8 and Section 5 of the Procedures provided that a Select Member may request the removal of a Product Family only if all of its Cleared Transactions registered in its House Account Structure belong to the outstanding Product Families indicated in its updated Product Family Form.

Article 2.2.0.6

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

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

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 be admitted as a General Member, have a CDS Client Clearing Agreement, meeting the requirements Article 5.1.1.2 (i) (in the case of a CCM) or Article 6.1.1.2 (in the case of an FCM Clearing Member), in place with each of its Clients;
- (v) in respect of any Applicant wishing to be admitted as a General Member, 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) 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 and its Cash Payment 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, 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 the provision of Cash Collateral; 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(12) 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) in respect of any Applicant that is an FCM, be registered with the CFTC as an FCM and a member in good standing with NFA; and
 - (xxv) in respect of any Applicant that is an FCM 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 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 ~~or~~, 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 ~~or~~, 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 Index Swaption Intraday Transactions, 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); or (y) 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); or (y) 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;

and

(iv) each such Original Transaction which is an Index Swaption Intraday Transaction 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); or (y) 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); or (y) 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

~~(iv)~~(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 3.1.6.4

LCH SA will be entitled to assume and will assume that no Credit Event Notice ~~or~~, 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 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) ~~or~~, 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 3.1.6.8

In respect of a Select Member, if LCH SA registers a Cleared Transaction, the category of which does not belong to any of the Product Families indicated in the Product Family Form of that Select Member, the Select Member shall be bound by the terms of such Cleared Transaction and LCH SA shall notify that Select Member of such Cleared Transaction by 20.00 CET at the latest on that Clearing Day. If this notification is given:

- (i) on or before 20.00 CET on a Clearing Day: such notification will be deemed to have been received on the Clearing Day on which such notification is given; or
- (ii) after 20.00 CET on a Clearing Day such notification will be deemed to have been received on the following Clearing Day.

As from the deemed date of receipt of the notification, as determined in accordance with (i) or (ii) of this Article 3.1.6.8, that Select Member will have until the End of Real Time on the Clearing Day following the deemed date of receipt of that notification to:

- (x) either send an updated Product Family Form including the relevant new Product Family(ies) to LCH SA in the manner set out in Section 5 of the Procedures; or
- (y) reverse that Cleared Transaction in accordance with Section 5 of the Procedures.

Where the Select Member does not take one of the two measures listed above before the End of Real Time on the relevant Clearing Day, the Select Member's Product Family Form will be automatically updated by adding the relevant new Product Family(ies) and this update shall be deemed to have occurred at the End of Real Time on that Clearing Day.

Article 3.1.10.7

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 ~~Restructuring Matched Pairs or Settlement~~ Matched Pairs (where applicable)

and subject to Sections 5 and 6 of Part A ~~or~~, Part B or Part C, as applicable, of the CDS Clearing Supplement, as applicable); and

- (ii) the transfer of Cleared Transactions.

Article 3.2.2.3

LCH SA shall calculate a Clearing Member's Open Positions registered in its House Margin Account by netting the Cleared Transactions which are allocated to the House Margin Account and which are of the same CDS Type or Swaption Type, 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) ~~As set out in Section 5 of the Procedures~~ 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) ~~As set out in Section 5 of the Procedures~~ 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 does elect for the compression of some or all of its Cleared Transactions in accordance with this Section 3.3.1 and Section 5 of the Procedures, such compression shall 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 3.3.1.7

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.

Section 4.2.7 Markit LCH Settlement Price and 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. The price/spread actually used by LCH SA to calculate the settlement prices for

- (i) Index Cleared Transactions and Single Name Cleared Transactions on either an end of day or intra-day basis shall be referred to as the "**Markit LCH Settlement Price**"; and
- (ii) Index Swaption Cleared Transactions on either an end of day or intra-day basis shall be referred to as the "LCH Settlement Price".

Article 4.2.7.2

Each Clearing Member is hereby authorised:

- (i) to use the Markit LCH Settlement Prices and the LCH Settlement Prices internally and solely in connection with its clearing functions;
- (ii) in respect of a General Member: to provide Markit LCH Settlement Prices and the LCH Settlement Prices to those Clients with Open Positions registered in its corresponding Client Margin Accounts; provided that: (a) such distribution is at no cost; (b) the Markit LCH Settlement Prices and the LCH Settlement Prices are provided for use by such Clients internally and solely in connection with their clearing functions, (c) any permitted onward distribution to the Client's affiliates and clients is equivalently restricted, and (d) the Markit LCH Settlement Prices and the 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', Margin 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 ~~its~~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 ~~and the 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 and the 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 and the LCH Settlement Prices nor shall the Index Publisher, LCH SA or any of its data providers have any liability, duty or obligation for or relating to the Markit LCH Settlement Prices and the 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 its 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: and of the 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 in respect of the Markit LCH Settlement Prices only.

Article 4.2.7.7

In connection with the establishment and validation of an End of Day Contributed Price, each Price Contribution Participant shall, in accordance with process set out in Section 5 of the Procedures relating to End of Day Contributed Prices, enter into a CDS and/or an Index Swaption with another Price Contribution Participant following notification from LCH SA that they are required to do so and the terms on which such CDS and/or an Index Swaption should be executed. By the End of Day on the Price Contribution Day following receipt of such notification from LCH SA, the Price Contribution Participant shall evidence that such CDS and/or an Index Swaption has been entered into, as described 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 2.2.0.5 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 2.2.0.5 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.

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;

[...]

- (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 1275-1336 *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;

[...]

(xvii) to the extent the Markit LCH Settlement Prices [and/or the LCH Settlement Prices](#) are provided to the CCM Client, the Client shall:

(a) use such Markit LCH Settlement Prices [and/or the LCH Settlement Prices](#) internally and solely in connection with its clearing functions; and

(b) only be permitted to provide the Markit LCH Settlement Prices [and/or the 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 [and/or the 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 [and/or the 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 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;

[...]

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 [1275-1336](#) *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.

Article 6.1.1.3

Each FCM Client (and, if permitted pursuant to Article 6.1.1.1, an Affiliate), by participating in Original Transactions and entering FCM Cleared Transactions through its FCM Clearing Member, shall be deemed to understand, acknowledge and agree that:

[...]

(xii) to the extent the Markit LCH Settlement Prices [and/or the LCH Settlement Prices](#) are provided to the FCM Client, the FCM Client shall:

(a) use such Markit LCH Settlement Prices [and/or the LCH Settlement Prices](#) internally and solely in connection with its clearing functions; and

(b) only be permitted to provide the Markit LCH Settlement Prices [and/or the 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 [and/or the 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 [and/or the LCH Settlement Prices](#) are identifiable as such.

For the avoidance of doubt, "clearing functions" shall mean the validation of the FCM Client's Margin Requirement (or any margin requirement applicable to the FCM Client's affiliate or client) and the calculation and valuation of the FCM Client's Open Positions (or the net open positions of the Client's affiliate or client) for the purposes of its own internal books and records;

[...]

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 Clearing Member and its FCM 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 Cleared Transaction(s) carried by an FCM Clearing Member for the account of an FCM Client and, at the time of such liquidation date, the relevant FCM Clearing Member is not a Defaulting Clearing Member, the relevant FCM Clearing Member may instruct LCH SA to transfer the relevant Client Cleared Transactions from the relevant FCM Client Trade Account to its FCM House Trade Account, in accordance with this TITLE VI, Chapter 4 and the Procedures.

Appendix 1 – CDS Default Management Process

"**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;

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

"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) Index Swaption Cleared Transactions together with the relevant off-setting Index Cleared Transactions;

~~(ii)(iii)~~ residual Index Cleared Transactions; ~~and~~

~~(iii)(iv)~~ residual Single Name Cleared Transactions; and

~~(iv)(v)~~ residual Index Swaption Cleared Transactions;

4.2.5 ascertain whether:

(i) if the Defaulting Clearing Member is a CCM:

(a) each CCM Individual Segregated Account Client of the Defaulting Clearing Member has appointed a Backup Clearing Member;

(b) each of the CCM Net Omnibus Segregated Account Clients attributable to a single CCM Net Omnibus Segregated Account Structure of the Defaulting Clearing Member has appointed a single Backup Clearing Member;

(c) with respect to each CCM Gross Omnibus Segregated Account Structure of the Defaulting Clearing Member, each of the CCM Gross Omnibus Segregated Account Clients attributable to a single CCM Gross Omnibus Sub-Account Structure has appointed a single Backup Clearing Member; and

(ii) if the Defaulting Clearing Member is an FCM Clearing Member, each of the FCM Clients of the Defaulting Clearing Member has appointed a Backup Clearing Member;

within the compulsory timeframe as set out in Clause 4.3.1 or Clause 4.3.2 below as the case may be;

5.4.1 Participation in Competitive Bidding

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

(i) an Auction Package comprises Single Name Cleared Transactions whose Reference Entity is the Auction Participant, in which case that Auction Participant is not required

to participate in Competitive Bidding for that Auction Package;

(ii) an Auction Participant is a Select Member, in which case such Auction Participant is not required to participate in Competitive Bidding for an Auction Package containing any Cleared Transaction that does not belong to any Product Family as set out in that Select Member's Product Family Form in force on the Business Day immediately preceding the CDS Post-Default Period; ~~and~~

(iii) an Auction Participant is not registered for the Index Swaption Clearing Service in accordance with Section 1 of the Procedures, in which case such Auction Participant is not required to participate in Competitive Bidding for an Auction Package containing any Index Swaption Cleared Transaction; and

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

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

5.6.3 Non Bidders

Where Non Bidders are identified:

(i) LCH SA shall adjust the procedure for calculating the Initial Allocation Price, the Initial Transfer Payable and the Initial Transfer Receivable for Auction Participants by conducting the process set out in Clause 5.6.1(ii)(a) but on the basis that $n\%$ of the Auction Package shall be allocated, where " n " is equal to 100 minus the aggregate of each Non Bidder's Auction Non Bidder Bid Size provided that where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is equal to or greater than 100, " n " is equal to 0;

(ii) each Non Bidder shall be deemed to have submitted a single Bid with a Bid Size equal to their Auction Non Bidder Bid Size and a Bid Price equal to the Initial Allocation Price minus EUR 0.01 (where it is due an Initial Transfer Receivable in respect of the Auction Package) or plus EUR 0.01 (where it is required to make an Initial Transfer Payable in respect of the Auction Package)(the "**Non Bidder Allocation Price**") provided that:

(a) where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is equal to or greater than 100, the Non Bidder Allocation Price shall be equal to the best Bid Price received for that Auction Package minus EUR 0.01 (where it is due an Initial Transfer Receivable in respect of the Auction Package) or plus EUR 0.01 (where it is required to make an Initial Transfer Payable in respect of the Auction Package); and

(b) where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is greater than 100, the Auction Package shall be deemed allocated *pro rata* the relevant Auction Non Bidder Bid Size of each Non Bidder; and

(iii) the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder shall then be determined as the product of the relevant Non Bidder's Auction Non Bidder Bid Size and the Non Bidder Allocation Price.

For the avoidance of doubt, an Auction Participant 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.

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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.

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

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

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

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) 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;
- (ii) other objective and observable market prices for the relevant valuation day; and
- (iii) the mean settlement price for the relevant valuation day, calculated on the basis of a broad-based survey of market participants active in trading CDS and/or Index Swaptions, as applicable.

11.2.2 Appointment of Clearing Member representatives

Each Clearing Member is required to notify LCH SA of at least two representatives that can be called upon to participate, on behalf of that Clearing Member, as a member of the CDS Default Management Group in accordance with a rotational plan maintained by the CDS Default Management Committee in accordance with Clause 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 CV 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.

Relevant extracts

LCH The Markets'
Partner

CDSClear

LCH SA
CDS Clearing Supplement

~~18 April~~^[●] 2017~~6~~

This document is for use with the clearing of index linked credit derivative transactions, ~~and~~ single name credit derivative transactions and swaption transactions in respect of index linked credit derivative transactions. The CDS Clearing Supplement is split into ~~two~~three parts, Part A, ~~and~~ Part B and Part C.

Part A of the CDS Clearing Supplement shall only be used in connection with any single name credit derivative transactions or components of index linked credit derivative transactions that incorporate the 2003 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc.

Part B of the CDS Clearing Supplement shall only be used in connection with any single name credit derivative transactions or components of index linked credit derivative transactions that incorporate the 2014 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc.

Part C of the CDS Clearing Supplement shall only be used in connection with any swaption transactions, which give to a buyer the right to enter into an index linked credit derivative transaction with a seller, that incorporate the 2006 ISDA Definitions and the 2014 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc.

[...]

[...]

PART C
CDS CLEARING SUPPLEMENT
FOR CREDIT INDEX SWAPTIONS

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1. GENERAL PROVISIONS

1.1 Incorporation of Defined Terms

Capitalised terms used in this CDS Clearing Supplement and not otherwise defined herein shall have the meaning given pursuant to the Index Swaption Cleared Transaction Confirmation, the 2014 ISDA Credit Derivatives Definitions, the 2006 Definitions or the CDS Clearing Rule Book, as applicable. In the case of any such terms defined in the CDS Clearing Rule Book, such terms shall be interpreted in accordance with the governing law specified therefor in the CDS Clearing Rule Book.

1.2 Terms defined in the CDS Clearing Supplement

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

2006 Definitions: The 2006 ISDA Definitions published by ISDA.

2014 ISDA Credit Derivatives Definitions: The 2014 ISDA Credit Derivatives Definitions published by ISDA.

Abandonment Notice: The notice of abandonment given by Swaption Buyer to Swaption Seller in accordance with Section 6.4 (*Abandonment of Exercise Cleared Transactions*).

CCM Client Cleared Transaction: A Cleared Transaction between a CCM and LCH SA registered in a CCM Client Trade Account of a CCM.

CCM Client Transaction: A Transaction between a CCM and a CCM Client which is on the same economic terms as its corresponding CCM Client Cleared Transaction.

CCM Client Transaction Documents: The documentation entered into by a CCM and its CCM Client to document a CCM Client Transaction.

CDS Buyer: The Fixed Rate Payer under the relevant Underlying Index Transaction.

CDSClear Preferred Reference Obligation: This term shall have the meaning set out in Section 4 of the Procedures.

CDSClear Product Committee: A committee composed of representatives of LCH SA and representatives of Clearing Members for the purposes of carrying-out the tasks apportioned to it by the CDS Clearing Documentation as further described in the terms of reference for such committee, agreed in consultation with the Clearing Members and as may be amended from time to time in consultation with the Clearing Members.

CDS Clearing Rule Book: The document entitled "CDS Clearing Rule Book" published by LCH SA, as amended from time to time.

CDS Seller: The Floating Rate Payer under the relevant Underlying Index Transaction.

CEN Triggering Period: In relation to any M(M)R Restructuring Credit Event, the period during which the parties to the Swaption Restructuring Cleared Transaction of a Swaption

Restructuring Matched Pair may deliver a Credit Event Notice in relation to the relevant M(M)R Restructuring Credit Event, such period starting at 9:00 a.m. on and including the earlier to occur of:

(a) the Relevant City Business Day following publication of the related Final List; and

(b) the fifth calendar day following the No Auction Announcement Date,

and ending on and including the Exercise Cut-off Date applicable to CDS Buyer or CDS Seller (as applicable).

Clearing Member Notice As set out at Section 8.4 (*Clearing Member Notices*).

Clearing Member Notice Deadline: As set out in Section 8.4 (*Clearing Member Notices*).

Compression Cut-off Date: The last date on which a Clearing Member may submit a request for an Index Swaption Cleared Transaction to be compressed pursuant to the ad hoc compression methodology and on which a daily automatic compression cycle will be run by LCH SA, in each case in accordance with Chapter 3 (*Compression*) of Title III (*Clearing Operations*) of the CDS Clearing Rule Book and Section 5 of the Procedures, being:

(a) the date falling one Transaction Business Day prior to the Novation Cut-off Date in respect of the relevant Eligible Underlying Index Transaction Version; or

(b) following the occurrence of DC Credit Event Announcement of an M(M)R Restructuring Credit Event (and prior to the creation of Swaption Restructuring Matched Pairs pursuant to Section 5.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*)), the earlier of (A) the date of publication of the relevant Initial List (as defined in the DC Rules), (B) the date falling two Transaction Business Days prior to the relevant date on which the related SRMP Notification Deadline falls and (C) such other date falling between the dates in (A) and (B), as determined by LCH SA in consultation with the CDSClear Product Committee and notified to the relevant Clearing Members prior to such date.

For the avoidance of doubt, where a Clearing Member has specified automatic compression on a weekly basis then the last such weekly automatic compression cycle performed by LCH SA will be performed on the Clearing Day falling on the Thursday on or before the relevant Compression Cut-off Date.

DC Restructuring Announcement Date: The date on which the DC Credit Event Announcement of an M(M)R Restructuring Credit Event is made, *provided that* where such DC Credit Event Announcement is made after 6.30 p.m. on a Transaction Business Day or on a day which is not a Transaction Business Day, the DC Restructuring Announcement Date will be the first following Transaction Business Day.

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

DTCC Rules: The "Operating Procedures", as published by DTCC and as amended from time to time.

Eligible Underlying Index Transaction Version: This term shall have the meaning set out in Section 4 of the Procedures.

EMP Creation Period: The period from (and including) the final Transaction Business Day of the calendar week immediately preceding the week in which the Expiration Date falls to (but excluding) the Transaction Business Day immediately preceding the Expiration Date.

EMP Notification Deadline: In respect of a notification by LCH SA to the relevant Clearing Members in relation to Exercise Matched Pairs, 10.00 p.m. on the Transaction Business Day immediately prior to the relevant Expiration Date.

Exercise: The delivery of a valid Exercise Notice by Swaption Buyer to Swaption Seller in respect of the Exercise Cleared Transactions of an Exercise Matched Pair.

Exercise Cleared Transaction: Each Index Swaption Cleared Transaction (including each Swaption Restructuring Cleared Transaction, as applicable) forming part of an Exercise Matched Pair pursuant to Clause 6.2 (*Creation of Exercise Cleared Transactions*).

Exercise Matched Pair: A pairing comprised of a Matched Buyer and a Matched Seller in respect of Exercise Cleared Transactions created by LCH SA under Section 6.1 (*Creation and Notification of Exercise Matched Pairs*) for the purposes of the exercise (or non-exercise) by Swaption Buyer of the relevant Exercise Cleared Transactions.

Exercise Matched Pair Amount: In respect of an Exercise Matched Pair, the amount of the Swaption Notional Amount(s) of the relevant Index Swaption Cleared Transactions (or Swaption Restructuring Cleared Transactions) from which the Exercise Matched Pair (and the Exercise Cleared Transactions of such Exercise Matched Pair) are created which is allocated by LCH SA to such Exercise Matched Pair under Section 6.1 (*Creation and Notification of Exercise Matched Pairs*).

Exercise Notice: The notice of exercise (in whole or in part) given by Swaption Buyer to Swaption Seller in accordance with Section 13.2 (*Procedure for Exercise*) of the 2006 Definitions.

Exercise Percentage: The amount (expressed as a percentage) of the Swaption Notional Amount of an Exercise Cleared Transaction that is exercised on the Expiration Date of an Exercise Cleared Transaction.

First Novation Date: In respect of:

- (a) an Original Transaction of a Swaption Type for which a Novation Cut-off Date has previously occurred as a result of a DC Credit Event Announcement of an M(M)R Restructuring Credit Event in respect of a Reference Entity referenced by the relevant Underlying Index Transaction for such Swaption Type, the Transaction Business Day following the latest possible Exercise Cut-off Date for the relevant M(M)R Restructuring Credit Event or such other date on which LCH SA determines in consultation with the CDSClear Product Committee that LCH SA will begin to again accept Original Transactions in respect of which the Underlying Index Transaction

references the relevant Eligible Underlying Index Transaction Version for clearing pursuant to the CDS Clearing Documentation; and

(b) an Original Transaction (other than in the circumstances set-out in (a) above), the first date on which LCH SA will accept Original Transactions in respect of which the Underlying Index Transaction references the relevant Eligible Underlying Index Transaction Version for clearing pursuant to the CDS Clearing Documentation.

First Restructuring: As set out at Section 5.1 (Creation and Notification of Swaption Restructuring Matched Pairs).

Index Cleared Transaction: As set out in Part B of the CDS Clearing Supplement.

Index Cleared Transaction Confirmation: As set out in Part B of the CDS Clearing Supplement.

Index Swaption Cleared Transaction: A Cleared Transaction, the terms of which are as evidenced by an Index Swaption Cleared Transaction Confirmation, which gives Swaption Buyer the right to enter into a specified Underlying Index Transaction with Swaption Seller.

Index Swaption Cleared Transaction Confirmation: For any Index Swaption Cleared Transaction in respect of which the Underlying Index Transaction references a Series of the Markit iTraxx® Europe Index, the form of confirmation which incorporates the iTraxx® Swaption Standard Terms Supplement, as completed by reference to the relevant Transaction Data (or, in each case, such other form of confirmation as may be adopted in respect of any CDS Type in accordance with Section 1.2.2 (Modification) of the CDS Clearing Rule Book).

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

iTraxx® Swaption Standard Terms Supplement: The iTraxx® Europe Untranchet Transactions Swaption Standard Terms Supplement as published on 20 March 2017 by Markit Indices Limited and as amended by this CDS Clearing Supplement.

Mandatory Provisions: As set-out in Appendix VI (CCM Client Transaction Requirements).

Matched Buyer: A Swaption Buyer comprised in a Swaption Restructuring Matched Pair or an Exercise Matched Pair (as applicable).

Matched Buyer Contract: A Swaption Restructuring Cleared Transaction or an Exercise Cleared Transaction (as applicable) between a Matched Buyer and LCH SA which is the subject of a Matched Pair having the Swaption Restructuring Matched Pair Amount or the Exercise Matched Pair Amount, as the case may be, relating to that Matched Pair.

Matched Contract: A Matched Seller Contract or a Matched Buyer Contract, as applicable.

Matched Pair: An Exercise Matched Pair or a Swaption Restructuring Matched Pair (as applicable).

Matched Pair Amount: An Exercise Matched Pair Amount or a Swaption Restructuring Matched Pair Amount (as applicable).

Matched Seller: A Swaption Seller comprised in a Swaption Restructuring Matched Pair or an Exercise Matched Pair (as applicable).

Matched Seller Contract: A Swaption Restructuring Cleared Transaction or an Exercise Cleared Transaction between a Matched Seller and LCH SA which is the subject of a Matched Pair having the Swaption Restructuring Matched Pair Amount or the Exercise Matched Pair Amount, as the case may be, relating to that Matched Pair.

NEMO Triggering Period: The period starting at 9:00 a.m. on the date that is the Movement Option Cut-off Date for the relevant M(M)R Restructuring Credit Event and ending at the last time for delivery of a valid Notice to Exercise Movement Option under the terms of the 2014 ISDA Credit Derivatives Definitions.

Notification Deadline: In respect of an Exercise Matched Pair, the EMP Notification Deadline and in respect of a Swaption Restructuring Matched Pair, the SRMP Notification Deadline.

Novation Cut-off Date: The date with effect from which LCH SA will no longer accept for novation Original Transactions in respect of which the Underlying Index Transaction references a particular Eligible Underlying Index Transaction Version, being:

- (a) following the occurrence of a DC Credit Event Announcement in respect of an M(M)R Restructuring Credit Event for a Reference Entity referenced by such Eligible Underlying Index Transaction Version, the earlier of:
 - (i) a date determined by LCH SA in consultation with the CDSClear Product Committee, which shall not be earlier than the DC Restructuring Announcement Date; and
 - (ii) the calendar day immediately following the No Auction Announcement Date;
- (b) following the occurrence of a DC Credit Event Announcement in respect of a Credit Event (other than an M(M)R Restructuring Credit Event) for a Reference Entity referenced by such Eligible Underlying Index Transaction Version, the calendar day following the DC Announcement Coverage Cut-off Date;
- (c) the date falling 1 (one) Transaction Business Day prior to the Expiration Date for the Original Transaction; or
- (d) otherwise, as determined by LCH SA in consultation with the CDSClear Product Committee.

SRMP Notification Deadline: In respect of a notification by LCH SA to the relevant Clearing Members in relation to Swaption Restructuring Matched Pairs, 10.00 a.m. on the Relevant City Business Day immediately prior to the first day of the CEN Triggering Period provided that the SRMP Notification Deadline shall in no event fall prior to the second Relevant City Business Day following the occurrence of the related DC Credit Event Announcement.

SRMP Triggerable Amount: An amount equal to the Swaption Notional Amount of the Swaption Restructuring Cleared Transactions of a Swaption Restructuring Matched Pair *multiplied by the 'Reference Entity Weighting'* (under the Underlying Index Transaction referenced by such Swaption Restructuring Cleared Transaction) of the Reference Entity in respect of which an M(M)R Restructuring Credit Event has occurred.

Subsequent Restructuring: As set out at Section 5.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*).

Succession Event: An entity (or entities) constitute a successor or successors in respect of a Reference Entity as determined pursuant to Section 2.2 (*Provisions for Determining a Successor*) of the 2014 ISDA Credit Derivatives Definitions.

Successor Resolution: This term shall have the meaning set out in the DC Rules.

Swaption Restructuring Cleared Transaction: Each Index Swaption Cleared Transaction forming part of a Swaption Restructuring Matched Pair pursuant to Section 5.2 (*Creation of Swaption Restructuring Cleared Transactions*).

Swaption Restructuring Matched Pair: A pairing comprised of a Matched Buyer and a Matched Seller in respect of Swaption Restructuring Cleared Transactions created by LCH SA under Section 5.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*) or Section 5.4 (*Partial triggering of a Swaption Restructuring Cleared Transaction*) for the purposes of the delivery of Credit Event Notices and Notices to Exercise Movement Option as applicable.

Swaption Restructuring Matched Pair Amount: In respect of a Swaption Restructuring Matched Pair, the amount of the Swaption Notional Amount(s) of the relevant Index Swaption Cleared Transactions from which the Swaption Restructuring Matched Pair (and the Swaption Restructuring Cleared Transactions of such Swaption Restructuring Matched Pair) are created which is allocated by LCH SA to such Swaption Restructuring Matched Pair under Section 5.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*) or Section 5.4 (*Partial triggering of a Swaption Restructuring Cleared Transaction*).

Swaption Type: A class of Index Swaption Cleared Transactions that are identical as to their terms (including, without limitation, as to the terms of the Underlying Index Transaction to which such Index Swaption Cleared Transactions relate), except that they may differ as to:

- (a) the Swaption Trade Date;
- (b) the Swaption Notional Amount;
- (c) the Premium;
- (d) the Premium Payment Date; and
- (e) the identity of the relevant Swaption Buyer and Swaption Seller.

Transaction Business Day: A day determined as follows:

(a) in respect of any date to be determined or time period to be determined which is referenced in the 2006 Definitions:

(i) a day that would be a 'Business Day' (where this would be the applicable term under the 2006 Definitions for the purpose of the determination of such date or time period); or

(ii) a day that would be an 'Exercise Business Day' (where this would be the applicable term under the 2006 Definitions for the purpose of the determination of such date or time period),

pursuant to the business day elections made in the Index Swaption Cleared Transaction Confirmation; or

(b) in respect of any date to be determined or time period to be determined which is referenced in the 2014 ISDA Credit Derivatives Definitions:

(i) a day that would be a 'Business Day' (where this would be the applicable term under the 2014 ISDA Credit Derivatives Definitions for the purpose of the determination of such date or time period); or

(ii) a day that would be a 'Calculation Agent City Business Day', 'Grace Period Business Day or 'Relevant City Business Day', as applicable (where this would be the applicable term under the 2014 ISDA Credit Derivatives Definitions for the purpose of the determination of such date or time period); or

(c) for any other purpose, a day that would be a 'Business Day' as defined in the CDS Clearing Rule Book.

Transaction Data: In respect of an Original Transaction to be novated pursuant to Title III (*Clearing Operations*) of the CDS Clearing Rule Book and cleared by LCH SA as an Index Swaption Cleared Transaction, the data provided by an Approved Trade Source System to LCH SA for such purposes, which includes, without limitation:

(a) in respect of the Index Swaption Cleared Transaction:

(i) the Swaption Trade Date;

(ii) the Swaption Seller;

(iii) the Swaption Buyer;

(iv) the Quoting Style (if applicable);

(v) the Premium;

(vi) the Strike Price; and

(vii) the Expiration Date; and

(b) in respect of the Underlying Index Transaction to which such Index Swaption Cleared Transaction relates:

(i) the relevant index, including details of the index name, series and version, the annex date;

(ii) the Original Notional Amount and the currency of the Original Notional Amount;

(iii) the Scheduled Termination Date;

(iv) the Floating Rate Payer;

(v) the Fixed Rate Payer; and

(vi) the Fixed Rate Payer Payment Dates.

Triggered Amount: This term shall have the meaning given to the term "Exercise Amount" in the 2014 ISDA Credit Derivatives Definitions.

Underlying Index Transaction: means the credit default swap transaction which Swaption Buyer has the right to enter into with Swaption Seller, the terms of which are specified in the Index Swaption Cleared Transaction Confirmation and which references a portfolio of Reference Entities specified in a credit default swap index.

1.3 Inconsistency

To the extent of any conflict between:

(a) any definition or provision contained in Appendix 1 (CDS Default Management Process) of the CDS Clearing Rule Book;

(a) the remaining sections of the CDS Clearing Rule Book;

(b) the CDS Admission Agreement;

(c) this CDS Clearing Supplement;

(d) an Index Swaption Cleared Transaction Confirmation;

(e) the Procedures; or

(f) any Clearing Notices,

the first referenced document shall prevail except in relation to determining the existence and amount of any payment and delivery obligations under any Cleared Transactions, in respect of which this CDS Clearing Supplement or the Index Swaption Cleared Transaction Confirmation, as applicable, shall prevail to the extent permitted by law.

1.4 Timing

Pursuant to Article 1.2.8 (*Time reference*) of the CDS Clearing Rule Book, any reference to a time of day herein shall be deemed to be a reference to Central European Time unless otherwise provided herein.

1.5 Third Party Rights

Unless otherwise provided in this CDS Clearing Supplement or in the CDS Clearing Rulebook, a person who is not a party to a Cleared Transaction does not have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any provision of such Cleared Transaction or this CDS Clearing Supplement as it relates to such Cleared Transaction.

1.6 Recording of Conversations

Each of LCH SA and each Clearing Member consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with any Cleared Transaction and agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and agrees, to the extent permitted by applicable law, that such recordings may be submitted as evidence in any related court or arbitral proceedings.

1.7 Application to FCM Clearing Members

- (a) Upon the taking of any action pursuant to this CDS Clearing Supplement by an FCM Clearing Member in respect of an FCM Cleared Transaction entered into as agent for the account of an FCM Client (as described in FCM CDS Clearing Regulation 1(c)), such FCM Clearing Member shall be deemed to represent to LCH SA that it has the power and authority to, and has been duly authorised to, take such action for the account of such FCM Client.
- (b) For purposes of this CDS Clearing Supplement, with regard to any Cleared Transaction entered into by an FCM Clearing Member acting as agent for the account of an FCM Client (as described in FCM CDS Clearing Regulation 1(c)):
 - (i) references herein to "Swaption Buyer", "Swaption Seller", "CDS Buyer" or "CDS Seller", as the case may be, shall be understood to be references to such FCM Client (which shall not, for the avoidance of doubt, prejudice LCH SA's right to deal solely with the FCM Clearing Member pursuant to Article 6.1.1.3(vi) of the CDS Clearing Rule Book); and
 - (ii) references herein to: (1) a Clearing Member entering into a Cleared Transaction with LCH SA; and (2) a Clearing Member forming part of a Matched Pair, shall each be understood as such FCM Clearing Member acting as agent for the account of such FCM Client (as described in FCM CDS Clearing Regulation 1(c)).

2. TERMS OF CLEARED TRANSACTIONS

2.1 General Terms of Cleared Transactions

(a) Terms of Index Swaption Cleared Transactions, Swaption Restructuring Cleared Transactions and Exercise Cleared Transactions

Upon novation of an Original Transaction which is an Index Swaption at the Novation Time in accordance with Title III (Clearing Operations) of the CDS Clearing Rule Book or the creation of a Swaption Restructuring Cleared Transaction in accordance with Section 5.2 (Creation of Swaption Restructuring Cleared Transactions) or an Exercise Cleared Transaction in accordance with Section 6.2 (Creation of Exercise Cleared Transactions), each resulting Index Swaption Cleared Transaction and each such Swaption Restructuring Cleared Transaction and Exercise Cleared Transaction is entered into by LCH SA and the relevant Clearing Member on the terms of the related Index Swaption Cleared Transaction Confirmation.

(b) Swaption Trade Date of Index Swaption Cleared Transactions following Compression

Notwithstanding paragraph (a) above and subject to paragraph (c) below, where Index Swaption Cleared Transactions are subject to compression in accordance with Chapter 3 (Compression) of Title III (Clearing Operations) of the CDS Clearing Rule Book, the Swaption Trade Date of any resulting Index Swaption Cleared Transaction(s) shall be, in respect of any Index Swaption Cleared Transaction subject to:

(i) ad hoc compression (as described in Chapter 3 (Compression) of Title III (Clearing Operations) of the CDS Clearing Rule Book), the date on which the request for compression was effectively received and processed in accordance with Section 5 of the Procedures, which shall be:

(A) the Clearing Day on which such request is submitted and uploaded by the relevant Clearing Member provided that such request for compression was received by LCH SA before 7.00 p.m. on such Clearing Day (if such request is submitted and uploaded by the relevant Clearing Member via any means of access specified in a Clearing Notice) or 5.00 p.m. (if such request is not submitted via any means of access specified in a Clearing Notice in the case of a disruption of the relevant means of access);

(B) the Clearing Day on which such request is submitted if such request is not submitted via any means of access specified in a Clearing Notice in the case of disruption of the relevant means of access and is submitted after 5.00 p.m. but LCH SA, in its sole discretion, processes such request on the Clearing Day on which such request is submitted; and

(C) unless the relevant Clearing Member instructs the Operations Department to withdraw such request, the Clearing Day following the

Clearing Day on which such request is submitted if such request is not submitted via any means of access specified in a Clearing Notice in the case of disruption of the relevant means of access and is submitted after 5.00 p.m. and LCH SA, in its sole discretion, does not process such request on the Clearing Day on which such request is submitted; or

(ii) automatic compression (as described in Chapter 3 (*Compression*) of Title III (*Clearing Operations*) of the CDS Clearing Rule Book), the Clearing Day on which such Index Swaption Cleared Transaction is automatically compressed by LCH SA in accordance with Section 5 of the Procedures.

(c) Resetting of Swaption Trade Date following Compression

If LCH SA determines that the Swaption Trade Date for a Cleared Transaction following compression would be after a DC Announcement Coverage Cut-off Date whereas the Swaption Trade Date for the Cleared Transactions from which it was created would have been prior to such DC Announcement Coverage Cut-off Date had the Cleared Transaction not been compressed, LCH SA shall take such action as it deems necessary to ensure that such DC Credit Event Announcement is applicable to such Cleared Transaction, including, without limitation, specifying an earlier Swaption Trade Date for such Cleared Transaction.

(d) Compression Cut-off Date

An Index Swaption Cleared Transaction (or a Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction created from such an Index Swaption Cleared Transaction) may not be subject to compression (in accordance with Chapter 3 (*Compression*) of Title III (*Clearing Operations*) of the CDS Clearing Rule Book and Section 5 of the Procedures) after the Compression Cut-off Date applicable to such Index Swaption Cleared Transaction.

2.2 Index Swaption Cleared Transaction Confirmation

The Index Swaption Cleared Transaction Confirmation is amended, supplemented and completed as follows:

(a) by deleting the words "between [●] (Party A) and [●] (Party B)" in the second and third line of the first paragraph and replacing them with:

"between LCH SA ("Party A") and Clearing Member, as identified in the relevant CDS Admission Agreement between such Clearing Member and Party A ("Party B");"

(b) by deleting the third paragraph thereof and replacing it with the following:

"This Confirmation supplements, forms a part of, and is subject to, the CDS Clearing Documentation, as defined in the CDS Clearing Rule Book.";

(c) by deleting the fourth paragraph thereof and replacing it with the following:

"The terms of the Swaption Transaction, which is an Index Swaption Cleared Transaction, to which this Confirmation relates are as follows:";

(d) by specifying that the "Calculation Agent" is Party A;

(e) by inserting the following under "Additional terms":

"On the Expiration Date, Swaption Buyer may notify Swaption Seller (which such notification may be given orally, including by telephone) that the Swaption Transaction specified in such notice shall be terminated in whole and that no further amounts shall become due and payable by Swaption Buyer to Swaption Seller or vice versa in respect of such Swaption Transaction and that notice will be deemed to be irrevocable. Swaption Buyer will execute and deliver to Swaption Seller a written confirmation confirming the substance of any telephonic notice within one Exercise Business Day of that notice. Failure to provide that written confirmation will not affect the validity of the telephonic notice.";

(f) by deleting the contact details for notices and the account details;

(g) by specifying that the "Specified Derivatives Clearing Organization" is LCH SA (subject to the terms of Part C of the CDS Clearing Supplement); and

(h) by deleting the signature blocks.

2.3 Amendments to 2014 ISDA Credit Derivatives Definitions

For the purposes of this Part C of the CDS Clearing Supplement, Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions as incorporated in any Index Cleared Transaction shall be deemed to be amended so as to enable LCH SA to designate a designee for the additional purposes of delivering or receiving any Credit Event Notice or Notice to Exercise Movement Option relating to an M(M)R Restructuring Credit Event and such that, where LCH SA is the designator in relation to any Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction, as applicable, it is permitted to designate any relevant Matched Buyer or Matched Seller, as applicable, in accordance with Section 9 (*Matched Pair Designations*) as its designee, notwithstanding that such relevant Matched Buyer or Matched Seller, as applicable, is not its Affiliate.

3. PAYMENTS

3.1 Obligation to pay

Each of LCH SA and each Clearing Member will make each payment specified under the terms of each Cleared Transaction to be made by it, subject to the other provisions of the CDS Clearing Documentation.

Payments under any Cleared Transaction will be made on the due date for value on that date in the place of the account specified for the relevant party in the CDS Admission Agreement (or such other account as may be designated by it from time to time for such

purpose in accordance with the CDS Admissions Agreement and/or the Procedures, as applicable) and otherwise in accordance with the CDS Clearing Documentation, in freely transferable funds and in the manner customary for payments in the required currency.

3.2 Payment of Premium under Original Transactions

- (a) If the Premium is due and payable under the terms of an Original Transaction on or before the Clearing Day on which the related Index Swaption Cleared Transactions are created by novation pursuant to Title III (*Clearing Operations*) of the CDS Clearing Rule Book, such amount shall be payable under and in accordance with the terms of such Original Transaction. In such event, no corresponding Premium shall be payable in respect of such Index Swaption Cleared Transactions.
- (b) If the Premium Payment Date of an Original Transaction would be a date falling after the Clearing Day on which the Index Swaption Cleared Transactions related to such Original Transaction are created by novation pursuant to Title III (*Clearing Operations*) of the CDS Clearing Rule Book then the corresponding Premium Payment Date for the related Index Swaption Cleared Transactions shall occur on the Transaction Business Day which is also a Clearing Day immediately following the Clearing Day on which such related Index Swaption Cleared Transactions are created and the Index Swaption Cleared Transaction Confirmation shall be deemed to have been amended accordingly.

4. CREDIT EVENTS AND SUCCESSION EVENTS

4.1 Determination of Credit Events and Succession Events

Notwithstanding any provision of any Cleared Transaction to the contrary:

- (a) LCH SA (in its capacity as Calculation Agent with respect to such Cleared Transaction) shall not make any determination pursuant to Section 2.10 (*Substitute Reference Obligation*) of the 2014 ISDA Credit Derivatives Definitions or in respect of any matter which is or may be subject to resolution under Sections 3.5 (*Successor Resolutions*) or 3.6 (*Substitute Reference Obligation Resolutions*) of the DC Rules; and
- (b) neither LCH SA nor any Clearing Member shall be entitled to deliver a Successor Notice or a Credit Event Notice (other than Credit Event Notices in relation to an M(M)R Restructuring Credit Event in accordance with Section 5.3 (*Triggering of Swaption Restructuring Cleared Transactions*)).

4.2 M(M)R Restructuring Credit Event Timeline

(a) Publication of Credit Event Timeline

Upon a DC Credit Event Announcement of an M(M)R Restructuring Credit Event, LCH SA will publish and make available to Clearing Members a timeline in respect of the relevant Credit Event and related Cleared Transactions for which the Underlying Index Transaction references the affected Reference Entity, to notify, among other

things, the relevant Novation Cut-off Date, Compression Cut-off Date and First Novation Date.

Any such timeline shall (i) be published and made available on the date of such DC Credit Event Announcement or, if LCH SA determines that such publication on such date is not practicably possible, as soon as practicable thereafter (but in no event later than the Transaction Business Day before the earlier of the relevant Novation Cut-off Date and the relevant Compression Cut-off Date) and (ii) in all cases be without prejudice to and consistent with the terms of the CDS Clearing Documentation and any relevant DC Resolutions.

(b) Amendment of Credit Event Timeline

Any such timeline may be subject to subsequent amendment by LCH SA, by means of a Clearing Notice to Clearing Members, only to reflect subsequent DC Resolutions, timing provisions of any relevant Transaction Auction Settlement Terms, or in each case any subsequent amendments thereto. Any such amendment shall be made by LCH SA as soon as reasonably practicable following the relevant event.

4.3 Reversal of DC Credit Event Announcements and Margining

If a DC Credit Event Announcement is reversed then, subject to Section 10.2(a)(i) of the 2014 ISDA Credit Derivatives Definitions, LCH SA shall be obliged in accordance with Section 3 of the Procedures to calculate and shall be entitled to call for Margin and/or be obliged to return Margin with respect to each Clearing Member on the basis that the DC Credit Event Announcement that is reversed had not been made.

5. RESTRUCTURING

5.1 Creation and Notification of Swaption Restructuring Matched Pairs

Following the occurrence of a DC Credit Event Announcement in respect of an M(M)R Restructuring Credit Event in respect of a Reference Entity referenced by the Underlying Index Transaction to which a set of Index Swaption Cleared Transactions of the same Swaption Type relates, LCH SA will create (on one or more occasions) Swaption Restructuring Matched Pairs in accordance with Section 9.1 (Creation of Matched Pairs). Each such Swaption Restructuring Matched Pair shall be composed of two Swaption Restructuring Cleared Transactions.

If a DC Credit Event Announcement occurs in respect of an M(M)R Restructuring Credit Event in respect of a further Reference Entity (a "**Subsequent Restructuring**") prior to the expiry of the CEN Triggering Period for the first Reference Entity in respect of which an M(M)R Restructuring Credit Event occurred (the "**First Restructuring**"), any Swaption Restructuring Matched Pairs for the First Restructuring shall also be Swaption Restructuring Matched Pairs in respect of the Subsequent Restructuring. The same shall apply to any further DC Credit Event Announcements in respect of M(M)R Restructuring Credit Events in respect of further Reference Entities during this period and the terms 'First Restructuring' and 'Subsequent Restructuring' in this Section 5 shall be interpreted accordingly.

LCH SA shall notify the relevant Matched Buyer and Matched Seller comprised within each Swaption Restructuring Matched Pair of:

- (a) the identity of the other Clearing Member (together with the address, fax number, telephone number, email address and other applicable notice details of such other Clearing Member) of such Matched Pair;
- (b) the associated Swaption Restructuring Matched Pair Amount; and
- (c) the associated SRMP Triggerable Amount,

as soon as reasonably practicable following the related Compression Cut-off Date, but in any event, at or prior to the SRMP Notification Deadline.

5.2 Creation of Swaption Restructuring Cleared Transactions

Upon the notification to the relevant Clearing Members of Swaption Restructuring Matched Pairs, where two or more Index Swaption Cleared Transactions have been combined into a single transaction as part of the matching process and/or where any Index Swaption Cleared Transaction has been split into two or more separate transactions as part of the matching process, the relevant original Index Swaption Cleared Transactions entered into by each Clearing Member with LCH SA will be deemed terminated and new Swaption Restructuring Cleared Transactions of the same Swaption Type will be deemed to be entered into between each such Clearing Member and LCH SA, with each such Swaption Restructuring Cleared Transaction having a Swaption Notional Amount (and with the Underlying Index Transaction in respect of each such Swaption Restructuring Cleared Transaction having an Original Notional Amount) corresponding to the Swaption Restructuring Matched Pair Amount of the Swaption Restructuring Matched Pair in which the relevant Clearing Member is comprised as a Matched Buyer or a Matched Seller, as applicable. Subject to Section 9.3 (Resetting of Swaption Trade Date) below, the Swaption Trade Date of such Swaption Restructuring Cleared Transactions shall be the date of such notification.

With effect from the notification of the Swaption Restructuring Matched Pairs, any Index Swaption Cleared Transaction forming part of a Swaption Restructuring Matched Pair shall henceforth constitute a Swaption Restructuring Cleared Transaction for the purposes of this CDS Clearing Supplement and the Swaption Notional Amount of such Swaption Restructuring Cleared Transactions shall be the Swaption Restructuring Matched Pair Amount.

5.3 Triggering of Swaption Restructuring Cleared Transactions

Subject as set out in Section 8 (Delivery of Notices), and notwithstanding anything to the contrary in the terms of any Cleared Transaction, Clearing Members may only deliver Credit Event Notices (as CDS Buyer or CDS Seller) in relation to an M(M)R Restructuring Credit Event during the CEN Triggering Period following notification of Swaption Restructuring Matched Pairs by LCH SA and subject always to the terms of the relevant Swaption Restructuring Cleared Transaction.

For the purposes of the delivery of Credit Event Notices in respect of an M(M)R Restructuring Credit Event and the Swaption Restructuring Cleared Transactions of a Swaption Restructuring Matched Pair, the Floating Rate Payer Calculation Amount by reference to which a Credit Event Notice may be delivered shall be an amount equal to the applicable SRMP Triggerable Amount.

Any Credit Event Notice delivered in respect of a Swaption Restructuring Matched Pair for an amount which is greater than the relevant SRMP Triggerable Amount shall be ineffective as to such excess.

5.4 Partial triggering of a Swaption Restructuring Cleared Transaction

If a Notifying Party has delivered a valid Credit Event Notice during the CEN Triggering Period applicable to it that specifies a Triggered Amount that is less than the SRMP Triggerable Amount, following the expiry of the CEN Triggering Period, each Swaption Restructuring Cleared Transaction (an "**Original Swaption Restructuring Cleared Transaction**") of the relevant Swaption Restructuring Matched Pair shall be split into two separate Swaption Restructuring Cleared Transactions:

(a) one of such Swaption Restructuring Cleared Transactions:

(i) shall have an SRMP Triggerable Amount equal to the Triggered Amount; and

(ii) shall have a Swaption Notional Amount equal to (x) the Swaption Notional Amount of the Original Swaption Restructuring Cleared Transaction *divided by* (y) the SRMP Triggerable Amount of the Original Swaption Restructuring Cleared Transaction *multiplied by* (z) the Triggered Amount specified in the Credit Event Notice,

and will be deemed to have been triggered in whole by the relevant Credit Event Notice (a "**Triggered Cleared Transaction**"); and

(b) the other of such Swaption Restructuring Cleared Transactions (the "**Remaining Untriggered Cleared Transaction**");

(i) shall have an SRMP Triggerable Amount equal to the SRMP Triggerable Amount of the Original Swaption Restructuring Cleared Transaction *minus* the Triggered Amount; and

(ii) shall have a Swaption Notional Amount equal to (x) the Swaption Notional Amount of the Original Swaption Restructuring Cleared Transaction *less* (y) the Swaption Notional Amount determined in accordance with sub-paragraph (a)(ii) above,

and no Credit Event Notice will be deemed to have been delivered in respect of such Remaining Untriggered Cleared Transaction.

In the event that more than one Credit Event Notice is delivered during the CEN Triggering Period, the process set-out above shall be applied to the Credit Event Notice which was validly delivered first; *provided, however, that* for this purpose any Credit Event Notice(s)

delivered by CDS Seller on or prior to the Exercise Cut-off Date applicable to CDS Seller shall be deemed to have been delivered prior to any Credit Event Notice(s) delivered by CDS Buyer on or prior to the Exercise Cut-off Date applicable to CDS Buyer. Each subsequent Credit Event Notice shall then be applied to the Remaining Untriggered Cleared Transaction (and each subsequent Remaining Untriggered Cleared Transaction) until either no further Credit Event Notices remain or the SRMP Triggerable Amount has been reduced to zero.

Section 1.33(b) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

In the event that a Credit Event Notice has been validly delivered in respect of a Subsequent Restructuring prior to the expiry of the CEN Triggering Period for the First Restructuring, such Credit Event Notice shall be split between each Triggered Cleared Transaction and Remaining Untriggered Cleared Transaction created pursuant to this Section 5.4 on a proportionate basis and a Credit Event Notice shall consequently be deemed to have been delivered in respect of each such Triggered Cleared Transaction and Remaining Untriggered Cleared Transaction.

5.5 Notice to Exercise Movement Option

Subject as set out in Section 8 (Delivery of Notices), Clearing Members may only deliver a Notice to Exercise Movement Option during the NEMO Triggering Period.

5.6 Effect of Credit Event Notices and Notices to Exercise Movement Option

Notwithstanding any other provision hereof or of the 2014 ISDA Credit Derivatives Definitions, Matched Buyer and Matched Seller shall have no payment or delivery obligations in respect of the M(M)R Restructuring Credit Event as a result of the delivery of a Credit Event Notice or Notice to Exercise Movement Option. Such payment and delivery obligations shall instead arise under the Restructuring Cleared Transactions created pursuant to Section 7.3 (Creation of Restructuring Cleared Transactions for Triggering and/or Settlement purposes) following exercise (if applicable).

5.7 Reversal of DC Credit Event Announcements

If a DC Credit Event Announcement made in respect of an M(M)R Restructuring Credit Event is reversed then, subject to Section 10.2(a)(i) of the 2014 ISDA Credit Derivatives Definitions:

- (a) LCH SA shall have no obligation to create Swaption Restructuring Matched Pairs in accordance with Section 5.1 (Creation and Notification of Swaption Restructuring Matched Pairs);
- (b) provided that no Subsequent Restructuring has occurred, any Swaption Restructuring Matched Pairs so created (or created pursuant to Section 5.4 (Partial triggering of a Swaption Restructuring Cleared Transaction)) shall be deemed not to have been created;

- (c) any Credit Event Notices delivered in connection with such M(M)R Restructuring Credit Event shall be deemed to be ineffective;
- (d) LCH SA shall, where applicable, make relevant registrations in the TIW in order to reflect such reversal which shall also automatically result in such registrations being made in respect of any related CCM Client Transactions; and
- (e) Section 4.3 (Reversal of DC Credit Event Announcements and Margining) shall apply.

5.8 Reports

Without prejudice to the notification requirements set out elsewhere in the CDS Clearing Documentation, LCH SA will communicate to the relevant Clearing Members, on the basis of information received from Clearing Members, amongst other things:

- (a) the aggregate Triggered Amounts of Swaption Restructuring Cleared Transactions to which they are a party; and
- (b) the results of the exercise of any Movement Option in relation to Swaption Restructuring Cleared Transactions to which they are a party,

at or around 7.00 p.m. on each day during each CEN Triggering Period and NEMO Triggering Period, as applicable, through the reports referred to in Section 5 of the Procedures.

For the avoidance of doubt, such communication shall not affect the validity or effectiveness of any Credit Event Notice or Notice to Exercise Movement Option which shall be subject to the terms of the relevant Swaption Restructuring Cleared Transaction.

5.9 Expiry of CEN Triggering Period

Upon the expiry of the CEN Triggering Period (or, if a Subsequent Restructuring has occurred, after the expiry of the CEN Triggering Period for such Subsequent Restructuring) and, if applicable, subsequent to the application of any valid Credit Event Notices delivered during the CEN Triggering Period pursuant to Section 5.4 (Partial triggering of a Swaption Restructuring Cleared Transaction), the Swaption Restructuring Cleared Transactions of any Swaption Restructuring Matched Pairs (including, without limitation any Swaption Restructuring Matched Pairs composed of Remaining Untriggered Cleared Transactions created pursuant to Section 5.4 (Partial triggering of a Swaption Restructuring Cleared Transaction)) in respect of which no valid Credit Event Notice in respect of an M(M)R Restructuring Credit Event has been delivered shall cease to be paired together and shall instead constitute Index Swaption Cleared Transactions for the purposes of this CDS Clearing Supplement and the Swaption Restructuring Matched Pair Amount of such Swaption Restructuring Cleared Transactions shall become the Swaption Notional Amount of such Index Swaption Cleared Transactions.

6. EXERCISE MATCHED PAIRS

6.1 Creation and Notification of Exercise Matched Pairs

Subject to Section 5.9 (Expiry of CEN Triggering Period) above, if Swaption Restructuring Matched Pairs have previously been created pursuant to Section 5.1 (Creation and Notification of Swaption Restructuring Matched Pairs) or Section 5.4 (Partial triggering of a Swaption Restructuring Cleared Transaction), such Swaption Restructuring Matched Pairs and the Swaption Restructuring Cleared Transactions from which they are formed shall also automatically constitute Exercise Matched Pairs and Exercise Cleared Transactions (in addition to being Swaption Restructuring Matched Pairs and Swaption Restructuring Cleared Transactions) for the purposes of this CDS Clearing Supplement.

Notwithstanding the above, if the CEN Triggering Period for an M(M)R Restructuring Credit Event ends on a date falling during the EMP Creation Period, the relevant Swaption Restructuring Matched Pairs created in respect of such M(M)R Restructuring Credit Event shall not become Exercise Matched Pairs pursuant to the above until after the expiry of the CEN Triggering Period and subject to the prior application of Sections 5.4 (Partial triggering of a Swaption Restructuring Cleared Transaction) and 5.9 (Expiry of CEN Triggering Period) above, if applicable.

On each Transaction Business Day during the EMP Creation Period, LCH SA will create Exercise Matched Pairs in accordance with Section 9.1 (Creation of Matched Pairs) for a set of Index Swaption Cleared Transactions of the same Swaption Type. Each such Exercise Matched Pair shall be composed of two Exercise Cleared Transactions.

Upon the creation of an Exercise Matched Pair, LCH SA shall notify the relevant Matched Buyer and Matched Seller comprised within each Exercise Matched Pair of:

- (a) the identity of the other Clearing Member (together with the address, fax number, telephone number, email address and other applicable notice details of such other Clearing Member) of such Exercise Matched Pair; and
- (b) the associated Exercise Matched Pair Amount,

as soon as reasonably practicable following the related Compression Cut-off Date, but in any event, at or prior to the EMP Notification Deadline.

6.2 Creation of Exercise Cleared Transactions

Upon the notification to the relevant Clearing Members of Exercise Matched Pairs, where two or more Index Swaption Cleared Transactions have been combined into a single transaction as part of the matching process and/or where any Index Swaption Cleared Transaction has been split into two or more separate transactions as part of the matching process, the relevant original Index Swaption Cleared Transactions entered into by each Clearing Member with LCH SA will be deemed terminated and new Exercise Cleared Transactions of the same Swaption Type will be deemed to be entered into between each such Clearing Member and LCH SA, with each such Exercise Cleared Transaction having a Swaption Notional Amount (and with the Underlying Index Transaction in respect of each

such Exercise Cleared Transaction having an Original Notional Amount) corresponding to the Exercise Matched Pair Amount of the Exercise Matched Pair in which the relevant Clearing Member is comprised as a Matched Buyer or a Matched Seller, as applicable. Subject to Section 9.3 (Resetting of Swaption Trade Date) below, the Swaption Trade Date of such Exercise Cleared Transactions shall be the date of such notification.

With effect from the notification of the Exercised Matched Pairs, any Index Swaption Cleared Transaction forming part of an Exercised Matched Pair shall henceforth constitute an Exercise Cleared Transaction for the purposes of this CDS Clearing Supplement and the Swaption Notional Amount of such Index Swaption Cleared Transactions shall be the Exercise Matched Pair Amount.

6.3 Exercise of Exercise Cleared Transactions

Exercise Notices shall be delivered by Swaption Buyers to Swaption Sellers in accordance with the provisions for the delivery of notices at Section 8 (Delivery of Notices) hereof and the terms of the relevant Exercise Cleared Transaction.

Any Exercise Notice delivered in respect of an Exercise Matched Pair for an amount which is greater than the related Exercise Matched Pair Notional Amount shall be ineffective as to such excess.

6.4 Abandonment of Exercise Cleared Transactions

If on the Expiration Date Swaption Buyer delivers a valid Abandonment Notice to Swaption Seller, then upon delivery of such notice each Exercise Cleared Transaction specified in such Abandonment Notice shall be terminated in whole and no further amounts shall become due and payable by Swaption Buyer to Swaption Seller or vice versa in respect of such Exercise Transaction. Subject to Section 8.2 (Oral Notices) below, an Abandonment Notice may be given orally, including by telephone. Matched Buyer will execute and deliver to Matched Seller a written confirmation confirming the substance of any telephonic notice within one Transaction Business Day of the telephonic notice. Without prejudice to Section 8.4(c) (Consequences of no Clearing Member Notice being received by LCH SA) below, failure to provide that written confirmation will not affect the validity of the telephonic notice.

6.5 Cleared Transaction Exercise Reports

Without prejudice to the notification requirements set out elsewhere in the CDS Clearing Documentation, LCH SA will communicate to the relevant Clearing Members, on the basis of information received from Clearing Members the aggregate Swaption Notional Amounts of Exercise Cleared Transactions to which they are a party as Swaption Buyer in respect of which Exercise Notices and Abandonment Notices have been delivered and the aggregate Swaption Notional Amounts of Exercise Cleared Transactions to which they are a party as Swaption Seller in respect of which Exercise Notices and Abandonment Notices have been delivered, in each case on an ongoing basis on the Expiration Date, through the reports referred to in Section 5 of the Procedures with the final report being published as soon as practicable after LCH SA has confirmed with the relevant Clearing Members that all Exercise Notices and Abandonment Notices have been identified.

For the avoidance of doubt, such communication shall not affect the validity or effectiveness of any Exercise Notice or Abandonment Notice which shall be subject to the terms of the relevant Exercise Cleared Transaction and the 2006 Definitions.

7. SETTLEMENT

7.1 Creation of Index Cleared Transactions

Notwithstanding and in addition to any Initial Single Name Cleared Transaction(s) or Restructuring Cleared Transaction(s) created pursuant to Section 7.2 (Creation of Initial Single Name Cleared Transactions for Settlement purposes in respect of Credit Events other than M(M)R Restructuring), Section 7.3 (Creation of Restructuring Cleared Transactions for Triggering and/or Settlement purposes) or Section 7.4 (Creation of Initial Single Name Cleared Transactions in respect of untriggered M(M)R Restructuring Credit Events) below, following Exercise an Index Cleared Transaction shall be deemed to have been entered into between each Clearing Member and LCH SA on the terms of the Underlying Index Transaction to which the relevant Exercise Cleared Transactions relate. Such Index Cleared Transaction shall reference the currently eligible Index Version as of the Expiration Date of the index referenced by the relevant Underlying Index Transaction. Subject to the below, such Index Cleared Transaction shall be entered into by LCH SA and the relevant Clearing Member on the terms of the Index Cleared Transaction Confirmation (as defined in Part B of the CDS Clearing Supplement).

Each such Index Cleared Transaction shall have a Floating Rate Payer Calculation Amount equal to:

- (a) subject to (b) below, the Swaption Notional Amount of the Exercise Cleared Transaction from which such Index Cleared Transaction resulted; or
- (b) if the Exercise Cleared Transaction from which such Index Cleared Transaction resulted was exercised in part, the portion of the Swaption Notional Amount of the Exercise Cleared Transaction that was exercised.

The provisions of this Part C of the CDS Clearing Supplement shall cease to apply to such Index Cleared Transaction upon its creation and such Index Cleared Transaction shall instead be subject to and cleared in accordance with Part B of this CDS Clearing Supplement; provided, however, that:

- (i) an Initial Payment Amount shall be payable under such Index Cleared Transaction which shall be an amount equal to, and payable by the party that would be required to pay, the Settlement Payment (or the absolute value thereof, as applicable) that would be determined in respect of the Exercise Cleared Transaction from which such Index Cleared Transaction is created in accordance with the provisions of the Exercise Cleared Transaction (as amended by Section 2.2 (Index Swaption Cleared Transaction Confirmation) hereof). The Initial Payment Date in respect of such Initial Payment Amount shall be the Transaction Business Day (determined pursuant to paragraph (a) (i) of the definition of Transaction Business Day as if such payment were the Settlement Payment) immediately following the Expiration Date; and

(ii) the paragraph entitled 'Successors' of the iTraxx® Swaption Standard Terms Supplement shall continue to apply to such Index Cleared Transaction.

Following the creation of such Index Cleared Transaction and any Initial Single Name Cleared Transaction(s) and Restructuring Cleared Transaction(s) created pursuant to Section 7.2 (Creation of Initial Single Name Cleared Transactions for Settlement purposes in respect of Credit Events other than M(M)R Restructuring), Section 7.3 (Creation of Restructuring Cleared Transactions for Triggering and/or Settlement purposes) and Section 7.4 (Creation of Initial Single Name Cleared Transactions in respect of untriggered M(M)R Restructuring Credit Events) below, the Exercise Cleared Transaction from which it was created shall be terminated.

7.2 Creation of Initial Single Name Cleared Transactions for Settlement purposes in respect of Credit Events other than M(M)R Restructuring

If the Underlying Index Transaction of an Exercise Cleared Transaction references a Reference Entity in respect of which a DC Credit Event Announcement has been made on or after the Credit Event Backstop Date (other than in respect of an M(M)R Restructuring Credit Event and subject to the operation of the paragraph entitled 'Operation of each Underlying Swap Transaction' of the iTraxx® Swaption Standard Terms Supplement)) and the Auction Settlement Date that would have been applicable to such Credit Event fell on or prior to the Expiration Date, then following Exercise an Initial Single Name Cleared Transaction (as defined in Part B of this CDS Clearing Supplement) shall be deemed to have been entered into on the Expiration Date between each Clearing Member and LCH SA on the terms of the Component Transaction (as defined in the Index Cleared Transaction Confirmation and subject as set out below) in respect of the relevant Reference Entity of the Underlying Index Transaction. Subject to the below, such Initial Single Name Cleared Transaction shall be entered into by LCH SA and the relevant Clearing Member on the terms of the Single Name Cleared Transaction Confirmation (as defined in Part B of the CDS Clearing Supplement).

Each such Initial Single Name Cleared Transaction shall have a Floating Rate Payer Calculation Amount equal to:

- (a) the Swaption Notional Amount of the Exercise Cleared Transaction from which such Initial Single Name Cleared Transaction resulted *multiplied by* the 'Reference Entity Weighting' (under the Underlying Index Transaction referenced by such Exercise Cleared Transaction) of the relevant Reference Entity; *multiplied by*
- (b) the Exercise Percentage.

The provisions of this Part C of the CDS Clearing Supplement shall cease to apply to such Initial Single Name Cleared Transaction upon its creation and such Initial Single Name Cleared Transaction shall instead be subject to and cleared in accordance with Part B of this CDS Clearing Supplement; *provided, however, that:*

- (i) the paragraph entitled 'Operation of each Underlying Swap Transaction' and the paragraph entitled 'Successors' of the iTraxx® Swaption Standard Terms Supplement shall continue to apply to such Initial Single Name Cleared Transaction; and

(ii) notwithstanding (i) above, the Auction Settlement Date in respect of such Initial Single Name Cleared Transaction shall be the first Transaction Business Day following the Expiration Date.

7.3 Creation of Restructuring Cleared Transactions for Triggering and/or Settlement purposes

If:

- (a) the Underlying Index Transaction of an Exercise Cleared Transaction references a Reference Entity in respect of which a DC Credit Event Announcement has been made on or after the Credit Event Backstop Date in respect of an M(M)R Restructuring Credit Event (subject to the operation of the paragraph entitled 'Operation of each Underlying Swap Transaction' of the iTraxx® Swaption Standard Terms Supplement); and
- (b) either the CEN Triggering Period has not expired or, if the CEN Triggering Period has expired, a valid Credit Event Notice was delivered in respect of such M(M)R Restructuring Credit Event prior to its expiry,

then following Exercise a Restructuring Cleared Transaction (as defined in Part B of this CDS Clearing Supplement) shall be deemed to have been entered into on the Expiration Date between each Clearing Member and LCH SA on the terms of the Component Transaction (as defined in the Index Cleared Transaction Confirmation and subject as set out below) in respect of the relevant Reference Entity of the Underlying Index Transaction and any Credit Event Notice or Notice to Exercise Movement Option validly delivered in respect of the Swaption Restructuring Cleared Transaction from which such Restructuring Cleared Transaction is created shall be deemed to have been validly delivered in respect of such Restructuring Cleared Transaction by CDS Buyer and/or CDS Seller (as applicable). Subject to the below, such Restructuring Cleared Transaction shall be entered into by LCH SA and the relevant Clearing Member on the terms of the Single Name Cleared Transaction Confirmation (as defined in Part B of the CDS Clearing Supplement).

Such Restructuring Cleared Transaction shall have a Floating Rate Payer Calculation Amount equal to (x) the SRMP Triggerable Amount (for the relevant M(M)R Restructuring Credit Event) of the Swaption Restructuring Cleared Transaction from which such Restructuring Cleared Transaction is created multiplied by (y) the Exercise Percentage.

The provisions of this Part C of the CDS Clearing Supplement shall cease to apply to such Restructuring Cleared Transaction upon its creation and such Restructuring Cleared Transaction shall instead be subject to and cleared in accordance with Part B of this CDS Clearing Supplement; provided, however, that:

- (i) the paragraph entitled 'Operation of each Underlying Swap Transaction' and the paragraph entitled 'Successors' of the iTraxx® Swaption Standard Terms Supplement shall continue to apply to such Restructuring Cleared Transaction; and
- (ii) notwithstanding (i) above, the Auction Settlement Date in respect of such Restructuring Cleared Transaction shall be the later of (x) the Auction Settlement Date applicable to

such Restructuring Cleared Transaction pursuant to Part B of the CDS Clearing Supplement and (y) the first Transaction Business Day following the Expiration Date.

7.4 Creation of Initial Single Name Cleared Transactions in respect of untriggered M(M)R Restructuring Credit Events

If:

- (a) the Underlying Index Transaction of an Exercise Cleared Transaction references a Reference Entity in respect of which a DC Credit Event Announcement has been made that an M(M)R Restructuring Credit Event occurred on or after the Credit Event Backstop Date (subject to the operation of the paragraph entitled 'Operation of each Underlying Swap Transaction' of the iTraxx® Swaption Standard Terms Supplement); and
- (b) no valid Credit Event Notice was delivered in respect of such M(M)R Restructuring Credit Event prior to the expiry of the applicable CEN Triggering Period,

then following Exercise, an Initial Single Name Cleared Transaction (as defined in Part B of this CDS Clearing Supplement) shall be deemed to have been entered into on the Expiration Date between each Clearing Member and LCH SA on the terms of the Component Transaction (as defined in the Index Cleared Transaction Confirmation and subject as set out below) in respect of the relevant Reference Entity of the Underlying Index Transaction. Subject to the below, such Initial Single Name Cleared Transaction shall be entered into by LCH SA and the relevant Clearing Member on the terms of the Single Name Cleared Transaction Confirmation (as defined in Part B of the CDS Clearing Supplement).

Each such Initial Single Name Cleared Transaction shall have a Floating Rate Payer Calculation Amount equal to:

- (a) the Swaption Notional Amount of the Exercise Cleared Transaction from which such Initial Single Name Cleared Transaction resulted *multiplied by* the 'Reference Entity Weighting' (under the Underlying Index Transaction referenced by such Exercise Cleared Transaction) of the relevant Reference Entity; *multiplied by*
- (b) the Exercise Percentage.

The provisions of this Part C of the CDS Clearing Supplement shall cease to apply to such Initial Single Name Cleared Transaction upon its creation and such Initial Single Name Cleared Transaction shall instead be subject to and cleared in accordance with Part B of this CDS Clearing Supplement; *provided, however, that* the paragraph entitled 'Successors' of the iTraxx® Swaption Standard Terms Supplement shall continue to apply to such Initial Single Name Cleared Transaction.

8. DELIVERY OF NOTICES

8.1 General Rules relating to Notices

- (a) Methods of Delivery and deemed Time of Delivery**

Subject to Section 8.2 (Oral Notices) and without prejudice to Section 1.38 (Requirements Regarding Notices) of the 2014 ISDA Credit Derivatives Definitions and the remaining provisions of the 2014 ISDA Credit Derivatives Definitions and of the 2006 Definitions (including, for the avoidance of doubt, in relation to notices permitted to be given orally), any notice or other communication in respect of any Cleared Transaction may be given in any manner described below and will be deemed effective as indicated:

- (i) if delivered in person or by courier, on the date and at the time it is delivered;
- (ii) if sent by facsimile transmission, on the date it is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iii) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date it is delivered or its delivery is attempted; or
- (iv) if sent by electronic messaging system (including e-mail or any other electronic access solution established by LCH SA for such purpose), on the date it is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Transaction Business Day or that communication is delivered (or attempted) or received, as applicable, pursuant to the above after 6.00 p.m. in the location of the recipient on a Transaction Business Day, in which case that communication will be deemed given and effective on the first following day that is a Transaction Business Day.

(b) Notices from or to LCH SA

Any such notice or communication given by LCH SA to a Clearing Member or vice versa shall be given to the address or number previously specified in or previously notified for the relevant purpose in accordance with the CDS Admissions Agreement or the Procedures.

(c) Manual Notices between Clearing Members

Notices given by a Clearing Member to another Clearing Member comprised in a relevant Matched Pair shall be given to the address or number notified by LCH SA to the deliveror pursuant to Section 5.1 (Creation and Notification of Swaption Restructuring Matched Pairs) or Section 6.1 (Creation and Notification of Exercise Matched Pairs), as applicable.

Such notices shall only be deemed to be delivered effectively by LCH SA through the relevant Clearing Member as its designee as against the recipient where the address or number so notified by LCH SA corresponds in all material respects to the address

or number, as applicable, specified by such recipient in or pursuant to the CDS Admissions Agreement.

(d) No Obligation on LCH SA to verify Signatories

LCH SA shall have no obligation to verify the authority of any signatory of any notice delivered by any Clearing Member directly pursuant to this Section 8 (Delivery of Notices).

8.2 Oral Notices

Notwithstanding the provisions of the 2006 Definitions and of the 2014 ISDA Credit Derivatives Definitions, where, by way of exception as contemplated in this Section 8, Exercise Notices, Abandonment Notices, Credit Event Notices and Notices to Exercise Movement Option are to be delivered directly to LCH SA, such notices may not be delivered orally or by telephone.

8.3 Delivery of Exercise Notices, Abandonment Notices, Credit Event Notices and Notices to Exercise Movement Option

Exercise Notices, Abandonment Notices, Credit Event Notices and Notices to Exercise Movement Option shall be delivered directly between Matched Buyer and Matched Seller of an Exercise Matched Pair or a Swaption Restructuring Matched Pair, as applicable, in each case acting in its own name in respect of the Cleared Transaction of the Matched Pair to which it is a party and as designee of LCH SA in respect of the other Cleared Transaction of the Matched Pair.

8.4 Clearing Member Notices

(a) Duty to deliver Clearing Member Notices

Each Clearing Member shall notify LCH SA or deliver a copy to LCH SA of any notice delivered or received by such Clearing Member to or from another Clearing Member comprised in an Exercise Matched Pair or Swaption Restructuring Matched Pair, including, without limitation, any Exercise Notice, Abandonment Notice, Credit Event Notice or Notice to Exercise Movement Option which was delivered or received directly, and which such Clearing Member asserts or acknowledges was effective for the purposes of this CDS Clearing Supplement and the relevant Exercise Cleared Transactions or Swaption Restructuring Cleared Transactions as the case may be (such notification, or delivery of such copy, in respect of any relevant notice, a **Clearing Member Notice**) by no later than 5.00 p.m. on the last date on which such notice could validly be sent (in each case, the **Clearing Member Notice Deadline**).

(b) No Clearing Member Notice received

Where LCH SA does not receive a Clearing Member Notice in respect of a Credit Event Notice or a Notice to Exercise Movement Option from both Clearing Members in the relevant Swaption Restructuring Matched Pair on or prior to the relevant

Clearing Member Notice Deadline, LCH SA shall take no action in respect of the relevant Swaption Restructuring Matched Pair.

Where LCH SA does not receive a Clearing Member Notice in respect of an Exercise Notice or an Abandonment Notice from Swaption Buyer in the relevant Exercised Matched Pair on or prior to the relevant Clearing Member Notice Deadline, then, subject to sub-section (c) below, LCH SA shall terminate the Exercise Cleared Transactions of the relevant Exercised Matched Pair.

(c) Consequences of no Clearing Member Notice being received by LCH SA

Where sub-section (b) above is applicable, the following provisions shall apply:

(i) If LCH SA determines in its sole discretion that, notwithstanding the fact that no Clearing Member Notice has been received by LCH SA in respect of any Exercise Notice, Abandonment Notice, Credit Event Notice or Notice to Exercise Movement Option by the relevant deadline, such notice was in fact delivered or received directly by a Clearing Member, LCH SA shall use commercially reasonable efforts to give effect to the terms of such Exercise Notice, Abandonment Notice, Credit Event Notice or Notice to Exercise Movement Option, as the case may be. If LCH SA gives effect to the terms of such notice pursuant to this Section 8.4(c) then the provisions of this Part C of the CDS Clearing Supplement shall apply as if LCH SA had received a Clearing Member Notice in respect of the relevant notice on the date on which such notice was delivered or received by the relevant Clearing Member.

(ii) If LCH SA determines in its sole discretion that it is not possible to give effect to the terms of any Exercise Notice, Abandonment Notice, Credit Event Notice or Notice to Exercise Movement Option in respect of which no Clearing Member Notice was received by LCH SA by the relevant deadline then the following provisions shall apply:

(A) Credit Event Notices and Notice to Exercise Movement Option

Following Exercise, an amount shall be payable between the Clearing Members equal to the difference between the value of the Matched Buyer Contract had the Clearing Member Notice been given to LCH SA on a timely basis and the value of such contract in the absence of such Clearing Member Notice having been given; such difference in value shall be determined as of the earlier of the day on which notice is given by any relevant Clearing Member that such amount is due and payable and the eighth Transaction Business Day following the Auction Settlement Date, No Auction Announcement Date or Auction Cancellation Date, as applicable, by reference to the relevant Auction Settlement Amount or end of day contributed prices, in each case if available.

(B) Exercise Notices

Where the relevant notice is an Exercise Notice, the relevant Clearing Members shall acquire rights as against each other as though party to a bilateral credit default swap transaction on the terms of the relevant Underlying Index Transaction. The Settlement Payment shall be due and payable two Transaction Business Days following the giving of a notice that such amount is due and payable.

If the Clearing Members have entered into such a transaction following the delivery of an Exercise Notice and those Clearing Members wish to clear such transaction through LCH SA, those Clearing Members will each need to submit such transaction for clearing as an Index Cleared Transaction pursuant to Part B of this CDS Clearing Supplement.

In each case, the relevant Clearing Members shall have enforcement rights as against each other pursuant to the Contracts (Rights of Third Parties) Act 1994 in respect of any resulting payments and deliveries; LCH SA shall have no liability in respect thereof.

8.5 Failure to notify Matched Pairs

Notwithstanding Section 5.3 (Triggering of Swaption Restructuring Cleared Transactions) or Section 6.3 (Exercise of Exercise Cleared Transactions), if LCH SA does not notify the relevant Clearing Members of Swaption Restructuring Matched Pairs and related information specified in Section 5.1 (Creation and Notification of Swaption Restructuring Matched Pairs) or of Exercise Matched Pairs and related information specified in Section 6.1 (Creation and Notification of Exercise Matched Pairs) by the SRMP Notification Deadline or the EMP Notification Deadline (as applicable):

- (a) the relevant Clearing Members may deliver Exercise Notices, Abandonment Notices, Credit Event Notices and Notices to Exercise Movement Options in respect of their Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction (as applicable) to LCH SA, and vice versa; and
- (b) the provisions of Section 9 (Matched Pair Designations) shall not apply and the terms of this CDS Clearing Supplement shall be construed accordingly.

8.6 Disputes as to Notices

If any Clearing Member comprised in a Matched Pair where one such party is acting as designee of LCH SA disputes the effective delivery in accordance with the terms of the relevant Cleared Transactions of any notice delivered directly between Clearing Members in accordance with this Section 8:

- (a) LCH SA shall be entitled in accordance with the Procedures to calculate and call for Margin with respect to each such Clearing Member on the basis of the maximum requirement for such Clearing Member that could result from any foreseeable outcome of such dispute;

(b) following final resolution of such dispute by arbitration or by litigation, as applicable, in accordance with the CDS Dispute Resolution Protocol, subject to the provisions of Sections 8 and 9 of the Procedures, the Clearing Members comprised in the relevant Matched Pair shall take such actions with respect to the affected Exercise Cleared Transactions or Swaption Restructuring Cleared Transactions, as the case may be, the subject of such dispute as LCH SA determines appropriate to give effect to any relevant binding resolution; and

(c) without prejudice to its obligations upon final resolution of the dispute, pending final resolution of any such dispute, LCH SA shall not be obliged to take any step pursuant to the terms of the relevant Exercise Cleared Transactions or Swaption Restructuring Cleared Transactions which would be required to have been taken by it had the relevant notice been validly delivered.

Each relevant Clearing Member must promptly notify LCH SA of any such disputes (in the form set out at Appendix V hereto).

9. MATCHED PAIR DESIGNATIONS

9.1 Creation of Matched Pairs

LCH SA will create Matched Pairs where required to do so pursuant to Section 5.1 (Creation and Notification of Swaption Restructuring Matched Pairs) and Section 6.1 (Creation and Notification of Exercise Matched Pairs) using a matching procedure that matches Swaption Sellers with Swaption Buyers pursuant to an algorithm incorporating the following principles:

(a) the procedure seeks to create Matched Pairs between the same Clearing Member to the extent it is possible to do so before creating Matched Pairs between different Clearing Members and, for this purpose, in the context of CCMs, the procedure will create Matched Pairs separately for CCMs and their CCM Clients (individually or together, depending on whether the CCM Client is a CCM Individual Segregated Account Client or a CCM Omnibus Segregated Account Client, as applicable) and Clearing Member will be construed accordingly;

(b) the procedure seeks to minimise the number of Matched Pairs (and accordingly, largest positions will be matched first);

(c) each Swaption Restructuring Matched Pair will, to the extent possible, have an aggregate Swaption Restructuring Matched Pair Amount which is an integral multiple of Euro 1,000,000, subject to a maximum of Euro 100,000,000;

(d) each Exercise Matched Pair will, to the extent possible, have an aggregate Exercise Matched Pair Amount which is an integral multiple of Euro 1,000,000, subject to a maximum of Euro 100,000,000;

(e) LCH SA will allocate a Matched Pair Amount to each Matched Pair such that:

- (i) the sum of all Swaption Restructuring Matched Pair Amounts or Exercise Matched Pair Amounts (as applicable) of each Swaption Buyer under the Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions matched on the relevant date pursuant to this Section 9.1 is equal to the aggregate of the Swaption Notional Amounts of the Index Swaption Cleared Transactions to which such Swaption Buyer is a party which are to be matched on such date pursuant to this Section 9.1; and
- (ii) the sum of all Swaption Restructuring Matched Pair Amounts or Exercise Matched Pair Amounts (as applicable) of each Swaption Seller under the Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions matched on the relevant date pursuant to this Section 9.1 is equal to the aggregate of the Swaption Notional Amounts of the Index Swaption Cleared Transactions to which such Swaption Seller is a party which are to be matched on such date pursuant to this Section 9.1.

9.2 Registration of new Swaption Restructuring Cleared Transactions and Exercise Cleared Transactions and Removal of original Index Swaption Cleared Transactions

To the extent that any Swaption Restructuring Cleared Transaction created pursuant to Section 5.2 (Creation of Swaption Restructuring Cleared Transaction) or any Exercise Cleared Transaction created pursuant to Section 6.2 (Creation of Exercise Cleared Transactions) is not automatically registered in accordance with the DTCC Rules, LCH SA shall register such new Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction (as applicable) in the TIW in accordance with the DTCC Rules prior to 6.00 p.m. on the date on which the SRMP Notification Deadline or EMP Notification Deadline (as applicable) falls. In respect of CCMs and CCM Clients only, such registration by LCH SA shall also result in the automatic registration of any amendments made to the corresponding CCM Client Transactions.

In addition, LCH SA will, on behalf of the relevant Clearing Member, send an "Exit" message to the TIW in accordance with the DTCC Rules to terminate and remove the corresponding original Index Swaption Cleared Transactions from which such Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions were created from the TIW prior to 10.00 p.m. on the date on which the SRMP Notification Deadline or EMP Notification Deadline (as applicable) falls.

9.3 Resetting of Swaption Trade Date

If LCH SA determines in respect of any Swaption Restructuring Cleared Transaction created pursuant to Section 5.2 (Creation of Swaption Restructuring Cleared Transactions) or any Exercise Cleared Transaction created pursuant to Section 6.2 (Creation of Exercise Cleared Transactions) that the Swaption Trade Date for such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction would be after a DC Announcement Coverage Cut-off Date whereas the Swaption Trade Date for the Cleared Transaction(s) from which such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction was created would have been prior to such DC Announcement Coverage Cut-off Date, LCH SA shall take such action as it deems necessary to ensure that such DC Credit Event

Announcement is applicable to such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction, including, without limitation, specifying an earlier Swaption Trade Date for such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction.

9.4 Matched Buyer and Seller Contracts

- (a) In respect of each Matched Buyer Contract which is the subject of a Matched Pair, LCH SA, pursuant to Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions (amended as set out at Section 2.3 (Amendments to 2014 ISDA Credit Derivatives Definitions)), as designator, shall be deemed to have designated Matched Seller in such Matched Pair as its designee to receive on its behalf from, and to deliver on its behalf to, Matched Buyer of the Matched Pair any applicable notices or certifications in accordance with the terms of the applicable Cleared Transaction (including, without limitation, Exercise Notices and Abandonment Notices).
- (b) In respect of each Matched Seller Contract which is the subject of a Matched Pair, LCH SA, pursuant to Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions (as amended pursuant to Section 2.3 (Amendments to 2014 ISDA Credit Derivatives Definitions) above), as designator, shall be deemed to have designated Matched Buyer in such Matched Pair as its designee to receive on its behalf from, and to deliver on its behalf to, Matched Seller of the Matched Pair any applicable notices or certifications in accordance with the terms of the applicable Cleared Transaction (including, without limitation, Exercise Notices and Abandonment Notices).

9.5 Exercise of Rights

In relation to each Matched Pair:

- (a) the exercise of any rights by Matched Buyer against LCH SA under a Matched Buyer Contract shall be deemed to constitute the exercise of equal and simultaneous rights by LCH SA against Matched Seller under the Matched Seller Contract of the relevant Matched Pair; and
- (b) the exercise of any rights by Matched Seller against LCH SA under a Matched Seller Contract shall be deemed to constitute the exercise of equal and simultaneous rights by LCH SA against Matched Buyer under the Matched Buyer Contract of the relevant Matched Pair.

9.6 Clearing Member matched with Itself

In the event that Matched Buyer and Matched Seller of a Matched Pair pursuant to this Section 9 (Matched Pair Designations) is the same Clearing Member, such Clearing Member shall be deemed to have sent a notice from itself in its role as Matched Buyer to itself in its role as Matched Seller (and vice versa) upon such Clearing Member sending a Clearing Member Notice to LCH SA pursuant to Section 8.4(a) (Duty to deliver Clearing Member Notices) above in respect of such notice.

9.7 Notices

In relation to each Matched Pair:

- (a) where Matched Buyer validly delivers or serves any notice to Matched Seller as designee of LCH SA in accordance with the terms of a relevant Matched Buyer Contract, such notice shall additionally be effective as a notice given by such Matched Buyer as designee of LCH SA to Matched Seller for the purposes of the relevant Matched Seller Contract; and
- (b) where Matched Seller validly delivers or serves any notice to Matched Buyer as designee of LCH SA in accordance with the terms of a relevant Matched Seller Contract, such notice shall additionally be effective as a notice given by such Matched Seller as designee of LCH SA to Matched Buyer for the purposes of the relevant Matched Buyer Contract.

10. MANDATORY PROVISIONS FOR CCM CLIENT TRANSACTIONS

In Appendix VI, certain provisions are set-out (the "Mandatory Provisions") for incorporation into a CCM Client Transaction between a CCM and its CCM Client that corresponds to a CCM Client Cleared Transaction registered in the CCM Client Trade Account in the name of such CCM for such CCM Client. The CDS Clearing Supplement and these Mandatory Provisions have been drafted so as to complement each other.

LCH SA shall not be responsible for any loss suffered or expense incurred by a CCM or any CCM Client as a result of the inclusion or non-inclusion of the Mandatory Provisions in the CCM Client Transaction Documents.

11. AMENDMENTS

LCH SA may amend the provisions of this CDS Clearing Supplement (including, without limitation, the Mandatory Provisions) from time to time so as to comply with any legal or regulatory developments or any recommendations adopted by the industry in respect of CDS, Swaptions or Cleared Transactions or CCM Client Transactions, as applicable, or so as to reflect any technological advancements, in each case in accordance with the provisions of Section 1.2.2 (*Modification*) of Chapter 2 (*General Provisions*) of the CDS Clearing Rule Book.

12. FORMS OF NOTICES

A form of Exercise Notice, Abandonment Notice, Credit Event Notice, Notice to Exercise Movement Option, notice of dispute relating to any Matched Pair as contemplated by Section 8.6 (*Disputes as to Notices*) is set out in Appendix I, II, III, IV and V respectively hereto.

Any of the above referenced notices shall be delivered in substantially the form appended hereto, provided, for the avoidance of doubt, that such notices may refer to multiple transactions and may have certain firm-specific variations.

For the avoidance of doubt, the above referenced notices shall be governed by and construed in accordance with English law.

13. EXCLUSION OF LIABILITY

Without prejudice to the provisions of Article 1.2.10.3 of the CDS Clearing Rule Book:

(a) No liability for Failure of Designee to perform in respect of Matched Pair

Without prejudice to its obligations under or in respect of a Cleared Transaction, LCH SA shall not be liable for any loss or cost arising out of any failure of any Clearing Member comprised in a Matched Pair to perform its obligations as designee of LCH SA against a related Matched Buyer or Matched Seller, as applicable.

(b) No liability for Fault of Third Party or Force Majeure

LCH SA shall have no liability to any person where Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions are not or are improperly created, Index Swaption Cleared Transactions, Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions are not or are improperly terminated or where the Exercise process or the Movement Option process is not or is improperly implemented, because of a third party's fault or a force majeure event. In particular, LCH SA shall not incur any liability arising as a result of any action or omission of DTCC.

(c) No Obligation to verify Notices received

LCH SA shall have no responsibility to verify the contents of any notice received by it from any Clearing Member under the terms of any Cleared Transaction.

14. DISPUTE RESOLUTION

For the avoidance of doubt, all Disputes shall be referred to and finally resolved by arbitration or by litigation, as applicable, in accordance with the CDS Dispute Resolution Protocol, subject to the provisions of Sections 8 and 9 of the Procedures.

15. GOVERNING LAW

For the avoidance of doubt, the governing law applicable to this CDS Clearing Supplement (excluding the Mandatory Provisions to the extent that such terms are incorporated by reference in the CCM Client Transaction Documents entered into between a CCM and its CCM Client in respect of a CCM Client Transaction), the 2014 ISDA Credit Derivatives Definitions, the 2006 Definitions and any Cleared Transactions (and any related definitions or Clearing Notices issued in respect of the CDS Clearing Supplement, the 2014 ISDA Credit Derivatives Definitions, the 2006 Definitions or any Cleared Transactions) and any non-contractual obligations arising out of, relating to or having any connection with them shall be as set out in Section 1.2.14 (*Governing Law*) of the CDS Clearing Rule Book.

APPENDIX I: FORM OF EXERCISE NOTICE

To: [Exercise Matched Pair Counterparty Address and Contact Information]

[To/Copy to:]

LCH SA

18, rue du Quatre Septembre

75002 Paris

France

[Contact details]

[Date]

EXERCISE NOTICE:

Exercise Cleared Transaction Details: As set out in the Schedule hereto¹.

Reference is made to the Exercise Cleared Transaction[s] described in the Schedule hereto (the Transaction[s]). Capitalised terms used and not otherwise defined in this letter shall have the meanings given them in the confirmation of the relevant Transaction and in the CDS Clearing Documentation (as defined in such confirmation).

This letter is our Exercise Notice to you to confirm [our telephonic notice to you today] that we have elected to exercise our rights under the Transaction[s] as set out in the Schedule hereto.

Sincerely

[Clearing Member]

Name:

Title:

¹ A single Exercise Notice may be submitted for multiple trades in respect of the same Counterparty

SCHEDULE

Exercise Cleared Transaction Details

<u>Exercise Matched Pair ID</u>	<u>Underlying Index</u>	<u>Swaption Type</u>	<u>Expiration Date</u>	<u>Swaption Notional Amount / Original Notional Amount</u>	<u>Amount of Original Notional Amount exercised</u>
[●]	iTraxx® Europe [<i>index name</i>] Series [●] Version [●]	[Payer / Receiver]	[●]	[●]	[●]

The Underlying Index, Swaption Type and Swaption Notional Amount/Original Notional Amount for the Transaction[s] have been included in this Exercise Notice for identification purposes only. Any error in such items shall not invalidate this Exercise Notice and the Transaction[s] shall be exercised in the amount specified above notwithstanding any such error.

APPENDIX II: FORM OF ABANDONMENT NOTICE

To: [Exercise Matched Pair Counterparty Address and Contact Information]

[To/Copy to:]

LCH SA

18, rue du Quatre Septembre

75002 Paris

France

[Contact details]

[Date]

ABANDONMENT NOTICE:

Exercise Cleared Transaction Details: As set out in the Schedule hereto².

Reference is made to the Exercise Cleared Transaction[s] described in the Schedule hereto (the Transaction[s]). Capitalised terms used and not otherwise defined in this letter shall have the meanings given them in the confirmation of the relevant Transaction and in the CDS Clearing Documentation (as defined in such confirmation).

This letter is our Abandonment Notice to you to confirm [our telephonic notice to you today] that we have elected not to exercise our rights under the Transaction[s] and that the Transaction[s] shall instead be terminated in whole.

Sincerely

[Clearing Member]

Name:

Title:

² A single Abandonment Notice may be submitted for multiple trades in respect of the same Counterparty

SCHEDULE

Exercise Cleared Transaction Details

<u>Exercise Matched Pair ID</u>	<u>Underlying Index</u>	<u>Swaption Type</u>	<u>Expiration Date</u>	<u>Swaption Notional Amount / Original Notional Amount</u>
[●]	iTraxx® Europe [<i>index name</i>] Series [●] Version [●]	[Payer / Receiver]	[●]	[●]

The Underlying Index, Swaption Type and Swaption Notional Amount/Original Notional Amount for the Transaction[s] have been included in this Exercise Notice for identification purposes only. Any error in such items shall not invalidate this Abandonment Notice and the Transaction[s] shall be terminated pursuant to this Abandonment Notice notwithstanding any such error.

APPENDIX III: FORM OF CREDIT EVENT NOTICE

To: [Swaption Restructuring Matched Pair Counterparty Address and Contact Information]

[To/Copy to:]

LCH SA

18, rue du Quatre Septembre

75002 Paris

France

[Contact details]

[Date]

CREDIT EVENT NOTICE:

Swaption Restructuring Cleared Transaction Details: As set out in the Schedule hereto³.

Reference is made to the Swaption Restructuring Cleared Transaction[s] described in the Schedule hereto (the **Transaction[s]**). Capitalised terms used and not otherwise defined in this letter shall have the meanings given them in the confirmation of the relevant Transaction and in the CDS Clearing Documentation (as defined in such confirmation).

This letter is our Credit Event Notice to you that an M(M)R Restructuring Credit Event occurred with respect to [insert name of Reference Entity] on or about [insert date], when [describe Credit Event].

Nothing in this letter shall be construed of a waiver of any rights we may have with respect to the Transaction.

Sincerely

[Clearing Member]

Name:

Title:

SCHEDULE

Swaption Restructuring Cleared Transaction Details

<u>[Clearing Member] acting as CDS Seller/Buyer</u>	<u>Swaption Restructuring Matched Pair ID</u>	<u>Reference Entity</u>	<u>Swaption Trade Date</u>	<u>Triggered Amount⁴</u>
[Seller] [Buyer]	[●]	[●]	[●]	[●]

³ A single Credit Event Notice may be submitted for multiple trades in respect of the same Counterparty

⁴ Where different to the relevant SRMP Triggerable Amount

APPENDIX IV: FORM OF NOTICE TO EXERCISE MOVEMENT OPTION

To: [Swaption Restructuring Matched Pair Counterparty Address and Contact Information]

[To/Copy to:]

LCH SA

18, rue du Quatre Septembre

75002 Paris

France

[Contact details]

[Date]

Dear Sir/Madam

Notice to Exercise Movement Option

Swaption Restructuring Cleared Transaction Details: As set out in the Schedule hereto⁵.

Reference is made to: (a) the Swaption Restructuring Cleared Transaction[s] described in the Schedule hereto (the **Transaction[s]**) between [], as Matched Seller, and [], as Matched Buyer; (b) the Credit Event Notice previously delivered to you on [insert date]; and (c) the occurrence of the No Auction Announcement Date on [insert date] pursuant to Section 6.11(b) or Section 6.11(c)(ii) of the 2014 ISDA Credit Derivatives Definitions (the **Definitions**).

This letter constitutes a Notice to Exercise Movement Option. Any capitalised term not otherwise defined in this letter will have the meaning, if any, assigned to such term in the confirmation of the relevant Transaction and in the CDS Clearing Documentation (as defined in such confirmation) or, if no meaning is specified therein, in the Definitions.

We hereby exercise the Movement Option, confirm that the relevant transaction created from [each / the] Transaction[s] pursuant to Section 7 (*Settlement*) of Part C of the CDS Clearing Supplement following exercise of the Transaction will be settled in accordance with the relevant Credit Derivatives Auction Settlement Terms specified in the column entitled "Auction Settlement Terms" corresponding to such Transaction in the Schedule hereto and require performance by you in accordance therewith.

Yours faithfully,

[Matched Buyer/Matched Seller]

Name:

Title:

⁵ A single Notice to Exercise Movement Option may be submitted for multiple trades in respect of the same Counterparty

SCHEDULE

Swaption Restructuring Cleared Transaction Details

<u>Swaption Restructuring Matched Pair ID</u>	<u>Reference Entity</u>	<u>Swaption Trade Date</u>	<u>Auction Settlement Terms</u>
[●]	[●]	[●]	[●]

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**APPENDIX V: FORM OF NOTICE OF DISPUTE RELATING TO ANY SWAPTION RESTRUCTURING /
EXERCISE MATCHED PAIR**

To:

LCH SA
18, rue du Quatre Septembre
75002 Paris
France
[Contact details]

[Date]

[Exercise Matched Pair ID: [●]] / [Swaption Restructuring Matched Pair ID: [●]]

Trade ID: [●]

Dear Sir/Madam

Notice of dispute relating to [insert details of the relevant Exercise Matched Pairs / Swaption Restructuring Matched Pairs subject to a dispute]

Reference is made to Section 8.6 (Disputes as to Notices) of Part C of the CDS Clearing Supplement. Defined terms shall have the meanings assigned to them in Part C of the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 8.6 (Disputes as to Notices) of Part C of the CDS Clearing Supplement, notice is hereby given of the following dispute(s):

[insert details of Exercise Matched Pair(s) / Swaption Restructuring Matched Pair(s) affected and the relevant dispute].

This notice (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this agreement or its formation) shall be governed by and construed in accordance with English law.

Yours faithfully,

[Matched Buyer]/[Matched Seller]

Name:

Title:

APPENDIX VI: CCM CLIENT TRANSACTION REQUIREMENTS

The following provisions (the "Mandatory Provisions") are to be incorporated into a CCM Client Transaction between a CCM and its CCM Client that corresponds to a CCM Client Cleared Transaction (which is an Index Swaption Cleared Transaction, a Swaption Restructuring Cleared Transaction or an Exercise Cleared Transaction) registered in the CCM Client Trade Account in the name of such CCM for such CCM Client. The terms of the corresponding CCM Client Cleared Transaction will be governed by Part C of the CDS Clearing Supplement. Part C of the CDS Clearing Supplement and these Mandatory Provisions have been drafted so as to complement each other.

LCH SA shall not be responsible for any loss suffered or expense incurred by a CCM or any CCM Client as a result of the inclusion in the CCM Client Transaction Documents of the requirements set-out in this Appendix VII.

The Mandatory Provisions, when they are incorporated into any CCM Client Transaction Documents, shall be governed by and construed in accordance with the governing law applicable to such CCM Client Transaction Documents of which they form part, or if different and applicable, in accordance with such CCM Client Transaction Documents, the governing law applicable to transactions entered into under such CCM Client Transaction Documents. The Mandatory Provisions shall be subject to such dispute resolution mechanisms and procedures and such courts or other forum for hearing disputes as are applicable in respect of such CCM Client Transaction Documents of which they form part. Each CCM and its CCM Client to which the Mandatory Provisions apply will waive any right to object to any such choice of law or proceedings on the basis of *forum non conveniens*, that the governing law or forum is not specified on the face of this document or otherwise.

1. **Defined Terms**

Terms used in the Mandatory Provisions and not otherwise defined herein or in the iTraxx® Swaption Standard Terms Supplement as published on [[●] 2017] by Markit Indices Limited (the "STS Supplement"), the 2006 ISDA Definitions published by the International Swaps and Derivatives Association (the "2006 Definitions") or in the 2014 ISDA Credit Derivatives Definitions published by the International Swaps and Derivatives Association (the "2014 ISDA Credit Derivatives Definitions") shall have the meanings given to them in Part C of the CDS Clearing Supplement.

2. **Terms of CCM Client Transactions**

2.1 **2006 Definitions and 2014 ISDA Credit Derivatives Definitions**

The definitions and provisions contained in the 2006 Definitions and in the 2014 ISDA Credit Derivatives Definitions are incorporated into each CCM Client Transaction.

2.2 **Premium Payment Date**

Notwithstanding anything to the contrary in the 2014 ISDA Credit Derivatives Definitions, if the Premium Payment Date specified in the CCM Client Transaction Documents in respect of any CCM Client Transaction is a date falling after the Clearing Day on which the Cleared Transactions related to such CCM Client Transaction are created by novation pursuant to Title III (*Clearing Operations*) of the CDS Clearing Rule Book, the Premium Payment Date in

respect of such CCM Client Transaction shall be deemed to be the Transaction Business Day which is also a Clearing Day immediately following the Clearing Day on which the Cleared Transactions relating to such CCM Client Transaction are created.

2.3 *Abandonment Notices*

On the Expiration Date, Swaption Buyer may notify Swaption Seller (which such notification may be given orally, including by telephone, if notices may generally be given orally pursuant to the terms of the CCM Client Transaction) that the CCM Client Transaction specified in such notice shall be terminated in whole and that no further amounts shall become due and payable by Swaption Buyer to Swaption Seller or vice versa in respect of such CCM Client Transaction and that notice will be deemed to be irrevocable (such notice, an "**Abandonment Notice**"). If applicable, Swaption Buyer will execute and deliver to Swaption Seller a written confirmation confirming the substance of any telephonic notice within one Exercise Business Day of that notice. Failure to provide that written confirmation will not affect the validity of the telephonic notice.

3. *Additional CCM Client Transactions, Compression and Succession Events*

3.1 *Creation of Additional CCM Client Transactions*

Immediately following the creation of Matched Pairs by LCH SA pursuant to 9.1 (*Creation of Matched Pairs*) of the CDS Clearing Supplement, if a CCM Client Transaction has been specified to have been split into or replaced by two or more separate CCM Client Transactions in the TIW as a result of the creation of such Matched Pairs, such CCM Client Transaction shall be split into or terminated and replaced by two or more (as applicable) corresponding CCM Client Transactions. The Swaption Notional Amount of each such CCM Client Transaction (and the Original Notional Amount for the relevant Underlying Swap Transaction) shall correspond to the Swaption Notional Amount (and the Original Notional Amount) specified in TIW for such CCM Client Transaction.

3.2 *Reversal of Creation of Additional CCM Client Transactions*

If a CCM Client Transaction has been split into two or more CCM Client Transactions pursuant to Mandatory Provision 3.1 (*Creation of Additional CCM Client Transactions*) above and the relevant DC Credit Event Announcement in respect of a Restructuring Credit Event that led to the creation of the Matched Pairs is reversed such that Section 5.7 (*Reversal of DC Credit Event Announcements*) of Part C of the CDS Clearing Supplement applies, then, subject to Section 10.2(a)(i) of the 2014 ISDA Credit Derivatives Definitions and provided that no Subsequent Restructuring has occurred, any additional CCM Client Transactions created pursuant to Mandatory Provision 3.1 (*Creation of Additional CCM Client Transactions*) above shall be deemed not to have been created. Any Credit Event Notices delivered in connection with such CCM Client Transactions in relation to such Restructuring Credit Event shall be deemed to be ineffective.

3.3 *Compression of CCM Client Transactions*

If two or more CCM Client Transactions are specified in TIW to have been compressed into a single CCM Client Transaction pursuant to Chapter 3 (*Compression*) of Title III (*Clearing*)

Operations) of the CDS Clearing Rule Book, such CCM Client Transactions shall be compressed into a single CCM Client Transaction with a Swaption Notional Amount (and an Original Notional Amount for the relevant Underlying Swap Transaction) equal to the aggregate Swaption Notional Amounts of the original CCM Client Transactions.

4. Validity of Notices

Save if and as expressly stated to the contrary in the Mandatory Provisions, any notice delivered by a CCM Client to its CCM in respect of a CCM Client Transaction (including, without limitation, a Credit Event Notice, Notice to Exercise Movement Option or Exercise Notice) at a time or in a manner in which the CCM would not be permitted to deliver such a notice to LCH SA (or to a relevant Matched Buyer or Matched Seller as designee of LCH SA (as applicable)) in respect of the corresponding CCM Client Cleared Transaction pursuant to the terms of Part C of the CDS Clearing Supplement shall be deemed not to have been delivered.

5. Determination of Credit Events and Succession Events

Notwithstanding any provision to the contrary:

- (a) the Calculation Agent shall not make any determination in respect of any matter which is or may be subject to resolution under Sections 3.5 (Successor Resolutions) or 3.6 (Substitute Reference Obligation Resolutions) of the DC Rules; and
- (b) neither party shall be entitled to deliver a Successor Notice or a Credit Event Notice (other than Credit Event Notices in relation to a Restructuring Credit Event in accordance with the terms of any CCM Client Transaction (including the Mandatory Provisions)).

6. Timings for the Delivery of Notices for CCM Client Transactions

In this Mandatory Provision 6:

"Swaption Restructuring CCM Client Buyer" means a CCM Client that is party to a CCM Client Transaction and is protection buyer under the Underlying Swap Transaction for such CCM Client Transaction;

"Swaption Restructuring CCM Client Seller" means a CCM Client that is party to a CCM Client Transaction and is protection seller under the Underlying Swap Transaction for such CCM Client Transaction;

"Swaption Restructuring CCM Buyer/Matched Seller" means a CCM that is party to (a) a CCM Client Transaction and is protection buyer under the Underlying Swap Transaction for such CCM Client Transaction; and (b) a corresponding CCM Client Cleared Transaction and is protection seller under the Underlying Swap Transaction for such CCM Client Cleared Transaction; and

"Swaption Restructuring CCM Seller/Matched Buyer" means a CCM that is party to (a) a CCM Client Transaction and is protection seller under the Underlying Swap Transaction for such CCM Client Transaction; and (b) a corresponding CCM Client Cleared Transaction and is

protection buyer under the Underlying Swap Transaction for such CCM Client Cleared Transaction.

The following provisions shall solely be applicable in respect of a CCM Client Transaction between a Swaption Restructuring CCM Client Buyer and its Swaption Restructuring CCM Seller/Matched Buyer:

6.1 Delivery of Notices by Swaption Restructuring CCM Client Buyer

For the purposes of the delivery by Swaption Restructuring CCM Client Buyer of any notice in respect of a CCM Client Transaction (other than an Exercise Notice to which this Mandatory Provision 6 shall not apply), Section 1.38 (Requirements Regarding Notices) of the 2014 ISDA Credit Derivatives Definitions shall be amended so as to provide that, solely in respect of the final day on which such notice could validly be delivered pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions), any such notice shall be required to be delivered on or prior to 2:00 p.m. (Calculation Agent City time) in order to be effective.

A notice (including, without limitation, a Credit Event Notice or a Notice to Exercise Movement Option) delivered by Swaption Restructuring CCM Client Buyer after 2:00 p.m. (Calculation Agent City time) on the final day on which such notice could validly be delivered pursuant to the terms of the relevant CCM Client Transaction (including the Mandatory Provisions) shall be deemed not to have been delivered.

6.2 Onward Delivery of Credit Event Notices and Notices to Exercise Movement Option by Swaption Restructuring CCM Seller/Matched Buyer to Matched Seller

Any Credit Event Notice or Notice to Exercise Movement Option delivered by Swaption Restructuring CCM Client Buyer shall not be effective unless and until Swaption Restructuring CCM Seller/Matched Buyer effectively delivers the relevant equivalent notice to the relevant Matched Seller in respect of and pursuant to the terms of the corresponding Swaption Restructuring Cleared Transaction.

Swaption Restructuring CCM Seller/Matched Buyer undertakes to deliver such a notice to the relevant Matched Seller within two hours of its receipt of the equivalent notice from Swaption Restructuring CCM Client Buyer if such notice is received between 9:00 a.m. (Calculation Agent City time) and 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Seller/Matched Buyer after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Seller/Matched Buyer before 9:00 a.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on such Calculation Agent City Business Day. Any such notice delivered on a day that is not a Calculation Agent City Business Day shall be deemed to have been delivered at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day.

6.3 *Receipt of Credit Event Notices and Notices to Exercise Movement Option by Swaption Restructuring CCM Seller/Matched Buyer deemed to be Receipt by Swaption Restructuring CCM Client Buyer*

Any Credit Event Notice or Notice to Exercise Movement Option delivered by Matched Seller to Matched Buyer in respect of and pursuant to the terms of a Swaption Restructuring Cleared Transaction relating to a CCM Client Transaction between such Swaption Restructuring CCM Seller/Matched Buyer and Swaption Restructuring CCM Client Buyer shall be deemed to constitute simultaneous delivery by Swaption Restructuring CCM Seller/Matched Buyer to Swaption Restructuring CCM Client Buyer of such notice in respect of such CCM Client Transaction.

Swaption Restructuring CCM Seller/Matched Buyer undertakes to deliver such a notice to Swaption Restructuring CCM Client Buyer within two hours of its receipt of the equivalent notice from the relevant Matched Seller if such notice is received between 9:00 a.m. (Calculation Agent City time) and 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Seller/Matched Buyer after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Seller/Matched Buyer before 9:00 a.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on such Calculation Agent City Business Day. Any such notice delivered on a day that is not a Calculation Agent City Business Day shall be deemed to have been delivered at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day.

The following provision[s] shall solely be applicable in respect of a CCM Client Transaction between a Swaption Restructuring CCM Client Seller and its Swaption Restructuring CCM Buyer/Matched Seller:

6.4 *Delivery of Credit Event Notices and Notices to Exercise Movement Option by Swaption Restructuring CCM Client Seller*

For the purposes of the delivery by Swaption Restructuring CCM Client Seller of any Credit Event Notice or any Notice to Exercise Movement Option in respect of a CCM Client Transaction, Section 1.38 (*Requirements Regarding Notices*) of the 2014 ISDA Credit Derivatives Definitions shall be amended so as to provide that, solely in respect of the final day on which such notice could validly be delivered pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions), any such notice shall be required to be delivered on or prior to 2:00 p.m. (Calculation Agent City time) in order to be effective.

A Credit Event Notice or Notice to Exercise Movement Option delivered by Swaption Restructuring CCM Client Seller after 2:00 p.m. (Calculation Agent City time) on the final day on which such notice could validly be delivered pursuant to the terms of the relevant CCM Client Transaction (including the Mandatory Provisions) shall be deemed not to have been delivered.

6.5 Onward Delivery of Credit Event Notices and Notices to Exercise Movement Option by Swaption Restructuring CCM Buyer/Matched Seller to Matched Buyer

Any Credit Event Notice or Notice to Exercise Movement Option delivered by Swaption Restructuring CCM Client Seller shall not be effective unless and until Swaption Restructuring CCM Buyer/Matched Seller effectively delivers the relevant equivalent notice to the relevant Matched Buyer in respect of and pursuant to the terms of the corresponding Swaption Restructuring Cleared Transaction.

Swaption Restructuring CCM Buyer/Matched Seller undertakes to deliver such a notice to the relevant Matched Buyer within two hours of its receipt of the equivalent notice from Swaption Restructuring CCM Client Seller if such notice is received between 9:00 a.m. (Calculation Agent City time) and 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Buyer/Matched Seller after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Buyer/Matched Seller before 9:00 a.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on such Calculation Agent City Business Day. Any such notice delivered on a day that is not a Calculation Agent City Business Day shall be deemed to have been delivered at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day.

6.6 Receipt of Credit Event Notices and Notices to Exercise Movement Option by Swaption Restructuring CCM Buyer/Matched Seller deemed to be Receipt by Swaption Restructuring CCM Client Seller

Any Credit Event Notice or Notice to Exercise Movement Option which is delivered by Matched Buyer in respect of and pursuant to the terms of a Swaption Restructuring Cleared Transaction relating to a CCM Client Transaction between such Swaption Restructuring CCM Buyer/Matched Seller and Swaption Restructuring CCM Client Seller shall be deemed to constitute simultaneous delivery by Swaption Restructuring CCM Buyer/Matched Seller to Swaption Restructuring CCM Client Seller of such notice in respect of such CCM Client Transaction.

Swaption Restructuring CCM Buyer/Matched Seller undertakes to deliver such a notice to Swaption Restructuring CCM Client Seller within two hours of its receipt of the equivalent notice from the relevant Matched Buyer if such notice is received between 9:00 a.m. (Calculation Agent City time) and 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Buyer/Matched Seller after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Buyer/Matched Seller before 9:00 a.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on such Calculation Agent City Business Day. Any such notice delivered on a day that is not a Calculation Agent City Business Day shall be

deemed to have been delivered at 9.00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day.

7. Timings for the Delivery of Exercise Notices for CCM Client Transactions

In this Mandatory Provision 7:

"CCM Client Swaption Buyer" means a CCM Client that is party to a CCM Client Transaction and is swaption buyer under such CCM Client Transaction;

"CCM Client Swaption Seller" means a CCM Client that is party to a CCM Client Transaction and is swaption seller under such CCM Client Transaction;

"CCM Swaption Buyer/Matched Seller" means a CCM that is party to (a) a CCM Client Transaction and is swaption buyer under such CCM Client Transaction; and (b) a corresponding CCM Client Cleared Transaction and is swaption seller under such CCM Client Cleared Transaction; and

"CCM Swaption Seller/Matched Buyer" means a CCM that is party to (a) a CCM Client Transaction and is swaption seller under such CCM Client Transaction; and (b) a corresponding CCM Client Cleared Transaction and is swaption buyer under CCM Client Cleared Transaction.

The following provisions shall solely be applicable in respect of a CCM Client Transaction between a CCM Client Swaption Buyer and its CCM Swaption Seller/Matched Buyer:

7.1 Delivery of Exercise Notice by CCM Client Swaption Buyer – Latest Exercise Time

For the purposes of the delivery by CCM Client Swaption Buyer of an Exercise Notice in respect of a CCM Client Transaction, the Latest Exercise Time shall be 2:00 p.m. (London time).

7.2 Delivery of Abandonment Notice by CCM Client Swaption Buyer

For the purposes of the delivery by CCM Client Swaption Buyer of an Abandonment Notice in respect of a CCM Client Transaction, any such Abandonment Notice shall be required to be delivered on or prior to 2:00 p.m. (London time) in order to be effective.

7.3 Onward Delivery of Exercise Notice or Abandonment Notice by CCM Swaption Seller/Matched Buyer to Matched Seller

Any Exercise Notice or Abandonment Notice delivered by CCM Client Swaption Buyer shall not be effective unless and until CCM Swaption Seller/Matched Buyer effectively delivers the relevant equivalent Exercise Notice or Abandonment Notice to the relevant Matched Seller in respect of and pursuant to the terms of the corresponding Exercise Cleared Transaction.

CCM Swaption Seller/Matched Buyer undertakes to deliver such an Exercise Notice or Abandonment Notice to the relevant Matched Seller within two hours of its receipt of the equivalent notice from CCM Client Swaption Buyer.

The following provision shall solely be applicable in respect of a CCM Client Transaction between a CCM Client Swaption Seller and its CCM Swaption Buyer/Matched Seller:

7.4 Receipt of Exercise Notice or Abandonment Notice by CCM Swaption Buyer/Matched Seller deemed to be Receipt by CCM Client Swaption Seller

Any Exercise Notice or Abandonment Notice which is delivered by Matched Buyer to Matched Seller in respect of and pursuant to the terms of an Exercise Cleared Transaction relating to a CCM Client Transaction between such CCM Swaption Buyer/Matched Seller and CCM Client Swaption Seller shall be deemed to constitute simultaneous delivery by CCM Swaption Buyer/Matched Seller to CCM Client Swaption Seller of such a notice in respect of such CCM Client Transaction.

CCM Swaption Buyer/Matched Seller undertakes to deliver such an Exercise Notice or Abandonment Notice (as applicable) to CCM Client Swaption Seller within two hours of its receipt of the equivalent notice from the relevant Matched Buyer.

8. Settlement

8.1 Creation of Underlying Swap Transaction

Following exercise of the CCM Client Transaction (and the related CCM Client Cleared Transaction) and upon creation of the Underlying Swap Transaction, such Underlying Swap Transaction shall constitute a CCM Client Transaction between the CCM and its CCM Client for the purposes of Part B of the CDS Clearing Supplement corresponding to the CCM Client Cleared Transaction registered in the CCM Client Trade Account in the name of the CCM for the CCM Client created pursuant to Section 7.1 (Creation of Index Cleared Transactions) of Part C of the CDS Clearing Supplement and governed following creation by Part B of the CDS Clearing Supplement. The provisions of Appendix XIII (CCM Client Transaction Requirements) of Part B of the CDS Clearing Supplement shall be deemed to be incorporated into the new CCM Client Transaction.

8.2 Creation of Restructuring Single Name Transaction

Following exercise of the CCM Client Transaction (and the related CCM Client Cleared Transaction), if any 'New Trade' is created pursuant to the provisions of sub-paragraph 5.2(b) (Transfer and termination of Component Transactions) of the Relevant Standard Terms Supplement (as defined in the STS Supplement) as a result of the occurrence of an M(M)R Restructuring Credit Event, such 'New Trade' shall constitute a CCM Client Transaction for the purposes of Part B of the CDS Clearing Supplement corresponding to the CCM Client Cleared Transaction registered in the CCM Client Trade Account in the name of the CCM for the CCM Client created pursuant to Section 7.3 (Creation of Restructuring Cleared Transactions for Triggering and/or Settlement purposes) or Section 7.4 (Creation of Initial Single Name Cleared Transactions in respect of untriggered M(M)R Restructuring Credit Events) of Part C of the CDS Clearing Supplement and governed following creation by Part B of the CDS Clearing Supplement. The provisions of Appendix XIII (CCM Client Transaction Requirements) of Part B of the CDS Clearing Supplement shall be deemed to be incorporated into the new CCM Client Transaction.

8.3 Auction Settlement Date

If an Event Determination Date has occurred in respect of a Credit Event for a Reference Entity referenced by the Underlying Swap Transaction in accordance with the 'Operation of each Underlying Swap Transaction' section of Part 4 (Underlying Swap Transaction Terms) of the STS Supplement, notwithstanding anything to the contrary in the STS Supplement the Auction Settlement Date for any such Event Determination Date will be deemed to be the later of (i) the Auction Settlement Date that would be determined in accordance with Section 6.3 of the 2014 Credit Derivatives Definitions and (ii) the Transaction Business Day immediately following the Expiration Date.

8.4 Settlement Payment

Notwithstanding anything to the contrary in the STS Supplement, the Settlement Payment (or the absolute value thereof, as applicable) shall be payable on the Transaction Business Day immediately following the Expiration Date.

9. Calculation Agent

9.1 Appointment of Calculation Agent

The Calculation Agent in respect of any CCM Client Transaction shall be the CCM.

9.2 Calculations and Determinations of Calculation Agent

In the event that the Calculation Agent is entitled or required to make any calculation or determination in respect of a CCM Client Transaction in respect of a matter that has already been or will be determined in respect of and pursuant to the terms of the corresponding CCM Client Cleared Transaction, the Calculation Agent in respect of the CCM Client Transaction shall be obliged to make the same calculation or determination in respect of such CCM Client Transaction as the determination in respect of the corresponding CCM Client Cleared Transaction.

10. Amendments

The Mandatory Provisions may be amended from time to time pursuant to Section 11 (Amendments) of Part C of the CDS Clearing Supplement. The parties agree that any amendments made to the Mandatory Provisions in accordance with Section 11 (Amendments) of Part C of the CDS Clearing Supplement shall be deemed to apply automatically to the CCM Client Transaction(s) with effect from the date of such amendment to the Mandatory Provisions.

LCH The Markets'
Partner

CDSClear

LCH SA CDS Clearing Procedures

Section 1 - Membership

~~1 August 2016~~



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1.1 APPLICATION PROCEDURE

[...]

(e) Due diligence and review process

An Applicant must accept that during the review process LCH SA:

- (i) is entitled to make enquiries of any nature about the Applicant and any person connected or associated with the Applicant;
- (ii) is entitled to ask the Applicant to supply additional information and take whatever steps are necessary to verify information;
- (iii) is entitled to provide and/or disclose information to a Competent Authority, Regulatory Body, LCH SA's insurers in connection with any form of insurance, or otherwise in accordance with the CDS Clearing Documentation;
- (iv) is entitled to request that operational tests are carried out to ensure that the Applicant is operationally capable of using the CDS Clearing Service; and
- (v) may disclose to a third party (for example, technology providers or settlement service providers) the name, address, registered number and details of any exchange or clearing memberships held or applied for to the extent that such disclosure is required to facilitate the Applicant's membership application.

During the review process, the Applicant must notify LCH SA by email to the CDSClear Business Development & Relationship Management team at cdsclearbusinessdevrm@lch.com of changes to the:

- (i) information and any other documentation supplied (at any stage) to LCH SA with the CDSClear Admission Form and/or in support of the application; and
- (ii) facts and circumstances concerning the Applicant which would affect its ability to perform its obligations under the CDS Clearing Documentation and/or the orderly conduct of its activities as a Clearing Member

LCH SA shall endeavour to review the information and documents in the application within 30 Business Days or 40 Business Days if a legal opinion is required to be issued, if applicable, from receipt by LCH SA (including any additional information or documents requested by LCH SA) but owes no duty or obligation to the Applicant to do so.

As part of the review process the Applicant may expect at least one visit to the Applicant's operations office by one or more LCH SA representatives (which may include any of LCH SA's third party advisers). LCH SA will give an Applicant reasonable advance notice of any proposed visit. An Applicant may refuse access to any or all LCH SA representatives or third party advisers but any such refusal of access may result in the application process being delayed and/or LCH SA being unable to

process the Applicant's application. During this visit the Applicant should be able to show the LCH SA representatives the following:

- (i) operational personnel – who may be questioned to identify their individual knowledge of CDS and, as the case may be, Index Swaptions;
- (ii) computer systems; and
- (iii) on-site procedures.

The decision of LCH SA shall be communicated to the Applicant at the address specified in the application by registered mail.

The CDS Membership Type to which the Clearing Member has been admitted and as the case may be, its registration for the Index Swaption Clearing Service, will be specified in the approval letter sent by LCH SA.

LCH SA may refuse an Applicant admission to membership if the conditions set out in Article 2.2.1.1 of the CDS Clearing Rule Book have not been satisfied or if it considers that such admission may adversely affect the operation of the CDS Clearing System or the provision of the CDS Clearing Service. The decision to refuse admission to membership will indicate the reasons why membership was refused.

[...]

1.2 CHANGE IN THE CDS MEMBERSHIP TYPE PROCEDURE

If a Clearing Member wishes to change its CDS Membership Type or to be registered, or to be no longer registered, for the Index Swaption Clearing Service, that Clearing Member must contact the CDSClear Business Development & Relationship Management team by email at cdsclearbusinessdevrm@lch.com or on +44 (0) 203 137 4516 for further information.

Depending on the new CDS Membership Type it has selected or where such Clearing Member wishes to be registered for the Index Swaption Clearing Service, the CDS Clearing Member may be requested to provide additional information and/or documents.

Where a Clearing Member requests to be unregistered from the Index Swaption Clearing Service, LCH SA will not approve this request as long as there is any Index Swaption Cleared Transaction registered in that Clearing Member's Account Structure.

LCH SA shall notify the Clearing Member of its decision to-;

- (i) admit that Clearing Member to the new CDS Membership Type; and /or
- (ii) register or unregister, that Clearing Member for/from the Index Swaption Clearing Service,

and the effective date of such change, by sending an approval letter.

[...]

Relevant extracts

LCH The Markets'
Partner

CDSClear

LCH SA CDS Clearing Procedures

Section 2 - Margin and Price Alignment Interest

~~30 September 2016~~

[●]

[...]

2.7 INITIAL MARGIN

Initial Margin covers the potential costs caused by a Defaulting Clearing Member and/or a double Event of Default, i.e. a combined Credit Event of a Reference Entity and a Clearing Member Event of Default (in which the Clearing Member is a CDS Seller in respect of an Index Cleared Transaction or a Single Name Cleared Transaction, or a protection seller in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction).

(a) Spread Margin

The Spread Margin is calculated using the Value-at-Risk (VaR) model which is based on the following principles: at the Margin Account level, a distribution of potential losses is built from simulated scenarios based on the joint credit spread and volatility variations observed in the past. LCH SA then determines the Spread Margin based on a quantile of the worst losses that the Margin Account could bear in the case of unfavourable credit spread and volatility fluctuations.

The Spread Margin calculated in respect of the House Margin Account covers the potential costs of liquidating House Cleared Transactions of the Defaulting Clearing Member whilst the Spread Margin calculated in respect of each Client Margin Account covers the potential costs of liquidating any Non-Ported Client Cleared Transactions attributable to such Client Margin Account. It covers the potential future credit spread and volatility fluctuations in case of unfavourable market movements under normal circumstances.

With respect to each Margin Account of each Clearing Member:

- (i) Cleared Transactions for which the relevant Clearing Member acts as CDS Buyer are treated as assets with positive liquidation value; and
- (ii) Cleared Transactions for which the relevant Clearing Member acts as CDS Seller are treated as liabilities with negative liquidation value.

(b) Spread Margin Floor

LCH SA may, by Clearing Notice, specify a Spread Margin Floor ~~applicable to a particular CDS Type~~ approved by the board of directors of LCH SA following consultation with the Risk Committee.

Where the calculation of Spread Margin would result in the Spread Margin for any Margin Account of a Clearing Member being less than the Spread Margin Floor, the Spread Margin requirement for such Margin Account shall be equal to the Spread Margin Floor.

(c) Short Charge Margin

Where a Clearing Member is acting as a CDS Seller in respect of an Index Cleared Transaction or a Single Name Cleared Transaction, or as a protection seller in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction, Short Charge Margin will be required to cover the risk that the Clearing Member is subject to an Event of Default at the same time as a Credit Event occurs with respect to a Reference Entity.

The Short Charge Margin is calculated using an algorithm, approved by the board of directors of LCH SA following consultation with the Risk Committee, based on the Open Positions registered in the relevant Margin Account of the Clearing Member.

[...]

2.8 SELF-REFERENCING PROTECTION MARGIN

Where a Clearing Member is acting as a CDS Seller in respect of ~~a Cleared Transaction~~ an Index Cleared Transaction or a Single Name Cleared Transaction, or as a protection seller in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction, for which such Clearing Member is, or becomes, the Reference Entity, Self-Referencing Protection Margin will be required to cover the protection that would have to be paid by LCH SA with respect to this Clearing Member should the Clearing Member be subject to an Event of Default.

The Self-Referencing Protection Margin is calculated using an algorithm, approved by the board of directors of LCH SA following consultation with the Risk Committee, based on the Open Positions registered in the relevant Margin Account of the Clearing Member.

[...]

2.10 ACCRUED FIXED AMOUNT LIQUIDATION RISK MARGIN

Each Clearing Member acting as a CDS Buyer in respect of an Index Cleared Transaction or a Single Name Cleared Transaction, or as a protection buyer in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction where the exercise of that Index Swaption Cleared Transaction falls in the margin calculation time horizon, is required to pay Accrued Fixed Amount Liquidation Risk Margin in respect of the relevant Cleared Transactions to cover the risk that it is subject to an Event of Default and accrued Fixed Amounts are due during the period that the relevant House Cleared Transactions or Non-Ported Cleared Transactions, as applicable, are liquidated pursuant to the CDS Default Management Process.

The Accrued Fixed Amount Liquidation Risk Margin is calculated daily for each Margin Account of each Clearing Member and corresponds to the aggregate amount of daily Fixed Amounts for such ~~CDS Buyer~~ Clearing Member pursuant to its Cleared Transactions during a rolling forward-looking period of 5 Business Days.

2.11 CREDIT EVENT MARGIN

~~Each Clearing Member acting as a CDS Seller~~ Where a Credit Event occurs with respect to the Reference Entity which is the subject of the Cleared Transaction, each Clearing Member is required to pay Credit Event Margin in respect of the relevant Cleared Transactions to cover the risk of non-payment of Variation Margin by the CDS Seller where a Credit Event occurs without CDS Buyer in respect to the Reference Entity which is the subject of the of an Index Cleared Transaction(s), or a Single Name Cleared Transaction, or the Index Swaption Seller or Index Swaption Buyer in respect of an Index Swaption Cleared Transaction, arising from a potential adverse change in the estimated recovery rate.

Credit Event Margin will be calculated by LCH SA for each Margin Account of each Clearing Member, on each Business Day from the date of the relevant DC Credit Event Announcement until the settlement process in respect of such Cleared Transaction has been completed

(including Physical Settlement as set out in the CDS Clearing Supplement, or Auction Settlement, as applicable) or any disputes in relation thereto have been finally resolved. The calculation of the Credit Event Margin is based on an estimated recovery rate of the Affected Cleared Transaction or the Restructuring Cleared Transaction, as the case may be, and the exposure of LCH SA by reference to the notional amount of the Clearing Member's Cleared Transaction(s) affected by the Credit Event.

Credit Event Margin will be reimbursed ~~to the CDS Seller~~ on the Business Day following completion or resolution of the settlement process (including Physical Settlement, or Auction Settlement and/or index re-versioning, as applicable) or the day on which settlement can no longer occur in respect of such Credit Event (including without limitation because no relevant Credit Event Notice or Notice of Physical Settlement is delivered within the required timeframes).

In the event that a DC Credit Event Announcement made in relation to a Credit Event is reversed then LCH SA shall reimburse each Clearing Member with the amount of any Credit Event Margin on the next following Business Day in accordance with Section 3 of the Procedures.

[...]

2.13 VARIATION MARGIN

Variation Margin is an amount exchanged on each Cash Payment Day between the Clearing Member and LCH SA to account for the potential profit or loss on a Cleared Transaction due to the variation of the market value of a CDS- or, as the case may be, an Index Swaption.

It covers price fluctuations which have occurred since the registration of each Cleared Transaction. LCH SA will calculate the Variation Margin payable in respect of each Margin Account of each Clearing Member as the difference between:

- (i) the net position value of the relevant Open Positions registered at the time of calculation in the relevant Margin Account on the current Cash Payment Day; and
- (ii) the net position value of the Open Positions registered in the relevant Margin Account on the immediately preceding Cash Payment Day.

In respect of a Margin Account of a Clearing Member, the Variation Margin Requirement is determined at the Morning Call in respect of:

- (x) Open Positions already registered in a Margin Account; and
- (y) positions corresponding to Irrevocable Backloading Transactions pre-registered in a Margin Account.

The net position value of an Open Position or a position corresponding to Irrevocable Backloading Transactions is equal to:

- (a) the End of Day Contributed Prices provided to LCH SA in accordance with Article 4.2.7.1 of the CDS Clearing Rule Book and Section 5 of the Procedures (or, where such End of Day Contributed Prices are not available to LCH SA, the prices/spreads as set out in Article 4.2.7.1 of the CDS Clearing Rule Book and Section 5 of the Procedures); *plus*

- (b) accrued coupon payments, *minus*
- (c) an amount equal to the Initial Payment Amount where the Clearing Member is required to pay the Initial Payment Amount, in accordance with Section 3 of the CDS Clearing Supplement, but has not made such payment as at the relevant Cash Payment Day (if applicable); *plus*
- (d) an amount equal to the Initial Payment Amount where the Clearing Member is entitled to receive the Initial Payment Amount, in accordance with Section 3 of the CDS Clearing Supplement, but has not received such payment as at the relevant Cash Payment Day (if applicable).

Where the difference between the net position values of a Clearing Member's Margin Account is:

- (i) a negative amount: such Clearing Member owes Variation Margin to LCH SA (and will be considered a Variation Margin debtor in relation to such Margin Account); or
- (ii) a positive amount: LCH SA owes Variation Margin to such Clearing Member.

On the basis of these calculations, LCH SA will determine:

- (x) the Client Variation Margin Requirement for each Client Margin Account of the Clearing Member; and/or
- (y) the House Variation Margin Requirement for the House Margin Account,

which will trigger Cash Payment(s) to be made by the Clearing Member and/or LCH SA in accordance with Section 3 of the Procedures.

The amount of Variation Margin paid or received by LCH SA to or from a Clearing Member may be adjusted in accordance with Clause 7 of the CDS Default Management Process.

[...]

Relevant extracts

LCH The Markets'
Partner

CDSClear

LCH SA
CDS Clearing Procedures

Section 3 - Collateral and Cash Payment

~~30 September 2016~~



[...]

3.18 CASH PAYMENTS

(a) Currencies for Cash Payments

A Clearing Member is required to satisfy the following Cash Payment obligations in accordance with the following table:

Cash Payment Type	Cash Payment
CDS <u>or Index Swaption</u> -related payments (Initial Payment Amount, Fixed Amounts <u>or as the case may be, Premium</u> , cash amounts due upon the occurrence of Credit Events and cash amounts due in connection with an MTM change)	Cash in CDS Contractual Currency
Variation Margin, Price Alignment Interest	Cash in CDS Contractual Currency
Clearing House Adjustments	Cash in an Eligible Currency
Fees	Cash in Euro
Remuneration	Cash in the currency of the relevant Cash Collateral deposit

By exception to the above table, LCH SA shall be entitled to require from a Clearing Member that it performs its Cash Payments obligations in a currency other than the CDS Contractual Currency of the relevant Cleared Transaction(s), in the conditions and manner as set out in Paragraph 3.18 (d) below.

[...]

LCH The Markets'
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LCH SA CDS Clearing Procedures

**Section 4 - Eligibility Requirements,
~~Eligible Index Versions and
Eligible Reference Entities~~**

~~10 January 2017~~



CONTENTS**SECTION 4 – ELIGIBILITY REQUIREMENTS, ~~ELIGIBLE INDEX VERSIONS~~**
~~AND ELIGIBLE REFERENCE ENTITIES~~

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DRAFT

Capitalised terms used in this Eligibility Requirements, Eligible Index Versions and Eligible Reference Entities Procedure and not otherwise defined herein shall have the meaning given pursuant to the remainder of the CDS Clearing Documentation ~~or~~, the ISDA Credit Derivatives Definitions or the 2006 Definitions, as such terms are defined in the document entitled "CDS Clearing Rule Book" published by LCH SA, as amended from time to time.

4.1 ELIGIBILITY REQUIREMENTS

- (a) LCH SA provides CDS Clearing Services in relation to Original Transactions which comply with the requirements set out in paragraph 4.1(c) below (the "**Eligibility Requirements**").
- (b) Following receipt from DTCC of the Gold Records File on a Weekly Backloading Start Day, LCH SA will extract the Original Transaction Data in relation to the relevant Backloading Transaction. Such Backloading Transaction will then be subject to the Eligibility Controls pursuant to Article 3.1.1.3 of the CDS Clearing Rule Book.
- (c) The following criteria shall constitute the Eligibility Requirements of an Original Transaction for the purposes of Section 3.1.1 (*Weekly Backloading Cycle*), Section 3.1.2 (*Daily Backloading Cycle*) and Section 3.1.4 (*Intraday Process*) of the CDS Clearing Rule Book:
 - (i) the relevant Clearing Member is not: (I) a Clearing Member that has been suspended in accordance with Section 2.4.1 (*Suspension*) of the CDS Clearing Rule Book; (II) a Defaulting Clearing Member; (III) a Clearing Member in respect of which a Payment Failure has occurred and is continuing; ~~or~~ (IV) a Clearing Member that is no longer permitted to introduce risk to LCH SA in accordance with Section 2.2.4 of the CDS Clearing Rule Book; or (V) in respect of an Original Transaction that is an Index Swaption Intraday Transaction, a Clearing Member that is not registered for the Index Swaption Clearing Service;
 - (ii) LCH SA is permitted, pursuant to Applicable Law, to clear such Original Transaction for the relevant Clearing Member's own account (or for that of its Client or Affiliate, as applicable);
 - (iii) the Original Transaction is:
 - (A) subject to paragraphs 4.1(c)(iv)-(v) and paragraph 4.2 below, a CDS referencing an Index Version (as such term is defined in paragraph 4.2(a) below) provided that the following requirements, as set out in the Eligible Index Versions List (as such ~~terms are~~term is defined in paragraph 4.2(d) below) are met:
 - (1) the Index Version is an Eligible Index Version (as such ~~terms are~~term is defined in paragraph 4.2(b) below);
 - (2) the term is an Eligible Term (as such term is defined in paragraph 4.2(c) below); and

Eligible Index Versions and Eligible Reference Entities

- (3) the currency of the Original Notional Amount is eligible for clearing; or
- (B) subject to paragraphs 4.1(c)(iv)-(v) and paragraph 4.3 below, a CDS referencing a single Reference Entity (a “**Single Name CDS**”), provided that the following requirements are met:
- (1) the Reference Entity is an Eligible Reference Entity (as such term is defined in paragraph 4.3(a) below) in respect of the relevant ISDA Credit Derivatives Definitions;
 - (2) the Reference Obligation is an Eligible Reference Obligation (as such term is defined in paragraph 4.3(b)(ii) below) for such Reference Entity in respect of the relevant ISDA Credit Derivatives Definitions;
 - (3) in respect of an Original Transaction which incorporates the Credit Derivatives Physical Settlement Matrix: the Transaction Type is an Eligible Transaction Type (as such term is paragraph 4.3(b)(iv) below);
 - (4) in respect of an Original Transaction which does not incorporate the Credit Derivatives Physical Settlement Matrix: such Original Transaction is documented by a master confirmation which sets out terms which are substantially similar to those provided for in the Credit Derivatives Physical Settlement Matrix in respect of an Eligible Transaction Type;
 - (5) in respect of an Eligible Transaction Type which is “Standard North American Corporate” (as such term is defined in the Physical Settlement Matrix), “Restructuring” is not specified as “Applicable”;
 - (6) the currency of the Floating Rate Payer Calculation Amount is eligible for clearing;
 - (7) the Fixed Rate is an Eligible Fixed Rate for such Reference Entity (as such term is defined in paragraph 4.3(b)(i) below);
 - (8) the Fixed Rate Payer Payment Dates are 20 March, 20 June, 20 September and 20 December (each such date, a “**Standard Payment Date**”);
 - (9) the Scheduled Termination Date is an Eligible Scheduled Termination Date (as such term is defined in paragraph 4.3(b)(vii) below); ~~and~~
 - (10)no valid Credit Event Notice in relation to an M(M)R Restructuring Credit Event in respect of the Reference Entity has been delivered; and
 - ~~(10)~~(11)the Reference Entity is neither the relevant Clearing Member, an Affiliate of the relevant Clearing Member nor,

Eligible Index Versions and Eligible Reference Entities

where the relevant Clearing Member has also entered into a Client Transaction corresponding to such Original Transaction, the relevant Client or an Affiliate of the Client.

The requirements mentioned in sub-paragraphs (1), (2), (6) and (8) are set out in the Eligible Reference Entities List (as such term is defined in paragraph 4.3(c) below); or

(C) subject to paragraph 4.4 below, an Index Swaption Intraday Transaction provided that the following requirements, as set out in the Eligible Index Swaptions List (as such term is defined in paragraph 4.4 (c) below), are met:

(1) the Expiration Date is an Eligible Expiration Date (as such terms are defined in paragraph 4.4(b) below);

(2) the Index Version of the Underlying Index Transaction is an Eligible Underlying Index Transaction Version (as such term is defined in paragraph 4.4 (b) below);

(3) with respect to each Eligible Underlying Index Transaction Version:

(x) the term is an Eligible Term (as such term is defined in paragraph 4.4(b) below);

(y) the currency of the Original Notional Amount is eligible for clearing; and

(z) no valid Credit Event Notice in relation to an M(M)R Restructuring Credit Event in respect of a Reference Entity referenced by that Underlying Index Transaction has been delivered.

For the avoidance of doubt, the requirements set out in this sub-paragraph 4.1(c)(iii) are checked solely on the basis of the Original Transaction Data received from an Approved Trade Source System or DTCC, as applicable. LCH SA is not aware of, and does not check, the actual terms of the confirmation of the Original Transactions;

(iv) in respect of an FCM Client, a U.S. CCM Client of a Non-U.S. CCM or a CCM Client of a U.S. CCM, the Original Transaction may not be a Single Name CDS or any other SBS identified as such in a Clearing Notice;

(v) in respect of a Non-U.S. CCM Client, the Original Transaction may not be a Single Name CDS or any other SBS identified as such in a Clearing Notice unless such transaction is cleared through a Non-U.S. CCM;

(vi) thein respect of:

(A) an Original Transaction that is a CDS, that Original Transaction references an Eligible Index Version or an Eligible Reference Entity; or

Eligible Index Versions and Eligible Reference Entities

(B) an Original Transaction that is an Index Swaption, that Original Transaction is an Eligible Index Swaption

which has a First Novation Date that has occurred on or prior to the Clearing Day on which the Original Transaction is received by LCH SA and a Novation Cut-off Date that has not occurred on or prior to such Clearing Day;

~~(vi)~~(vii) in respect of an Intraday Transaction, the trade reference for:

(A) each of the protection buyer and protection seller, in respect of such Original Transaction an Intraday Transaction that is a CDS Intraday Transaction; or

(B) each of the Swaption Buyer and Swaption Seller, in respect of an Intraday Transaction that is a Index Swaption Intraday Transaction,

to be used when booking the trade in DTCC has been included together with the Transaction Data;

~~(vii)~~(viii) in respect of a Daily Backloading Transaction, the Daily Backloading Novation Day does not fall on the day preceding a Standard Payment Date; and

~~(viii)~~(ix) the clearing of the Original Transaction by LCH SA will not result in a breach by a Clearing Member of its obligations under any Applicable Law.

For the purpose of the application of sub-paragraphs (iv) and (v) above, a CCM (and not LCH SA) shall be responsible for (i) determining whether each of its CCM Clients is a Non-U.S. CCM Client or a U.S. CCM Client, and (ii) informing the CDSClear Business Development & Relationship Management team of such determination when providing the Client Clearing Form (as such term is defined in Section 1 of the Procedures), or thereafter by email at cdsclearbusinessdevrm@lch.com if a change of status occurs in respect of a CCM Client. LCH SA shall not be held liable for any such determinations made by a CCM.

- (d) The Eligibility Requirements shall be deemed satisfied if the relevant Original Transaction is not rejected, pursuant to the CDS Clearing Rule Book, prior to the Novation Time.
- (e) If the Eligibility Requirements set out in paragraphs 4.1(c) above are deemed satisfied at the Novation Time in respect of an Original Transaction, pursuant to paragraph 4.1(d) above, then LCH SA shall, in accordance with Section 3.1.1 (*Weekly Backloading Cycle*), Section 3.1.2 (*Daily Backloading Cycle*) and Section 3.1.4 (*Intraday Process*) of the CDS Clearing Rule Book, as applicable, novate such Original Transaction in accordance with Section 3.1.6 (*Novation Process*) of the CDS Clearing Rule Book.
- (f) For the avoidance of doubt, Article 3.1.6.4 of the CDS Clearing Rule Book shall apply regardless of whether the Eligibility Requirements were in fact satisfied.

4.2 ELIGIBLE INDEX VERSIONS

[...]

- (d) The Eligible Index Versions identified in accordance with paragraph 4.2(ab) as well as the Eligible Terms shall be set out in a table published on the Website (the “**Eligible Index Versions List**”).

[...]

4.4 ELIGIBLE INDEX SWAPTIONS

- (a) LCH SA will, in consultation with the CDSClear Product Committee, identify the Index Swaptions which shall be considered as “**Eligible Index Swaptions**”.

- (b) LCH SA will, in consultation with the CDSClear Product Committee, determine, without limitation, the following characteristics of an Eligible Index Swaption:

(i) each Expiration Date that is eligible for clearing (an “**Eligible Expiration Date**”);

(ii) each Index Version of the Underlying Index Transaction which is eligible for clearing (an “**Eligible Underlying Index Transaction Version**”) and with respect to each Eligible Underlying Index Transaction Version:

(A) each term which is eligible for clearing (an “**Eligible Term**”); and

(B) the currency of the Original Notional Amount which is eligible for clearing.

- (c) The Eligible Index Swaptions identified in accordance with paragraph 4.4(a) as well as the characteristics mentioned in paragraph 4.4(b) above shall be set out in a table published on the Website (the “**Eligible Index Swaptions List**”).

- (d) LCH SA may, in consultation with the CDSClear Product Committee, amend the Eligible Index Swaptions List and following such amendment will inform the Clearing Members of:

(i) in the case of an addition of an Eligible Index Swaption to such list, the relevant First Novation Date; or

(ii) in the case of a deletion of an Eligible Index Swaption from such list, the relevant Novation Cut-off Date.

- (e) Notwithstanding the above:

(i) a Novation Cut-off Date or a First Novation Date arising as a result of the occurrence of an M(M)R Restructuring Credit Event shall be determined in accordance with the CDS Clearing Supplement; and

(ii) -if and for so long as any Clearing Member has one or more Open Position(s) registered in any of its Margin Accounts, such Clearing Member may submit for clearing an Original Transaction which does not meet the Eligibility

Eligible Index Versions and Eligible Reference Entities

Requirements set out in paragraph 4.1(c)(vi) pursuant to the CDS Clearing Documentation if such Original Transaction is a risk reducing transaction (as determined by LCH SA) in respect of the relevant Margin Account and it is not unlawful or illegal for LCH SA to accept such Original Transaction for clearing.

DRAFT

Relevant extracts

LCH The Markets'
Partner

CDSClear

LCH SA
CDS Clearing Procedures

Section 5 - CDS Clearing Operations

~~1 August 2016~~



[...]

5.2 BACKLOADING TRANSACTIONS

[...]

(c) Daily Backloading Cycle

Pursuant to Section 3.1.2 of the CDS Clearing Rule Book, LCH SA operates the Daily Backloading Cycle in accordance with the timetable set out below. For the avoidance of doubt, CDS having either House Trade Legs or Client Trade Legs can be submitted for clearing through the Daily Backloading Cycle.

[...]

5.3 CLEARING OF CLIENT TRADE LEGS

[...]

(e) Indirect clearing

When a CCM Individual Segregated Account Client providing indirect clearing services to CCM Indirect Clients submits a Client Trade Leg of a CDS or of an Index Swaption for the account of a CCM Indirect Client for clearing by LCH SA via an Approved Trade Source System, that CCM Individual Segregated Account Client will indicate the specific trading code allowing for the proper identification of Client Trade Legs submitted for all its CCM Indirect Clients. LCH SA will then use that specific trading code, together with the Original Transaction Data, received from the Approved Trade Source System to determine whether such Client Trade Leg shall be registered in the relevant CCM Indirect Client Segregated Account Structure or CCM Direct Client Segregated Account Structure.

[...]

5.5 TRADE COMPRESSION

LCH SA will provide trade compression services to Clearing Members on an ad hoc and on an automatic basis to allow Clearing Members to reduce the number of Cleared Transactions they hold in their House Trade Account and in each of their Client Trade Accounts. This allows, among other things, Clearing Members to reduce the administration associated with their portfolio of Cleared Transactions. For the avoidance of doubt, LCH SA will provide trade compression to Clearing Members on both an ad hoc and automatic basis on any Clearing Day.

Each Clearing Member may elect to compress any or all of its Cleared Transactions in any of its Trade Accounts provided that:

- (i) such Cleared Transactions are of the same CDS Type or Swaption Type;

(ii) the Initial Payment Amounts or in respect of the ad-hoc compression of Index Swaption Cleared Transactions, Premiums, relating to such Cleared Transactions have been settled; and

(iii) where a Client has opted for multi-branch management of the corresponding Client Trade Account of its Clearing Member, automatic trade compression will be processed at the level of the branches within the same Client Trade Account, subject to the election by a Clearing Member to exclude some of the branches from this process as set in Paragraph 5.5 (b) below.

TheIn respect of the compression of Cleared Transactions that are Index Cleared Transactions or Single Name Clearing Transactions:

(x) the Fixed Rate Payer Calculation Amount for the new Cleared Transaction will be the absolute value of the sum of Fixed Rate Payer Calculation Amounts for Cleared Transactions where the Clearing Member is the CDS Buyer less the sum of Fixed Rate Payer Calculation Amounts for Cleared Transactions where the Clearing Member is the CDS Seller;

if(y) if the sum of Fixed Rate Payer Calculation Amounts for Cleared Transactions where the Clearing Member is the CDS Buyer is greater than the sum of Fixed Rate Payer Calculation Amounts for Cleared Transactions where the Clearing Member is the CDS Seller then the Clearing Member will be the CDS Buyer on the resultant Cleared Transaction. If the opposite is true then the Clearing Member will be the CDS Seller on the resultant Cleared Transaction;

if(z) if the sum of Fixed Rate Payer Calculation Amounts for Cleared Transactions where the Clearing Member is the CDS Buyer is equal to the sum of Fixed Rate Payer Calculation Amounts for Cleared Transactions where the Clearing Member is the CDS Seller then no resultant trade is booked.

In respect of the compression of Cleared Transactions that are Index Swaption Cleared Transactions:

(x) the Original Notional Amount for the new Cleared Transaction will be the absolute value of the sum of Original Notional Amounts for Cleared Transactions where the Clearing Member is the Index Swaption Buyer less the sum of Original Notional Amounts for Cleared Transactions where the Clearing Member is the Index Swaption Seller;

(y) if the sum of Original Notional Amounts for Cleared Transactions where the Clearing Member is the Index Swaption Buyer is greater than the sum of Original Notional Amounts for Cleared Transactions where the Clearing Member is the Index Swaption Seller then the Clearing Member will be the Index Swaption Buyer on the resultant Cleared Transaction. If the opposite is true then the Clearing Member will be the Index Swaption Seller on the resultant Cleared Transaction;

(z) if the sum of Original Notional Amounts for Cleared Transactions where the Clearing Member is the Index Swaption Buyer is equal to the sum of Original Notional

Amounts for Cleared Transactions where the Clearing Member is the Index Swaption Seller then no resultant trade is booked.

For the avoidance of doubt, compression only affects Cleared Transactions held in the Trade Account and has no effect on the net position held in the Margin Account. Furthermore, compression has no effect on the risk calculation which is based on the net position held in the Margin Account.

(a) Ad-hoc compression

A Clearing Member may request ad-hoc compression in accordance with Title III, Chapter 3 of the CDS Clearing Rule Book by up-loading an Ad-Hoc Compression Order File. The Ad-Hoc Compression Order File lists the Cleared Transactions that are to be compressed and also defines the resulting Cleared Transaction. The Ad-Hoc Compression Order File should be up-loaded by the Clearing Member on any means of access specified in a Clearing Notice.

Clearing Members may only request ad-hoc compression in relation to Index Cleared Transactions ~~and/or~~, Single Name Cleared Transactions and/or Index Swaption Cleared Transactions which have already been registered in the TIW, in accordance with Article 3.3.1.1(i) of the CDS Clearing Rule Book.

The Ad-Hoc Compression Order File must be received by LCH SA on any Clearing Day through any means of access specified in a Clearing Notice between 09.15 CET and 19.30 CET in order for the request to be processed and the related Cleared Transactions to be compressed on that same day (day "D"). LCH SA will include the results of the compression in the Cleared Trades Report and Compression Results File in respect of such Clearing Member. LCH SA will publish such Cleared Trades Report and Compression Results File via any reporting mechanism specified in a Clearing Notice as soon as practicable on the same Clearing Day as such Clearing Member's request for compression and following the implementation of such Clearing Member's request for compression. Where LCH SA receives such request after 19:30 CET, such request shall be deemed to not have been up-loaded and shall be of no effect.

As a contingency solution in case of disruption of any means of access or reporting mechanism specified in a Clearing Notice, the Clearing Member should send the request to the Operations Department by email (cdsclear.ops@lch.com) by 17:00 CET. Where LCH SA receives such contingency request by 17:00 CET the request will be processed and the related Cleared Transactions will be compressed on the same day (day "D"). Where LCH SA receives such contingency request after 17:00 CET, LCH SA may, in its sole discretion, process such request and compress the related Cleared Transactions on the same day (day "D") provided that if LCH SA does not, in its sole discretion, process such a request and compress the related Cleared Transactions on the same day, LCH SA will process such request and the related Cleared Transaction will be compressed on the next Clearing Day (day "D+1") unless the relevant Clearing Member instructs the Operations Department to withdraw such request.

A Clearing Member may request ad hoc compression in accordance with Title III, Chapter 3 of the CDS Clearing Rule Book and this paragraph 5.5(a) in respect of Cleared Transactions

notwithstanding that such Clearing Member has also requested automatic compression in accordance with Title III, Chapter 3 of the CDS Clearing Rule Book and paragraph 5.5(b) below.

[...]

(c) Restructuring Credit Event

Upon~~Following~~ the occurrence of a Restructuring Credit Event relating to:

(i) _____ a Single Name Cleared Transaction, or

(ii) _____ a Reference Entity referenced by an Underlying Index Transaction to which a set of Index Swaption Cleared Transactions of the same Swaption Type relates,

LCH SA will compress such Single Name Cleared Transaction or as the case may be, such Index Swaption Cleared Transactions resulting in a single position for a Trade Account, on the day determined by the industry for such purposes. If no automatic compression rules have been specified, then compression will be made per desk in respect of each Trade Account.

[...]

5.8 UPDATING THE TRADE INFORMATION WAREHOUSE

(a) Process

LCH SA will ensure that all Cleared Transactions are stored in the CDS Clearing System and replicated in the TIW.

There are two operations involved in the TIW update process, one or both of which will be relevant depending on the event leading to the update:

- the termination of old trades; and
- the creation of new trades.

The following events will require trades in the TIW to be updated by LCH SA:

- Novation of a Backloading Transaction:
 - Termination of the Backloading Transaction where the upfront amount has been paid;
 - Exit of the Backloading Transaction where the upfront amount has not been paid; and
 - Creation of Cleared Transactions

- Novation of an Intraday Transaction:
 - Termination of the Intraday Transaction, if applicable
 - Creation of Cleared Transactions
- Reallocation of a Client Cleared Transaction within a Client Trade Account between branches
 - Termination of the relevant Client Cleared Transaction allocated to the current branch
 - Creation of the Client Cleared Transaction resulting from the reallocation to another branch
- Trade Compression:
 - Termination of Cleared Transactions to be compressed, if applicable
 - Creation of compressed Cleared Transactions, if applicable
- Creation of Restructuring Cleared Transactions
 - Termination, if necessary, of Initial Single Name Cleared Transactions
 - Creation of the Restructuring Cleared Transactions
- Re-coupling of the Cleared Transactions
 - Termination of Cleared Transactions affected by the re-coupling
 - Creation of Cleared Transactions resulting from the re-coupling
- Completion of Physical Settlement following a Credit Event
 - Termination of Cleared Transactions
- Creation of Swaption Restructuring Cleared Transactions
 - Termination, if necessary, of original Index Swaption Cleared Transactions
 - Creation of the Swaption Restructuring Cleared Transactions
- Creation of Exercise Cleared Transactions
 - Termination of the relevant Index Swaption Cleared Transactions
 - Creation of the Exercise Cleared Transactions
- Exercise of Exercise Cleared Transactions

- Termination of Exercise Cleared Transactions
- Creation of Index Cleared Transactions resulting from the exercise
- Creation of Initial Single Name Cleared Transactions and/or Restructuring Cleared Transactions, if applicable

LCH SA will make all relevant registrations in a timely fashion subject to receiving valid data from the relevant Clearing Members and DTCC being active and ensure that the registration is accurate and correct based on the information available to it.

In respect of sub-paragraphs (a) and (b) below, neither LCH SA nor a Clearing Member shall:

- (i) actively do anything that alters the trade confirmation or will prevent DTCC correctly calculating payments; or
- (ii) make any changes to trades in the TIW which prevent the automated DTCC process being correctly executed on that trade unless authorised by LCH SA. For the avoidance of doubt, the failure by a Clearing Member to match a trade in the TIW will not affect the validity and enforceability of the Cleared Transactions registered within the CDS Clearing System and the related obligations of the relevant Clearing Member.

[...]

5.11 REGISTRATION OF CLEARED TRANSACTIONS

[...]

- (b) Update of the Product Family Form

In accordance with Article 2.2.0.4, or as the case may be Article 3.1.6.8, of the CDS Clearing Rule Book, a Select Member is entitled to add or remove any Product Family indicated in its Product Family Form by sending a copy of a duly signed updated Product Family Form by email LCH SA's CDSClear Business Development & Relationship Management team at cdsclearbusinessdevrm@lch.com, provided that a Select Member may request the removal of a Product Family ~~to the extent that~~ only if all of its Cleared Transactions registered in its House Account Structure belong to the outstanding Product Families indicated in its updated Product Family Form.

5.12 HEDGING TRANSACTIONS

LCH SA may enter into a CDS or an Index Swaption with a Clearing Member for hedging purposes (a "Hedging Transaction") pursuant to Clause 2.1.1 of the CDS Default Management Process. A Hedging Transaction will be executed as an OTC transaction by a Clearing Member on day D and will be cleared in the same manner as a Daily Backloading Transaction on D+1 save that it will be between LCH SA and a Clearing Member.

[...]

5.15 RECOUPONING

In accordance with [Part A or Part B](#) of the CDS Clearing Supplement, LCH SA may, with the prior consent of all relevant Clearing Members, perform a re-couponing on any Restructuring Cleared Transaction (or portion thereof) in respect of which a valid Credit Event Notice is not delivered during the relevant CEN Triggering Period if the Fixed Rate of such Restructuring Cleared Transaction is not an Eligible Fixed Rate.

In the case of a re-couponing, the Restructuring Cleared Transaction will be terminated and replaced by two new Cleared Transactions: the “First Resulting Transaction” and the “Second Resulting Transaction”.

The terms of the resulting Cleared Transactions will be identical to those of the Restructuring Cleared Transaction except that:

the Fixed Rate applicable for the First Resulting Transaction (“C1”) will be the highest Eligible Fixed Rate that is inferior to the Fixed Rate of the Restructuring Cleared Transaction (“C”);

the Fixed Rate applicable for the Second Resulting Transaction (“C2”) will be the lowest Eligible Fixed Rate that is superior to the Fixed Rate of the Restructuring Cleared Transaction (“C”);

The Floating Rate Payer Calculation Amount of the First Resulting Transaction (“N1”) will be calculated as per below:

$$N1 = N \times \frac{(C - C2)}{(C1 - C2)}$$

Where N is the Floating Rate Payer Calculation Amount of the Restructuring Cleared Transaction.

The Floating Rate Payer Calculation Amount of the Second Resulting Transaction (“N2”) will be calculated as per below:

$$N2 = N \times \frac{(C - C1)}{(C2 - C1)}$$

Where N is the Floating Rate Payer Calculation Amount of the Restructuring Cleared Transaction.

The Trade Date for the First Resulting Transaction and the Second Resulting Transaction will be the date on which the re-couponing is performed;

The Transaction Type for the First Resulting Transaction and the Second Resulting Transaction will be Standard European Corporate.

Single Name Cleared Transactions resulting from a re-couponing will be registered in the Clearing System under the CDSClear Preferred Reference Obligation as defined under Section 4 of the Procedures.

5.16 REPORTS

[...]

(a) Backloading Transaction Reports

(i) **Trade management reports**

[...]

(J) Cleared Transaction Exercise Report

"Cleared Transaction Exercise Report" means the report described in this paragraph.

Description: this file will provide Clearing Members with details of the relevant Exercise Matched Pairs created in accordance with Part C of the CDS Clearing Supplement.

Timing: published by LCH SA between 19.00 CET and 19.30 CET on each Business Day.

For the avoidance of doubt, on a day that is a Business Day but not a Clearing Day, or on a day that is a Clearing Day on which there is no Real Time Session, the relevant Cleared Transaction Exercise Report will be published.

[...]

(c) Other daily reports

(i) **Product File**

"**Product File**" means the file described in this paragraph.

Description: the Product File contains the details of all the types of CDS and Index Swaptions then eligible for clearing in the CDS Clearing System and all the types of CDS and Index Swaptions which have ceased to be eligible for clearing within the period commencing 60 Clearing Days prior to the date of publication of the relevant Product File and ending on the date of publication of such Product File.

Timing: published by LCH SA on each Business Day by 21.00 CET. For the avoidance of doubt, on a day that is a Business Day but not a Clearing Day, or on a day that is a Clearing Day on which there is no Real Time Session, the relevant Product File will be published.

(ii) **Open Interest Report**

"**Open Interest Report**" means the report described in this paragraph.

Description: the Open Interest Report is a public report which contains the open interest per CDS Type and per Index Swaption Type registered in the CDS Clearing

System. The open interest is calculated to be the sum of the net notional amounts for all Clearing Members who are net CDS Buyers for each CDS Type- or net Index Swaption Buyers for each Swaption Type.

Timing: published by LCH SA (i) between 09.15 CET and 09.30 CET on each Business Day.

For the avoidance of doubt, on a day that is a Business Day but not a Clearing Day, or on a day that is a Clearing Day on which there is no Real Time Session, the relevant Open Interest Report will be published.

[...]

5.18 END OF DAY PRICE CONTRIBUTION

References to times and deadlines in this paragraph 5.18 are to London local time (being Greenwich Mean Time (GMT) or British Summer Time (BST) as applicable).

5.18.1 Market Data submission

LCH SA has appointed the Index Publisher to be a Third Party Data Aggregator for the purposes of the CDS Admission Agreement.

On each Price Contribution Day, LCH SA will request the Index Publisher to obtain Market Data from each Price Contribution Participant for CDS and Index Swaptions in respect of which they have Open Positions.

Price Contribution Participants are required to submit Market Data between 16.30 and 16.35 on each Price Contribution Day.

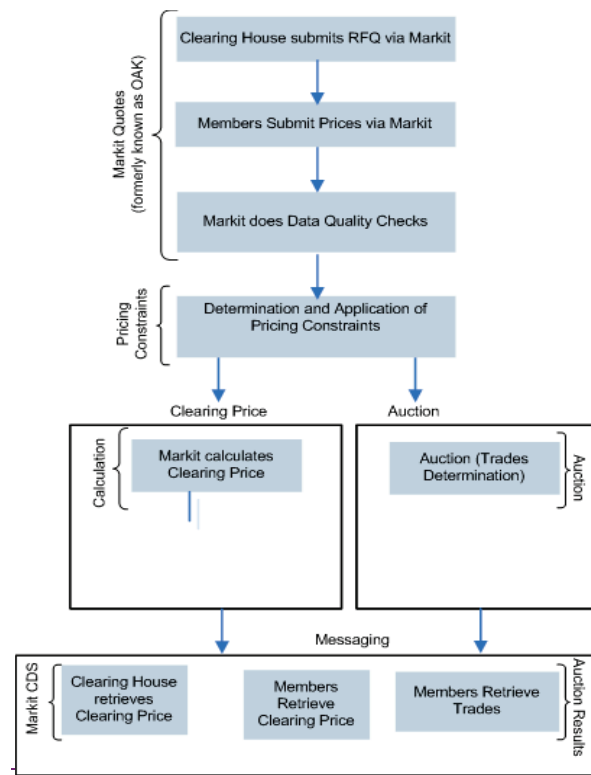
If a Clearing Member wishes to appoint a Price Contribution Delegate, it shall first obtain the prior approval of LCH SA. For that purpose, the relevant Clearing Member shall contact LCH SA's CDSClear Business Development & Relationship Management team (cdsclearbusinessdevrm@lch.com, +44 (0) 203 137 4516) and shall provide such information as may be required by LCH SA. For the avoidance of doubt, LCH SA has full discretion as to the approval of a Price Contribution Delegate for any Clearing Member.

In accordance with Article 2.2.0.5 of the CDS Clearing Rule Book, a Clearing Member that is a Select Member may decide to receive, or as the case may be, stop receiving the Price Requirement Files (as defined in paragraph 5.18.3 below). For that purpose, the relevant Clearing Member shall contact LCH SA's CDSClear Business Development & Relationship Management team (cdsclearbusinessdevrm@lch.com, +44 (0) 203 137 4516) and shall provide such information as may be required by LCH SA.

5.18.2 Calculation of End of Day Contributed Prices

(a) In respect of CDS

The following diagram illustrates the procedures and flows process for the calculation of the End of Day Contributed Prices:-



At a high level, in respect of CDS involves the following steps for the Index Publisher, there are effectively 5 steps in the process:-

- (a) Receipt of Price Contribution Participants' Market Data by the Index Publisher
- (b) Application of bid/ask constraint
 - Selection of Benchmark Instruments
 - Index: Markit iTraxx Europe Main, HiVol, Cross Over, Senior Financials and Markit CDX-NA-IG families of indices eligible for clearing "On the Run" 5yr
 - Single Name: 5 Year Standard Coupon and Currency
 - Observe "High Quality" Dealer Quoted Bid/Ask Spread
 - Observation Window: 14.00 to 16.00
 - Definition of Unique Quote: 2 minutes since last seen identical quote

- Quote Markit Quality Score of 8 or higher
- Minimum Quoting Dealers: To be set out in a risk notice
- Quoting Dealers: Only Quotes from LCH SA Price Contribution Participants used
- Minimum Unique Quotes: 20 for Indices/10 for Single Name
- Non-Observed Process: 10 day rolling average
 - If the 10 day moving average is used for more than 1 day, the— Risk Committee should be notified.
- Fixed Initial Bid/Ask Spread: Used if no 10 Day rolling average available.

(eiii) Determination of clearing price

(div) Determination of any cross trades (potential).

(ev) Communication of clearing price

(b) In respect of Index Swaptions

The process for the calculation of End of Day Contributed Prices in respect of Index Swaptions involves the following steps:

(i) Receipt of Price Contribution Participants' Market Data by the Index Publisher

(ii) Communication of Market Data by the Index Publisher to LCH SA

(iii) Application of bid/ask constraint by LCH SA. The bid/ask constraint values are defined by LCH SA and updated from time to time.

(iv) Determination of clearing price by LCH SA

(v) Determination of any cross trades (potential) by LCH SA.

[...]

5.18.4 Use of composite spreads/prices

To the extent LCH SA has not received End of Day Contributed Prices in respect of CDS or Market Data in respect of Index Swaptions from the Index Publisher by 17:15 it will use:

- (a) With respect to Index Cleared Transactions, composite prices/spreads for the purposes of calculating the Variation Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day;
- (b) With respect to Single Names Cleared Transactions, a computation of end of day contributed spreads and composite spreads for the purpose of calculating the Variation

Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day; and

(c) With respect to Index Swaption Cleared Transactions, a computation of end of day contributed spreads and composite spreads for the purpose of calculating the Variation Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day.

in accordance with Article 4.2.7.1 of the CDS Clearing Rule Book.

5.18.5 Trade crossing

In order to validate the Market Data submitted by Price Contribution Participants in accordance with this Paragraph 5.18, LCH SA shall require Price Contribution Participants to undertake trade crossing in accordance with Article 4.2.7.7 of the CDS Clearing Rule Book.

For the avoidance of doubt, in respect of Price Contribution Participants that are Select Members, or as the case may be their Price Contribution Delegates, paragraph 5.18.5 shall only apply to them in respect of Market Data that they have submitted.

(a) Firm Days

LCH SA shall determine a number of "Firm Days" being the last Clearing Day of each quarter and 30 other Clearing Days in any calendar year chosen at LCH SA's sole discretion, and shall communicate such Firm Days to Price Contribution Participants promptly after the closure of the submission window at 16:35 on each such Firm Day.

(b) Determination of cross trades

(i) CDS

The Index Publisher will inform LCH SA on each Price Contribution Day where prices submitted by Price Contribution Participants in accordance with this Paragraph 5.18 do not reflect the quoted daily spread for a particular CDS. On each Firm Day, Price Contribution Participants whose price(s) do not reflect the quoted daily spread for a particular CDS on such Firm Day will be required to execute a CDS with another Price Contribution Participant on pre-determined terms, as set out in Paragraph 5.18.5(c)(i) below. CDS must be executed by a Price Contribution Participant prior to End of Day on the Price Contribution Day following the relevant Firm Day.

(ii) Index Swaption

On each Price Contribution Day LCH SA will identify where prices submitted by Price Contribution Participants in accordance with this Paragraph 5.18 do not reflect the quoted daily price for a particular Index Swaption. On each Firm Day, Price Contribution Participants whose price(s) do not reflect the quoted daily price for a particular Index Swaption on such Firm Day will be required to execute a "Delta Hedged Swaption Package" being an Index Swaption and a CDS referencing an eligible Index Version to hedge the Index Swaption delta, with another Price Contribution Participant on pre-determined terms, as set out in Paragraph 5.18.5(c)(ii) below. The Delta Hedged Swaption Package must be executed by a

Price Contribution Participant prior to End of Day on the Price Contribution Day following the relevant Firm Day.

(c) Terms of cross trades

LCH SA shall notify the relevant Price Contribution Participant of the following required CDS or Delta Hedged Swaption Package terms by issuing a Cross Trade Report in accordance with Paragraph 5.16(c)(iii) above:

(i) For CDS:

- Index Version or Reference Entity as applicable
- Red code
- Original Notional Amount or Floating Rate Payer Calculation Amount as applicable
- Currency
- Fixed Rate
- Fixed Rate Payer
- Floating Rate Payer
- Scheduled Termination Date
- applicable ISDA Credit Derivatives Definitions
- Initial Payment Amount
- Initial Payment Payer
- Initial Payment Receiver
- Transaction Type

(ii) For Delta Hedged Swaption Package:

- In respect of the Index Swaption:
 - Swaption Type
 - Swaption Strike
 - Expiration Date
 - Swaption Buyer
 - Swaption Seller
 - Premium
 - Index Version of the Underlying Index Transaction
 - Red Code of the Underlying Index Transaction
 - Scheduled Termination Date of the Underlying Index Transaction
 - Original Notional Amount of the Underlying Index Transaction
 - Currency of the Underlying Index Transaction
- In respect of the CDS referencing an eligible Index Version to hedge the Index Swaption delta:
 - Original Notional Amount
 - Initial Payment Amount

(d) Notification of execution

Price Contribution Participants required to execute cross trades in accordance with this Paragraph 5.18.5 must provide LCH SA with the DTCC trade reference identifiers (TRI) before End of Day on the Clearing Day following the relevant Firm Day by emailing this to LCH SA's Operations department at cdsclear.ops@lch.com.

[...]

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