

4th September 2014

Mr. Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Mr. Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet SA ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification several amendments to the CDS Clearing Rulebook ("Rulebook").

The submission changes made to the Rulebook are attached hereto as appendices.

### **Part I: Explanation and Analysis**

The Rulebook, including Supplement and Procedures, has been amended to:

- (i) take into account the new ISDA Credit Derivatives Definitions that were published on February 21, 2014 (the "2014 ISDA Definitions");
- (ii) provide the possibility to outsource the performance of the price submission obligation of a clearing member to another affiliated clearing member; and
- (iii) make some minor modifications for consistency purposes.

These amendments are described below:

#### 2014 ISDA Definitions

The 2014 ISDA Definitions were published on February 21<sup>st</sup> with the aim of improving the credit default swap ("CDS") mechanics for occurrences in the market such as governmental intervention in bank debt, updating some existing product definitions based on market experience and further improving product standardisation.

The 2014 ISDA Definitions will become the new trading standard for CDS and all industry participants will have to be able to support them by September 22, 2014. However, as the 2003 and the 2014 ISDA Definitions will co-exist after the implementation, LCH.Clearnet will have to manage both types of transactions. Consequently, the CDS Clearing Supplement which is the most impacted component of the CDSClear ruleset, has been split into two different parts to cover separately cleared transactions subject to the 2003 ISDA Definitions and cleared transactions subject to the 2014 ISDA Definitions.

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#### Outsourcing of the price contribution obligation

Some of the entities that wish to be admitted as clearing members of the CDSClear service provided by LCH.Clearnet do not have the capability (due to their business models) to value their positions and therefore are unable to contribute prices.

In order to allow their on-boarding, LCH.Clearnet has designed solution which allows the outsourcing of the performance of the price contribution obligation from a clearing member to another affiliated clearing member, together with the obligation to enter into cross trades.

#### Other minor amendments

LCH.Clearnet has also taken the opportunity to make some minor changes for consistency purposes, including, *inter alia*, the following:

- removal of any reference to the French version of the CDS Clearing Rule Book (article 1.1.3.8 thereof);
- update of the name of the CDSClear on-boarding and client services department (article 2.2.0.1 of the CDS Clearing Rule Book, Section 1 and Section 5.18.1 of the Procedures); and
- replacement of any reference to the former Financial Services Authority by "Prudential Regulation Authority and Financial Conduct Authority (section 1.1.1 of the CDS Clearing Rule Book).

## **Part II: Description of Rule Changes**

### 2014 ISDA Definitions

The following rules have been amended:

- CDS Clearing Rule Book: Sections 1.1.1, 1.2.2, 3.1.10, 4.3.2 and 4.3.3;
- CDS Clearing Supplement: Part A (governing the cleared transactions subject to the 2003 ISDA Definitions), Sections 1.1, 1.2, 2.4, 4.5, 4.9, 5.5, 6, 7, 8, 15 and Appendix 13 / New Part B (governing the cleared transactions subject to the 2014 ISDA Definitions);
- Procedures Section 4: paragraphs 4.1 (c) (iii) (B), 4.2 and 4.3; and
- Procedures Section 5: paragraph 5.16 (a), (i) (I).

### Outsourcing of the price contribution obligation

The following rules have been amended:

- CDS Clearing Rule Book: Sections 1.1.1 and 4.2.6 and 4.2.7
- Procedures Section 5: paragraph 5.18.

### Other minor amendments

The following rules have been amended:

- CDS Clearing Rule Book: Sections 1.1.1, 1.1.3, 2.2.0.1, 3.1.10, 4.2.6, 4.2.7 and Appendix 1: clauses 4.2 and 4.3.1, 5, 9, 10 and 11;

- Procedures Section 1: paragraphs 1.1 (b), (d), (e), (g);
- Procedures Section 4: paragraphs 4.1, 4.2 and 4.3; and
- Procedures Section 5: paragraphs 5.2 (b) and 5.16 (c), new (iv).

### **Part III: Core Principle Compliance**

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

### **Part IV: Public Information**

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

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

### **Part V: Opposing Views**

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

### **Certification**

LCH.Clearnet SA hereby certifies to the Commodity Futures Trading Commission, 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@lchclearnet.com](mailto:françois.faure@lchclearnet.com).

A handwritten signature in blue ink, appearing to read "Faure", written over a horizontal line.

Francois Faure  
Chief Compliance Officer  
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# APPENDICES

CDS Clear

LCH.Clearnet SA  
CDS Clearing Rule Book  
24 March 2014



**TITLE I**

**GENERAL PROVISIONS**  
**&**  
**LEGAL FRAMEWORK**

## CHAPTER 1 - DEFINITIONS AND INTERPRETATION

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

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

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

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

**Approved Matching Provider (AMP):** An entity as specified in a Clearing Notice and with whom:

- (i) LCH.Clearnet SA has entered into an agreement regarding the submission of Original Transactions by AMP Participants for registration and clearing by LCH.Clearnet SA; and
- (ii) AMP Participants have entered into a participant agreement in respect of matching and confirming the terms of CDS ~~transactions~~ and designating such CDS ~~transactions~~ for clearing by LCH.Clearnet SA.

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

- (i) an Event of Default has been declared by LCH.Clearnet SA as occurring in respect of a Clearing Member, with the implementation of the CDS Default Management Process and liquidation of Cleared Transactions in accordance with this CDS Clearing Rule Book; or
- (i) a Clearing Member makes notification to LCH.Clearnet SA pursuant to Article 9 Section 9 of Part A or Part B, as applicable, of the CDS Clearing Supplement, with the implementation of any auction process to liquidate a self-referencing Single Name Cleared Transactions and enter into an equivalent Single Name Cleared Transaction with a Clearing Member other than the Clearing Member referenced in such Single Name Cleared Transaction.

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

- (i) is recognised as such by a Person's home Member State under the terms of the Banking Consolidation Directive or MiFID; or
- (ii) has concluded a cooperation agreement with the French Competent Authorities in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction to which a Person is subject,

and for LCH.Clearnet SA, each of the AMF, the *Autorité de Contrôle Prudentiel et de Résolution*, the *Banque de France*, the European Securities and Markets Authority, the United Kingdom Prudential Regulation Authority and Financial Services Conduct Authority, the CFTC, any successor body of any of the foregoing and any other body which has concluded a cooperation agreement with the AMF, the *Autorité de Contrôle Prudentiel et de Résolution*, the *Banque de France* in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction and designated as such by LCH.Clearnet SA from time to time.

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

**ISDA Credit Derivatives Definitions:** ~~This term shall have~~The 2003 ISDA Credit Derivatives Definitions or the meaning set out in the CDS Clearing Supplement.2014 ISDA Credit Derivatives Definitions, as applicable.

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

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

- (i) is both an Affiliate and a Clearing Member; and
- (ii) has been duly approved by LCH.Clearnet SA to act in the place of such Clearing Member, pursuant to the conditions set forth in Section 5 of the Procedures.

**Price Contribution Participant:** Each Clearing Member or its Price Contribution Delegate.

**Regulatory Body:** The Secretary of State, The Prudential Regulation Authority and Financial ServicesConduct Authority or professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law, including any Competent Authority.

## **Section 1.1.2 Incorporation of defined terms**

## **Section 1.1.3 Interpretation and references**

### **Article 1.1.3.8**

~~In the event of inconsistency between different language versions or translations of the CDS Clearing Rule Book:~~

- ~~the French language version of this CDS Clearing Rule Book as approved by the AMF shall prevail over its English language version to govern the relationship with the French Competent Authorities;~~
- ~~the English language version of the CDS Clearing Rule Book shall prevail in the relationship between LCH.Clearnet SA and any Clearing Member or between the Clearing Members themselves.~~

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

To the extent of any conflict between (i) any definition or provision contained in 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 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 Single Name Cleared Transaction Confirmation, as applicable, shall prevail to the extent permitted by law.

## **CHAPTER 2 - GENERAL PROVISIONS**

### **Section 1.2.1      General**

### **Section 1.2.2      Modification**

#### **Article 1.2.2.9**

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

### **Section 1.2.3      Publication**

### **Section 1.2.4      Extension or waiver**

### **Section 1.2.5      Notices - Communications**

### **Section 1.2.6      Fees**

### **Section 1.2.7      Currency**

### **Section 1.2.8      Time reference**

### **Section 1.2.9      Obligations of LCH.Clearnet SA to each Clearing Member**

### **Section 1.2.10     Liability**

### **Section 1.2.11     Force Majeure Events**

### **Section 1.2.12     Confidentiality**

### **Section 1.2.13     Data protection**

### **Section 1.2.14     Governing law**

### **Section 1.2.15     Dispute resolution**

**Section 1.2.16**    **Default Interest**

**Section 1.2.17**    **Tax**

**CHAPTER 3 - LCH DEFAULT**

**Section 1.4.1**

# **TITLE II**

## **MEMBERSHIP**

## **CHAPTER 1 - GENERAL PROVISIONS**

### **Section 2.1.1 Participants**

## **CHAPTER 2 - LEGAL OBLIGATIONS**

### **Article 2.2.0.1**

An Applicant shall be required to evidence its ability to comply with the obligations set out in this Chapter 2. LCH.Clearnet SA may refuse to admit an Applicant as a Clearing Member if the conditions set out in Article 2.2.1.1 have not been satisfied, or if it considers that admission of such Applicant as a Clearing Member may adversely affect the operation of the CDS Clearing System or the provision of the CDS Clearing Service.

LCH.Clearnet SA shall be entitled, in consultation with the Risk Committee, at any time to impose, amend or withdraw additional requirements in relation to the membership requirements set out in this Chapter 2, provided that, if such additional requirements are imposed or amended, they are non-discriminatory and their objective is to control the risk for LCH.Clearnet SA.

Further information in respect of the application procedure can be obtained from LCH.Clearnet SA's CDSClear ~~on-boarding and client services~~[Client Services & Relationship Management](#) department whose contact details are set out in Section 1 of the Procedures.

### **Section 2.2.1 Membership requirements**

### **Section 2.2.2 Continuing obligations**

### **Section 2.2.3 Capital requirements**

### **Section 2.2.4 Internal credit scoring**

### **Section 2.2.5 Corporate organisation**

### **Section 2.2.6 Membership of industry organisations or systems relating to CDS contracts**

### **Section 2.2.7 Third party contractual obligations**

### **Section 2.2.8 Test processing**

## **CHAPTER 3 - INFORMATION OBLIGATIONS, MONITORING AND AUDIT**

### **Section 2.3.1 Information and financial reporting**

### **Section 2.3.2 Monitoring**

### **Section 2.3.3 Audit and inspection**

### **Section 2.3.4 Record keeping**

### **Section 2.3.5 Clearing Member risk management**

## **CHAPTER 4 - SUSPENSION AND TERMINATION OF MEMBERSHIP**

**Section 2.4.1      Suspension**

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# **TITLE III**

## **CLEARING OPERATIONS**

## CHAPTER 1 - NOVATION AND REGISTRATION

- Section 3.1.1**      **Weekly Backloading Cycle**
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- Section 3.1.6**      **Novation Process**
- Section 3.1.7**      **Pre-registration**
- Section 3.1.8**      **Margin calculation**
- Section 3.1.9**      **Loss Distribution Periods**
- Section 3.1.10**     **Registration of Cleared Transactions**

### 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 Matching Provider, LCH.Clearnet SA and such Clearing Member, including, without limitation, in connection with:

- ~~(i) — compression;~~
- (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, as applicable, of the CDS Clearing Supplement, as applicable); and
- (i) the transfer of Cleared Transactions.

### Section 3.1.11      Reporting requirements

## CHAPTER 2 – HOUSE ACCOUNT STRUCTURE

- Section 3.2.1**      **House Trade Account**
- Section 3.2.2**      **House Margin Account**
- Section 3.2.3**      **House Collateral Account**

## CHAPTER 3 - COMPRESSION

- Section 3.3.1**      **General**

# TITLE IV

## RISK MANAGEMENT



## CHAPTER 1 - GENERAL PROVISIONS

### Section 4.1.1

## CHAPTER 2 - MARGIN

### Section 4.2.1 Margin Requirement

### Section 4.2.2 Excess Collateral and the Client Collateral Buffer

### Section 4.2.3 Collateral Calls

### Section 4.2.4 Additional Collateral Call

### Section 4.2.5 Variation Margin

### Section 4.2.6 Collateral

#### Article 4.2.6.2

On the specific written request of a Clearing Member, LCH.Clearnet SA shall ensure that the Risk Committee is consulted on the acceptance of any type of currency, security or other type of asset as an Eligible Currency or as Eligible Collateral as the case may be, provided that Applicable Law permits ~~a~~LCH.Clearnet SA to accept such currency, security or other asset as ~~collateral~~Collateral. If Applicable Law no longer permits any currency, security or other asset to be accepted by a LCH.Clearnet SA as ~~collateral~~Collateral, LCH.Clearnet SA shall amend the list of Eligible Currencies and Eligible Collateral in accordance with Article 1.2.2.4 (ii)(a).

### Section 4.2.7 Markit LCH Settlement Price

#### Article 4.2.7.7

In connection with the establishment and validation of an End of Day Contributed Price, each ~~Clearing Member~~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 ~~transaction~~ with another ~~Clearing Member~~Price Contribution Participant following notification from LCH.Clearnet SA that they are required to do so and the terms on which such CDS ~~transaction~~ should be executed. By the End of Day on the Clearing Day following receipt of such notification from LCH.Clearnet SA, the ~~Clearing Member~~Price Contribution Participant shall evidence that such CDS ~~transaction~~ has been entered into, as described in Section 5 of the Procedures.

#### Article 4.2.7.8

A Clearing Member can delegate the performance of its obligations: (i) to submit Market Data pursuant to Section 5 of the Procedures; and (ii) to enter into CDS pursuant to Article 4.2.7.7 above to its Price Contribution Delegate.

Notwithstanding the due appointment of a Price Contribution Delegate, the Clearing Member shall remain responsible to LCH.Clearnet SA for the due performance of its obligations under Article 4.2.7.7 above and Section 5 of the Procedures.

## CHAPTER 3 - EVENTS OF DEFAULT

### Section 4.3.1 Events of Default

### Section 4.3.2 Measures in case of an Event of Default

#### Article 4.3.2.3

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

- (i) in the case of a CCM, port some or all the Relevant Client Cleared Transactions and some or all of the Ported Collateral of the Defaulting Clearing Member to the appointed Backup Clearing Member in accordance with Clause 4.3 of the CDS Default Management Process and, in the case of an FCM, arrange for porting to take place in accordance with Regulation 4 of the FCM CDS Clearing Regulations and the CDS Default Management Process;
- (ii) terminate the Defaulting Clearing Member's membership of the CDS Clearing Service in accordance with Article 2.4.2.1, it being specified that such termination shall not affect the Delegation, which will remain in full force and effect.
- (iii) enter into and register any new Original Transaction in the name, or for the account, of the Defaulting Clearing Member;
- (iv) suspend the Defaulting Clearing Member's ability to submit any new Original Transactions for clearing by LCH.Clearnet SA or those Original Transactions that LCH.Clearnet SA does not consider as contributing to reducing the risks of the Defaulting Clearing Member;
- (v) impose an increased Margin Requirement in respect of any of the Margin Accounts of the Defaulting Clearing Member in order to secure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;
- (vi) call for Collateral equal to the value of any shortfall in the Defaulting Clearing Member's Contribution, arising from the Event of Default, and the Additional Contribution Amount to be transferred to LCH.Clearnet SA;
- (vii) in the event that the Defaulting Clearing Member was a Matched Buyer for the purposes of Physical Settlement of a Cleared Transaction which was the subject of a Matched Pair, call for Collateral equal to the value of any claim by the corresponding Matched Seller under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the [2003 ISDA Credit Derivatives Definitions](#), [or Sections 11.2\(a\), \(b\), \(c\)\(i\) or \(c\)\(iv\) of the 2014 ISDA Credit Derivatives Definitions as applicable](#), in accordance with [Section 6.4518 of Part A, or Section 6.19 of Part B as applicable](#), of the CDS Clearing Supplement, to be transferred to LCH.Clearnet SA;
- (viii) declare any Cleared Transaction of the Defaulting Clearing Member, other than the Relevant Client Cleared Transactions which have been ported in accordance with Clause

4.3 of the CDS Default Management Process, to be terminated, declare one or more of the obligations of the Defaulting Clearing Member to be due and payable immediately, convert the delivery obligations of the Defaulting Clearing Member or LCH.Clearnet SA into payment obligations and/or set off all the reciprocal payment obligations of the Defaulting Clearing Member and LCH.Clearnet SA, so that these payment obligations will be deemed satisfied, in whole or in part, to the extent of the set-off;

- (ix) execute, for LCH.Clearnet SA's own account, hedging transactions including, without limitation, the purchase, exercise, sale or grant of Cleared Transactions;
- (x) compress and/or liquidate, in respect of each Client Trade Account, any Non-Ported Cleared Transactions, and in respect of the House Trade Account, House Cleared Transactions of the Defaulting Clearing Member (and any hedging transactions executed in accordance with Article 4.3.2.3(ix), in consultation with the CDS Default Management Group and in accordance with Regulation 4 of the FCM CDS Clearing Regulations (in the case of an FCM Clearing Member) and the CDS Default Management Process;
- (xi) obtain any advice, information or assistance from the Defaulting Clearing Member and/or any third party, as LCH.Clearnet SA may deem necessary for any matter arising out of or in connection with an Event of Default and at the expense of the Defaulting Clearing Member;
- (xii) liquidate the Collateral posted by the Defaulting Clearing Member in its House Collateral Account and in respect of any Non-Ported Cleared Transactions, to ensure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;
- (xiii) liquidate the Available Client Collateral Buffer posted by the Defaulting Clearing Member, if any;
- (xiv) in the case of an FCM Clearing Member, liquidate the Collateral posted by the Defaulting Clearing Member in respect of its provision of the CDS Clearing Service to its FCM Clients in accordance with the FCM CDS Clearing Regulations to ensure the performance by the Defaulting Clearing Member of its obligations under the CDS Clearing Documentation;
- (xv) act in lieu of the Defaulting Clearing Member for performing its payment and/or delivery obligations under Cleared Transactions;
- (xvi) impose upon the Defaulting Clearing Member a penalty for late delivery or payment, in the circumstances and at a rate set out by LCH.Clearnet SA;
- (xvii) claim from the Defaulting Clearing Member Damages incurred in relation to the occurrence of an Event of Default or the processing of the Event of Default in accordance with this Article 4.3.2.3 or the CDS Default Management Process; and/or
- (xviii) enforce the security interest granted to LCH.Clearnet SA under, and in accordance with, the Pledge Agreement and/or, in the case of an FCM Clearing Member, Regulation 5 of the FCM CDS Clearing Regulations.

Notwithstanding the foregoing, where an Automatic Early Termination Event Stipulation has been made by LCH.Clearnet SA in respect of a Clearing Member, the Defaulting Clearing Member Termination Date shall arise immediately prior to the Insolvency Proceedings in respect of such Clearing Member without the need for any other or prior notice.

### Section 4.3.3 Recourse following an Event of Default

#### Article 4.3.3.4

Following: (a) porting of Relevant Client Cleared Transactions and any Ported Collateral; and (b) liquidation of all of: (i) the House Cleared Transactions of the Defaulting Clearing Member, and (ii) Non-Ported Cleared Transactions in accordance with the CDS Default Management Process, LCH.Clearnet SA shall determine whether any amount is due to or from the Defaulting Clearing Member, taking into account:

- (i) all costs and expenses for which the Defaulting Clearing Member is liable pursuant to the CDS Clearing Documentation;
- (ii) any liability that LCH.Clearnet SA has to make payments to a Matched Seller (where the Defaulting Clearing Member was a corresponding Matched Buyer in respect of Physical Settlement of Cleared Transactions) in respect of any claim under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the 2003 ISDA Credit Derivatives Definitions, or Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions as applicable, in accordance with Section 6.15-18 of Part A, or Section 6.19 of Part B as applicable, the CDS Clearing Supplement;
- (iii) any liability that LCH.Clearnet SA has to make payments to the Defaulting Clearing Member as a Matched Seller in respect of any claim by the Defaulting Clearing Member under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the 2003 ISDA Credit Derivatives Definitions, or Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions as applicable, in accordance with Section 6.15-18 of Part A, or Section 6.19 of Part B as applicable, the CDS Clearing Supplement; and
- (iv) the right of the Defaulting Clearing Member to a return or repayment of any Collateral and/or any other sums due to it pursuant to this CDS Clearing Rule Book and the CDS Clearing Documentation (including return to an FCM Clearing Member of any FCM Unallocated Client Excess Collateral or FCM Available Client Collateral Buffer).

This calculation will be undertaken separately in respect of the Defaulting Clearing Member's House Trade Account and each of its Client Trade Accounts and LCH.Clearnet SA shall notify the Defaulting Clearing Member of the amount(s) which LCH.Clearnet SA owes to the Defaulting Clearing Member or the amount(s) that the Defaulting Clearing Member owes to LCH.Clearnet SA, as the case may be. For the avoidance of doubt, where an amount is payable by LCH.Clearnet SA to the Defaulting Clearing Member in respect of its House Trade Account, the balance of the House Collateral Account shall not be applied to meet the shortfall(s) in the relevant Client Collateral Account(s), if any.

Any payments shall be due and payable on the Defaulting Clearing Member Termination Date.

In the event that LCH.Clearnet SA retains amounts to cover any liability arising in connection with Section 6.15-18 of Part A, or Section 6.19 of Part B as applicable, of the CDS Clearing Supplement, in accordance with sub-paragraph (ii) above, LCH.Clearnet SA shall notify the corresponding Matched Seller and shall pay such amounts to the Matched Seller as soon as possible following the Defaulting Clearing Member Termination Date.

## **CHAPTER 4 - CDS DEFAULT FUND**

**Section 4.4.1 Purpose of the CDS Default Fund and Relevant Calculations**

**Section 4.4.2 Contribution to the CDS Default Fund**

**Section 4.4.3 Application of the CDS Default Fund, Replenishment and Multiple Defaults**

## **TITLE V**

# **CDS CCM CLIENT CLEARING SERVICES**

## **CHAPTER 1 - GENERAL PROVISIONS**

**Section 5.1.1 Provision of CDS Client Clearing Services**

**Section 5.1.2 CDS Client Clearing DMP and Delegation**

**Section 5.1.3 Indirect clearing**

## **CHAPTER 2 - CCM CLIENT ACCOUNT STRUCTURE**

**Section 5.2.1 General Provisions**

**Section 5.2.2 CCM Client Trade Accounts**

**Section 5.2.3 CCM Client Margin Accounts**

**Section 5.2.4 CCM Client Collateral Accounts**

## **CHAPTER 3 - TRANSFER**

**Section 5.3.1 General**

**Section 5.3.2 Full transfers**

**Section 5.3.3 Partial transfers**

**Section 5.3.4 Transfer of Client Assets**

**Section 5.3.5 Transfer process**

## **CHAPTER 4 - EARLY TERMINATION**

## **TITLE VI**

# **CDS FCM CLIENT CLEARING**



## **CHAPTER 1 - GENERAL PROVISIONS**

### **CHAPTER 2 – FCM CLIENT ACCOUNT STRUCTURE**

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## APPENDIX 1 CDS DEFAULT MANAGEMENT PROCESS

### 1 Interpretation

Capitalised terms used in this Appendix 1, which sets out the CDS Default Management Process, and not otherwise defined in Clause 1.1, shall have the meaning given in Section 1.1.1 of the CDS Clearing Rule Book, as may be amended from time to time.

#### 1.1 Definitions

"**Nominated Representative**" means an LCH.Clearnet SA representative who is nominated by the CDS Default Management Group to receive **BidBids** in Competitive Bidding, subject that if no one individual is nominated, any of the LCH.Clearnet SA representatives on the CDS Default Management Group;

"**Transaction Categories**" mean the different categories of Cleared ~~Transaction~~**Transactions**, being:

- (i) Index Cleared Transactions together with the relevant off-setting Single Name Cleared Transactions;
- (ii) residual Index Cleared Transactions; and
- (iii) residual Single Name Cleared Transactions;

#### 1.2 Singular, plural, gender

#### 1.3 Headings

#### 1.4 Annexes etc.

### 2 CDS Default Management Process

### 3 Obligations and Undertakings

### 4 CDS Client Clearing Default Management Process

#### 4.1 Scope

#### 4.2 Stages

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

**4.2.1** return any CCM Unallocated Client Collateral or FCM Unallocated Client Excess Collateral (as applicable) to the Defaulting Clearing Member in accordance Article 4.3.2.4;

**4.2.2** determine whether any Client Collateral Buffer has been allocated to a particular Client Margin Account in accordance with Article 4.2.2.4 and Section 2 of the Procedures and, to the extent it has:

- (i) if the Defaulting Clearing Member is a CCM, transfer an amount of Collateral which is equal to the CCM Allocated Client Collateral Buffer for the relevant CCM Client Margin Account from the Buffer Collateral Account to the relevant CCM Client Collateral Account; or

- (ii) if the Defaulting Clearing Member is an FCM Clearing Member, transfer an amount of Collateral which is equal to the FCM Allocated Client Collateral Buffer for the relevant FCM Client Margin Requirement from the FCM Buffer Financial Account to the relevant FCM Client Financial Account;

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

**4.2.4** if the Defaulting Clearing Member is a CCM and such Defaulting Clearing Member transfers its Client Pledged Eligible Collateral to LCH.Clearnet SA, in accordance with Article 4.3.2.1, , update its books and records to show that the Eligible Collateral has been provided to LCH.Clearnet SA with full title and ensure that the precise Eligible Collateral, provided in respect of each CCM Individual Segregated Account Structure and/or CCM Omnibus Segregated Account Structure, is recorded in the relevant CCM Client Collateral Account(s) in accordance with Section 3 of the Procedures;

**4.2.5** ascertain whether:

- (i) if the Defaulting Clearing Member is a CCM, each CCM Individual Segregated Account Client of the Defaulting Clearing Member has appointed a Backup Clearing Member;
- (ii) if the Defaulting Clearing Member is a CCM, each of the CCM Omnibus Segregated Account Clients attributable to a single CCM Omnibus Segregated Account Structure of the Defaulting Clearing Member has appointed the same Backup Clearing Member; **and**
- (iii) 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 as the case may be;

**4.2.6** determine the Ported Collateral for each Client Margin Account of the Defaulting Clearing Member; (ensuring that any Collateral which has been, or is to be, transferred to the relevant Client Collateral Account pursuant to Clause ~~4.2.1~~ 4.2.2 above is taken into account for these purposes);

**4.2.7** where a Backup Clearing Member has been appointed in accordance with Clause 4.3.1 or Clause 4.3.2 as the case may be, send details of the open Relevant Client Cleared Transactions and Ported Collateral to the nominated Backup Clearing Member in respect of (i) each CCM Individual Segregated Account Client and/or each CCM Omnibus Segregated Account Client of the Defaulting Clearing Member to the nominated Backup Clearing Member, if the Defaulting Clearing Member is a CCM, or (ii) each FCM Client, if the Defaulting Clearing Member is an FCM Clearing Member;

**4.2.8** if the Defaulting Clearing Member is a CCM and where such Defaulting Clearing Member has failed to transfer its Client Pledged Eligible Collateral to LCH.Clearnet SA

in accordance with Article 4.3.2.1 (i), enforce the security interest granted to it under, and in accordance with, the Pledge Agreement by appropriation of the Defaulting Clearing Member's Client Pledged Eligible Collateral in accordance with Article 4.3.2.6;

- 4.2.9** notify the Defaulting Clearing Member of those Relevant Client Cleared Transactions that will be ported to the appointed Backup Clearing Member(s) and those Non-Ported Cleared Transactions that will be liquidated pursuant to the CDS Client Clearing DMP;
- 4.2.10** effect porting of the Relevant Client Cleared Transactions and transfer of the Ported Collateral to the Backup Clearing Member(s);
- 4.2.11** once LCH.Clearnet SA has determined that porting in respect of a Client Margin Account will not occur, perform such risk neutralisation as is required and thereafter commence the Competitive Bidding process in respect of any Auction Packages containing Non-Ported Cleared Transactions and, if the -Defaulting Clearing Member is a CCM, enforce its security interest under, and in accordance with, the Pledge Agreement and realise the value of the Client Pledged Eligible Collateral (if any), in accordance with Clause 4.4.2, by liquidating such Client Pledged Eligible Collateral.

### **4.3 Portability of the Relevant Client Cleared Transactions**

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

- (i) LCH.Clearnet SA shall either: (a) transfer all of the open Relevant Client Cleared Transactions entered into by the Defaulting Clearing Member in respect of the relevant CCM Individual Segregated Account Client or FCM Client (as applicable) to the appointed Backup Clearing Member; or (b) terminate and close out such Relevant Client Cleared Transactions at their market value (as determined by LCH.Clearnet SA in its discretion) and enter into replacement Cleared Transactions on equivalent terms to such Relevant Client Cleared Transactions with the appointed Backup Clearing Member in respect of the

relevant CCM Individual Segregated Account Client or FCM Client (as applicable). Transferred or replacement Relevant Client Cleared Transactions will be registered in a Client Trade Account of the Backup Clearing Member and the Ported Collateral will be credited to the relevant Client Collateral Account of the Backup Clearing Member overnight, in accordance with this Clause 4.3.1;

- (ii) where the relevant CCM Individual Segregated Account Client or FCM Client (as applicable) instructs a transfer of the Ported Collateral attributable to the relevant Client Collateral Account (including the Client Collateral Account of a CCM Indirect Client Segregated Account Structure, if applicable) to the appointed Backup Clearing Member, LCH.Clearnet SA shall give effect to such instruction; and
- (iii) the amount due to be returned to the Defaulting Clearing Member in respect of the relevant Individual Segregated Account Client or FCM Client (as applicable) shall be reduced by an amount equal to the value of the Ported Collateral transferred to the Backup Clearing Member, as referred to in paragraph (ii) of this Clause 4.3.1;

**4.3.2** Provided, if the Defaulting Clearing Member is a CCM, that (a) all of the CCM Omnibus Segregated Account Clients within a CCM Omnibus Client Set of the Defaulting Clearing Member have appointed the same Backup Clearing Member and informed LCH.Clearnet SA of the identity of such Backup Clearing Member at such time as determined by LCH.Clearnet SA; (b) within such period as LCH.Clearnet SA may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Article 4.3.1.3, LCH.Clearnet SA has received confirmation from the Backup Clearing Member of its unconditional agreement (such agreement to be in such form as LCH.Clearnet SA may require at the relevant time) to act as Backup Clearing Member in relation to all the Relevant Client Cleared Transactions registered in the relevant Client Trade Accounts and the receipt of the related Ported Collateral; (c) LCH.Clearnet SA has received confirmation from each of such CCM Omnibus Segregated Account Clients (in respect of such matters and in such form as LCH.Clearnet SA may require at the relevant time); and (d) if the Defaulting Clearing Member is a CCM, such Defaulting Clearing Member has transferred ownership of the Client Pledged Eligible Collateral to LCH.Clearnet SA in accordance with the CDS Admission Agreement or LCH.Clearnet SA has enforced the security interest granted to it under, and in accordance with, the Pledge Agreement by appropriating the Defaulting Clearing Member's Client Pledged Eligible Collateral (if any) in accordance with Article 4.3.2.3:

- (i) LCH.Clearnet SA shall either (a) transfer all of the open Relevant Client Cleared Transactions entered into by the Defaulting Clearing Member in respect of the CCM Omnibus Segregated Account Clients within the relevant CCM Omnibus Client Set to the appointed Backup Clearing Member; or (b) terminate and close out such Relevant Client Cleared Transactions at their market value (as determined by LCH.Clearnet SA in its discretion) and enter into replacement Cleared Transactions on equivalent terms to such Relevant Client Cleared Transactions with the appointed Backup Clearing Member in respect of the relevant CCM Omnibus Segregated Account Clients. Transferred or replacement Relevant Client Cleared Transactions will be registered in Client Trade Accounts of the Backup Clearing Member and the Ported Collateral will be credited to the

relevant Client Collateral Account of the Backup Clearing Member overnight, in accordance with this Clause 4.3.1;

- (ii) where all of the CCM Omnibus Segregated Account Clients within the relevant CCM Omnibus Client Set instruct a transfer of the Ported Collateral attributable to the relevant CCM Client Collateral Account to the appointed Backup Clearing Member, LCH.Clearnet SA shall give effect to such instruction; and
- (iii) the amount due to be returned to the Defaulting Clearing Member in respect of the Omnibus Segregated Account Clients within the relevant Omnibus Client Set shall be reduced by an amount equivalent to the Ported Collateral transferred to the Backup Clearing Member, as referred to in paragraph (ii) of this Clause 4.3.1.

**4.3.3** For the purposes of Clause 4.3.1 and Clause 4.3.2 above, the relevant CCM Individual Segregated Account Client or CCM Omnibus Segregated Account Clients (as applicable, where the Defaulting Clearing Member is a CCM) or the FCM Client (where the Defaulting Clearing Member is an FCM Clearing Member) may provide consent to LCH.Clearnet SA in writing (including by facsimile and email) and shall not be entitled to withdraw such consent once received by LCH.Clearnet SA.

#### **4.4 Non-portability of the Relevant Client Cleared Transactions**

#### **4.5 Calculation process**

### **5 Competitive Bidding**

#### **5.1 Principles of Competitive Bidding**

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

- (i) all Non-Defaulting Clearing Members (directly or through an ~~Affiliate~~[Affiliate](#) or an LCH Approved Outsourcing Agent acting in its place as the Auction Participant) shall be required to participate in Competitive Bidding;
- (ii) all Auction Participants should be encouraged and incentivised to participate in Competitive Bidding; and
- (iii) Competitive Bidding should be structured to ensure that the risk associated with the Defaulting Clearing Member is offloaded by the cancellation of the Defaulting Clearing Member's Cleared Transactions at a price set in a commercially reasonable manner and their replacement with equivalent Cleared Transactions registered within the Account Structure of Non-Defaulting Clearing Member(s).

#### **5.2 Construction of Auction Packages**

#### **5.3 Competitive Bidding for multiple Auction Packages**

#### **5.4 Conduct of Competitive Bidding**

#### **5.5 Non Bidders**

#### **5.6 Allocation of the Auction Package**

##### **5.6.1 Calculation of the Initial Allocation Price**

##### **5.6.2 Process of Allocation**

##### **5.6.3 Non Bidders**

#### **5.6.4 Notification of Initial Allocation Price**

Following the calculation of:

- (i) the Initial Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Auction Participant (excluding Non Bidders); and
- (ii) the Non Bidder Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder,

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

#### **5.7 Review of Competitive Bidding**

#### **5.8 Recalculated Allocation of the Auction Package and Initial Registration**

##### **5.8.1 Recalculation of Initial Allocation Price**

##### **5.8.2 Notification of recalculated Initial Allocation Price**

Following any recalculation of:

- (i) the Initial Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Auction Participant (excluding Non Bidders); and
- (ii) the Non Bidder Allocation Price and the Initial Transfer Payable or Initial Transfer Receivable for each Non Bidder,

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

#### **5.9 Conduct of Competitive Bidding for the Residual Auction Package**

##### **5.9.1 Recalculated Minimum Bid Size**

##### **5.9.2 Competitive Bidding Process**

##### **5.9.3 Notification of Residual Allocation Price**

Following the calculation of:

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

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

#### **5.10 LCH.Clearnet SA determination of financial resources**

### **6 Registration of Transfer Positions**

### **7 Loss Distribution Process**

### **8 Early Termination**

### **9 Information regarding the CDS Default Management Process**

#### **9.1 Notifications**

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

In particular LCH.Clearnet SA shall notify each Clearing Member:

- 9.1.1** when a Default Notice has been issued in respect of a Clearing Member, in accordance with Article 4.3.1.3;
- 9.1.2** in advance of both the first and second round of Competitive Bidding, as the case may be, those items listed in Clause 5.4.2;
- 9.1.3** whether or not a grace period has been granted to Auction Participants as a whole, or a particular Auction Participant, pursuant to Clause 5.4.3;
- 9.1.4** whether or not some or all of their Bid(s) have been deemed to be Market Bid(s) in the course of either the first or second round of Competitive Bidding (if applicable);
- 9.1.5** whether or not they are an Initial Winning Bidder, what the Initial Allocation Price is and what the Initial Transfer Payable or Initial Transfer Receivable, as the case may be, is in accordance with Clause 5.6.4 and/or Clause 5.8.1;
- 9.1.6** whether or not they have been deemed a Non Bidder, what the Non Bidder Allocation Price is and what the Initial Transfer Payable or Initial Transfer Receivable, as the case may be, is in accordance with Clause 5.6.3;



**9.1.7** which Transfer Positions are to be registered within theirs Account Structure as a result of being deemed an Initial Winning Bidder or a Non Bidder, as the case may be, in respect of the first round of Competitive Bidding and in respect thereof:

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

**9.1.8** whether or not a second round of Competitive Bidding will be held;

**9.1.9** to the extent a second round of Competitive Bidding is held, whether or not they are the holder of a Residual Winning Bid, what the Residual Allocation Price is and what the Residual Transfer Payable or Residual Transfer Receivable, as the case may be, is;

**9.1.10** which Transfer Positions are to be registered within theirs Account Structure as a result of being deemed an Residual Winning Bidder or a Non Bidder, as the case may be, in respect of the second round of Competitive Bidding and in respect thereof:

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

**9.1.11** where LCH.Clearnet SA has determined that its financial resources are not sufficient to meet its obligations arising from either the first or second round of Competitive Bidding, as the case may be, in accordance with Clause 5.8.1, of the failure of Competitive Bidding and the occurrence of an LCH Default.

## **9.2 Sensitive Information**

## **9.3 Competitive Bidding**

# **10 Role and Constitution of the CDS Default Management Committee**

## **10.1 Role**

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

**10.1.1** determine the provisions of the CDS Default Management Guidance Manual that will supplement the principles set out in the CDS Default Management Process and assist

the members of the CDS Default Management Group in implementing the CDS Default Management Process;

- 10.1.2 keep both the CDS Default Management Process and the CDS Default Management Guidance Manual under review and to assist LCH.Clearnet SA in the design, testing and further improvement of the CDS Default Management Process;
- 10.1.3 participate in regular fire drills in relation to the CDS Default Management Process;
- 10.1.4 keep Section 9 of Part A or Part B, as applicable, of the CDS Clearing Supplement and Section 4.2 of the Procedures under review and assist members of the CDS Default Management Group in implementing the auction procedure to terminate any self-referencing Single Name Cleared Transactions and enter into equivalent Single Name Cleared Transactions with other Clearing Members;
- 10.1.5 keep under review the Terms of Reference for both the CDS Default Management Committee and the CDS Default Management Group to ensure they remain appropriate;
- 10.1.6 maintain and keep under review the DMG Rotation Plan, as described at Clause 11.2.2 below;
- 10.1.7 consider appropriate supplements or amendments to the CDS Default Management Process and/or the CDS Default Management Guidance Manual in order to improve the procedures in place;
- 10.1.8 keep under review the manner in which Auction Participants should be encouraged and incentivised to participate in Competitive Bidding and the consequences (if any) for non-participation or non market participation in Competitive Bidding; and
- 10.1.9 consider any other business relevant to the CDS Default Management Process which any member of the CDS Default Management Committee from time to time sees fit to raise at such meetings.

## 10.2 Composition

# 11 Role and Constitution of the CDS Default Management Group

## 11.1 Role

### 11.1.1 CDS Default Management Process

### 11.1.2 Auctions in respect of self-referencing Single Name Cleared Transactions

In the event that LCH.Clearnet SA determines to conduct an auction pursuant to Section 9 of Part A or Part B, as applicable, of the CDS Clearing Supplement, the CDS Default Management Group shall meet as soon as reasonably practical, following notification by LCH.Clearnet SA that an auction to terminate any self-referencing Single Name Cleared Transactions and enter into equivalent Single Name Cleared Transactions with other Clearing Members is required, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist LCH.Clearnet SA in the implementation of the relevant auction procedure.

- 11.2 Composition
- 11.3 Organisation
- 12 Participation in the CDS Default Management Committee and CDS Default Management Group
- 13 Subsistence of the CDS Default Management Process
- 14 Liability of LCH.Clearnet SA
- 15 Governing Law

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

**General obligations of the Clearing Member**

- 1 Confidentiality**
- 2 Secrecy**
- 3 Property**
- 4 Return of Confidential Material**
- 5 No Representations or Warranties; No Conflict of Interest**
- 6 Remedies**

**General Terms of Participation in the CDS Default Management Group**

- 7 Conflict of interest**
- 8 Confidentiality**
- 9 Warranty and representation**

**LCH.Clearnet SA**  
**GDS Clearing Supplement**  
**15.01.2014**



**CDS CLEARING SUPPLEMENT**

This document is for use with the clearing of index linked transactions and single name transactions. The CDS Clearing Supplement is split into two parts, Part A and Part B.

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

**PART A**  
**CDS CLEARING SUPPLEMENT**

**FOR INDEX CLEARED TRANSACTIONS AND SINGLE NAME TRANSACTIONS**  
**INCORPORATING THE 2003 ISDA CREDIT DERIVATIVES DEFINITIONS**

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 Cleared Transaction Confirmation, Single Name Cleared Transaction Confirmation, the 2003 ISDA Credit Derivatives 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:

**2003 ISDA Credit Derivatives Definitions:** The 2003 ISDA Credit Derivatives Definitions published by ISDA as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions, including the DC Rules and Credit Derivatives Auction Settlement Terms (each as defined therein).

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

**Compression Cut-off Date:** The last date on which a Clearing Member may submit a request for any 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.Clearnet 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) in respect of any Index Cleared Transaction, the date falling one Transaction Business Day prior to the Novation Cut-off Date in respect of the relevant Eligible Index Version;
- (b) in respect of any Single Name Cleared Transaction and:

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- (i) a Restructuring Credit Event, 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 RMP Notification Deadline falls and (C) such other date falling between the dates in (A) and (B), as determined by LCH.Clearnet SA in consultation with the CDSClear Product Committee and notified to the relevant Clearing Members prior to such date; and
- (ii) a Failure to Pay Credit Event or a Bankruptcy Credit Event, the date falling one Transaction Business Day prior to the calendar day following the related Auction Final Price Determination Date, Auction Cancellation Date or No Auction Announcement Date;
- (iii) a Succession Event, a date determined by LCH.Clearnet SA in consultation with the CDSClear Product Committee, which shall be not later than the Transaction Business Day before the date on which DTCC will amend its records in respect of such Single Name Cleared Transaction to take into account the occurrence of such Succession Event, and notified to the relevant Clearing Members prior to such date; and
- ~~(iiiiv)~~ a Rename Event, the Transaction Business Day before the date on which DTCC will amend its records in respect of Single Name Cleared Transactions to take into account the occurrence of such Rename Event.

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.Clearnet SA will be performed on the Clearing Day falling on the ~~Tuesday~~Thursday on or before the relevant Compression Cut-off Date.

**DC Rules:** This term shall have the meaning given to the term "Rules" in the 2003 ISDA Credit Derivatives Definitions.

~~**ISDA Credit Derivatives Definitions:** The 2003 ISDA Credit Derivatives Definitions published by ISDA as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions, including the DC Rules and Credit Derivatives Auction Settlement Terms (each as defined therein).~~

**Partial Cash Settlement Terms:** As set out in Section 9.8 (Partial Cash Settlement Terms) of the 2003 ISDA Credit Derivatives Definitions, as amended by this CDS Clearing Supplement.

Tableau mis en forme



**Single Name Cleared Transaction Confirmation:** The form of confirmation for use with the Physical Settlement Matrix that incorporates the 2003 ISDA Credit Derivatives Definitions, as amended by this CDS Clearing Supplement and as completed by reference to:

- (a) in the case of an Initial Single Name Cleared Transaction, the relevant Transaction Data; or
- (b) in the case of any other type of Single Name Cleared Transaction, the relevant Cleared Transaction or Cleared Transactions that existed immediately prior to the relevant event that resulted in the creation of such Single Name Cleared Transaction (with such amendments as are required pursuant to the terms of the CDS Clearing Documentation),

or 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.

1.3 **Inconsistency**

1.4 **Timing**

1.5 **Third Party Rights**

1.6 **Recording of Conversations**

1.7 **Application to FCM Clearing Members**

2. **TERMS OF CLEARED TRANSACTIONS**

2.1 **General Terms of Cleared Transactions**

2.2 **Index Cleared Transaction Confirmation**

2.3 **Single Name Cleared Transaction Confirmation**

2.4 **Amendments to 2003 ISDA Credit Derivatives Definitions**

- (a) For the purposes of this CDS Clearing Supplement, Section 9.2(c)(iv) of the 2003 ISDA Credit Derivatives Definitions as incorporated in any Cleared Transaction shall be amended such that, where LCH.Clearnet SA is the designator in relation to any Restructuring Cleared Transaction or Physically Settled Cleared Transaction, as applicable, it is permitted to designate any relevant CDS Buyer or CDS Seller, as applicable, in accordance with Section 8 (*Matched Pair Designations and Notices*) as its designee, notwithstanding that such relevant CDS

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Buyer or CDS Seller, as applicable, is not its Affiliate and for the additional purposes of:

- (i) delivering or receiving any Credit Event Notice relating to a Restructuring Credit Event or Notice to Exercise Movement Option (in each case, to the extent not delivered via a DTCC Notice Facility);
  - (ii) delivering or receiving any Notice of Physical Settlement or NOPS Amendment Notice;
  - (iii) making or receiving payment of any Physical Settlement Amount and any costs and expenses of Physical Settlement; and
  - (iv) delivering or receiving any notice and otherwise exercising any rights or performing any obligations of LCH.Clearnet SA for the purposes of Sections 9.9 ~~or 9.10 of the~~ (Buy-in of Bonds Not Delivered) or 9.10 (Alternative Procedures Relating to Loans Not Delivered) of the 2003 ISDA Credit Derivatives Definitions.
- (b) Section 9.1(c)(iii) of the 2003 ISDA Credit Derivatives Definitions is amended by deleting both occurrences of the words "master agreement between Buyer and Seller that governs the relevant Credit Derivative Transaction" and replacing each with the words "CDS Clearing Documentation".
- (c) Section 9.2(a) of the 2003 ISDA Credit Derivatives Definitions is amended by deleting the words "any master agreement governing the Credit Derivative Transaction" at the end thereof and replacing them with the words "the CDS Clearing Documentation".
- (d) Section 9.2(c)(ii) of the 2003 ISDA Credit Derivatives Definitions is amended by deleting the words "any master agreement governing the Credit Derivative Transaction" at the end of the third sentence thereof and replacing them with the words "the CDS Clearing Documentation".
- (e) Section 9.2(c)(iii) of the 2003 ISDA Credit Derivatives Definitions is amended by deleting both occurrences of the words "a master agreement governing the Credit Derivative Transaction" and replacing each with the words "the CDS Clearing Documentation".
- (f) If the Protocol Effectiveness Condition (as defined in the 2014 ISDA Credit Derivatives Definitions Protocol (the "2014 Protocol")) is satisfied, then from and including the Implementation Date (as defined in the 2014 Protocol) the amendments set forth in Part 1 (Global Amendments) of Schedule 1 (Amendments to Protocol Covered Transactions) of the 2014 Protocol shall apply to each Cleared

Transaction which incorporates the 2003 ISDA Credit Derivatives Definitions and each such Cleared Transaction shall be a Protocol Covered Transaction for the purposes of the 2014 Protocol provided that:

- (i) the First Novation Date in respect of such Cleared Transaction is prior to the Implementation Date;
- (ii) such Cleared Transaction is not an Excluded Transaction (as defined in the 2014 Protocol) provided that if such Cleared Transaction relates to more than one Reference Entity and would otherwise be a Protocol Covered Transaction but for the inclusion of any Affected Portion (as defined in the 2014 Protocol) therein, such Affected Portion shall be excluded for the purposes of this Section 2.4(f) and the remaining portion of such Cleared Transaction shall be deemed to be a Protocol Covered Transaction;
- (iii) the Scheduled Termination Date in respect of such Cleared Transaction is on or after the Implementation Date;
- (iv) no Event Determination Date has occurred in respect of such Cleared Transaction prior to the Implementation Date;
- (v) from and including the Implementation Date the provisions of Part B of the CDS Clearing Supplement shall apply to such Cleared Transaction or the portion of such Cleared Transaction other than the Affected Portion, as applicable and such Cleared Transaction shall be treated as if it had been entered into and is subject to the 2014 ISDA Credit Derivatives Definitions. In the event of any inconsistency between the provisions of Part B of the CDS Clearing Supplement and the amendments set forth in this paragraph 2.4, the provisions of Part B of the CDS Clearing Supplement shall prevail.

## 2.5 Physical Settlement Matrix Updates

### 3. PAYMENTS AND DELIVERIES

#### 3.1 Obligation to pay and deliver

#### 3.2 Payments under Original Transactions

### 4. CREDIT EVENTS, SUCCESSION EVENTS AND RENAME EVENTS

#### 4.1 Determination of Credit Events and Succession Events

#### 4.2 Credit Event Timeline

#### 4.3 Novation and Compression following Credit Events

#### 4.4 Re-couponing of Restructuring Cleared Transactions

#### 4.5 Succession Events and Cleared Transactions

If LCH.Clearnet SA determines that any Original Transaction submitted for novation or any Cleared Transaction subject to compression would have been subject to a Succession Event but will no longer be subject to such Succession Event upon novation or compression (as applicable) because of the Trade Date that would be specified with respect to the relevant Cleared Transactions, LCH.Clearnet SA may take such action as it deems necessary to ensure that such Succession Event is given effect with respect to such Cleared Transactions, including, without limitation, specifying an alternate Trade Date for purposes of Section 2.1 (*Reference Entity*) of the 2003 ISDA Credit Derivatives Definitions with respect to each relevant Cleared Transaction or, where LCH.Clearnet SA determines that an alternative course of action is not practicable, declining to accept such Original Transaction for novation or Cleared Transaction for compression (as applicable).

#### 4.6 Succession Event Timeline

#### 4.7 Rename Events

#### 4.8 Updating Eligible Index Versions

#### 4.9 Reversal of DC Credit Event Announcements and Margining

If a DC Credit Event Announcement is reversed then, subject to Section 9.1(c)(iii)(B) of the 2003 ISDA Credit Derivatives Definitions, LCH.Clearnet 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 Restructuring Matched Pairs

### 5.2 Creation of Restructuring Cleared Transactions

### 5.3 Triggering of Restructuring Cleared Transactions

### 5.4 Notice to Exercise Movement Option

### 5.5 Reversal of DC Credit Event Announcements

If a DC Credit Event Announcement made in relation to a Restructuring Credit Event is reversed then, subject to Section 9.1(c)(iii)(B) of the [2003 ISDA](#) Credit Derivatives Definitions:

(a) LCH.Clearnet SA shall have no obligation to create Restructuring Matched Pairs in accordance with Section 5.1 (*Creation and Notification of Restructuring Matched Pairs*), any such Restructuring Matched Pairs so created shall be deemed not to have been created and any Credit Event Notices delivered in connection with such Restructuring Matched Pairs shall be deemed to be ineffective;

(a) LCH.Clearnet 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

(b) LCH.Clearnet SA shall have no obligation to create Restructuring Matched Pairs in accordance with Section 5.1 (*Creation and Notification of Restructuring Matched Pairs*), any such Restructuring Matched Pairs so created shall be deemed not to have been created and any Credit Event Notices delivered in connection with such Restructuring Matched Pairs shall be deemed to be ineffective;

(c) LCH.Clearnet 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

~~(b)~~(d) Section 4.9 (*Reversal of DC Credit Event Announcements and Margining*) shall apply.

## 5.6 Reports

## 6. PHYSICAL SETTLEMENT

### 6.1 General Terms relating to Physical Settlement

Where Physical Settlement is applicable as the Fallback Settlement Method pursuant to Section 12.1 ([Auction Settlement](#)) or 12.17 ([Movement Option](#)) of the [2003](#) ISDA Credit Derivatives Definitions, each Cleared Transaction will be subject to settlement in accordance with its terms and this Section 6 (*Physical Settlement*).

LCH.Clearnet SA has implemented a process, as set-out in this Section 6 (*Physical Settlement*), pursuant to which Clearing Members will manage the physical delivery process bilaterally in respect of any Cleared Transactions for which Physical Settlement is applicable.

Notwithstanding such process, LCH.Clearnet SA shall remain the legal counterparty for any such Cleared Transactions for which Physical Settlement is applicable and shall continue to be liable with respect to its obligations relating to such Physical Settlement, subject to its terms and this Section 6 (*Physical Settlement*).

### 6.2 Creation and Notification of Settlement Matched Pairs

### 6.3 Physically Settled Cleared Transactions

### 6.4 Matched Seller Calculation Agent

Notwithstanding any provision to the contrary in a Physically Settled Cleared Transaction (but subject as set out in Section 6.10 (*Failure to pay Physical Settlement Amount*), the "Calculation Agent" for the purposes of Article [8VIII](#) ([Terms relating to Physical Settlement](#)) and Section 9.8 ([Partial Cash Settlement Terms](#)) of the [2003](#) ISDA Credit Derivatives Definitions shall be the relevant Matched Seller.

### 6.5 Notices of Physical Settlement

### 6.6 Delivery of Non-DVP Obligations

The following shall apply in relation to any Settlement Matched Pair where the relevant Matched Buyer specifies a Non-DVP Obligation in a Notice of Physical Settlement or NOPS Amendment Notice:

- (a) The relevant Matched Buyer shall notify LCH.Clearnet SA that it is ready to Deliver the relevant Non-DVP Obligation at or prior to 5.30 p.m. on the Transaction Business Day prior to the date on which Delivery is scheduled to occur. In such notice, the relevant Matched

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Buyer shall also specify the amount of any expenses payable to it under Section 9.2(c)(vi) of the 2003 ISDA Credit Derivatives Definitions.

- (b) LCH.Clearnet SA shall notify the relevant Matched Seller at or prior to 6.30 p.m. on the Transaction Business Day prior to the date on which Delivery is scheduled to occur that it is obligated to pay LCH.Clearnet SA the amount of the relevant Physical Settlement Amount corresponding to the Outstanding Amount of such Non-DVP Obligation and any amounts in respect of expenses notified by the relevant Matched Buyer before 9.00 a.m. on the following Transaction Business Day.
- (c) The relevant Matched Seller shall pay to LCH.Clearnet SA the amount(s) so requested on or prior to 9.00 a.m. on the Transaction Business Day immediately following the date on which the relevant Matched Buyer notified LCH.Clearnet SA of its readiness to Deliver provided that the request for payment has been made in a timely manner as set out above.
- (d) LCH.Clearnet SA shall notify the relevant Matched Buyer that it has received payment at or prior to 5.30 p.m. on the Transaction Business Day in which LCH.Clearnet SA receives payment, provided that payment is received by LCH.Clearnet SA at or prior to 9.00 a.m. on such Transaction Business Day as set out above.
- (e) The relevant Matched Seller shall notify LCH.Clearnet SA that Delivery has occurred by 5.30 p.m. on the Transaction Business Day on which Matched Seller receives Delivery of the relevant Non-DVP Obligations. Notices received after 3.30 p.m. will be deemed received on the next following Transaction Business Day, unless LCH.Clearnet SA agrees otherwise.
- (f) If and to the extent that LCH.Clearnet SA has received payment from the relevant Matched Seller of the Physical Settlement Amount in full on a timely basis as set out above, LCH.Clearnet SA shall pay the Physical Settlement Amount and any expenses due to the relevant Matched Buyer under paragraph 9.2(c)(vi) of the 2003 ISDA Credit Derivatives Definitions on or prior to 9.00 a.m. on the Transaction Business Day following the Transaction Business Day on which LCH.Clearnet SA receives the notice referred to in sub-paragraph (e) above from the relevant Matched Seller.
- (g) If and to the extent that Delivery of the relevant Non-DVP Obligations has not been effected by the relevant Matched Buyer in accordance with terms of the relevant Physically Settled Cleared Transaction as of the expiry of the third Transaction Business Day following delivery of

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the relevant Matched Buyer's notice referred to above, the relevant Matched Seller may request LCH.Clearnet SA to repay the Physical Settlement Amount not earlier than the first Transaction Business Day following the date on which such request is effectively delivered to LCH.Clearnet SA.

6.7 **Alternative Delivery Procedure**

6.8 **Buy-in of Bonds – Matched Seller has entered into CCM Client Transaction**

***The following provisions shall solely be applicable to a Matched Seller that is a CCM in respect of the Matched Contracts of the Settlement Matched Pair if such Matched Seller notifies Matched Buyer and LCH.Clearnet SA that it has a CCM Client Transaction which corresponds to the Matched Seller Contract:***

(a) *Buy-in of Bonds – Settlement Matched Pair*

Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions shall not apply in respect of the Matched Contracts of the Settlement Matched Pair.

(b) *Deemed Buy-in of Bonds resulting from CCM Client Transaction of Matched Seller that is a CCM*

Provided that Physical Settlement has not already occurred in respect of the Matched Contracts of a Settlement Matched Pair, if:

(i) the Matched Seller that is a CCM receives a Buy-in Notice from its CCM Client in respect of the CCM Client Transaction between such Matched Seller and its CCM Client which is validly delivered pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions), then such Matched Seller shall notify Matched Buyer and LCH.Clearnet.SA of its receipt of such Buy-in Notice and of the content thereof and Matched Buyer's right to Deliver the Relevant Bonds specified in the relevant Buy-in Notice shall be suspended until the fourth Business Day (inclusive) following the Buy-In Date specified in the relevant Buy-In Notice (the "**Deemed Buy-in Period**"); and

(ii) such Matched Seller notifies Matched Buyer and LCH.Clearnet SA that it has been notified by its CCM Client pursuant to Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions that a Buy-in Price has been determined in respect of Relevant Bonds for the purposes of the CCM Client Transaction between such Matched Seller and its CCM Client,

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then on the third Business Day following receipt by Matched Seller of such notice from its CCM Client (which such date Matched Seller shall specify) (the "**Buy-in Effective Date**"):

- (A) Matched Buyer will be deemed to have Delivered to such Matched Seller an outstanding principal balance of the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, for which a Buy-in Price was determined by the CCM Client; and
- (B) the Physical Settlement Amount to be paid by such Matched Seller to Matched Buyer in respect of the Matched Contracts of the Settlement Matched Pair shall be reduced (but not below zero) by an amount equal to the amount by which the Physical Settlement Amount to be paid to such Matched Seller by its CCM Client in respect of the CCM Client Transaction has been reduced pursuant to Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions.

Such Matched Seller shall notify Matched Buyer and LCH.Clearnet SA of the outstanding principal balance of the Deliverable Obligations and the Physical Settlement Amount reduction determined in respect of its CCM Client Transaction for the purposes of (A) and (B)~~(B)~~ above.

6.9 **Alternative Procedures relating to Loans – Buyer Right to Deliver (Section 9.10(a) 2003 ISDA Credit Derivatives Definitions)**

***The following provision shall solely be applicable in respect of the Matched Contracts of the Settlement Matched Pair if a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that it has a CCM Client Transaction which corresponds to the Matched Buyer Contract:***

If a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that it has received a Bond or Loan from its CCM Client in respect of its CCM Client Transaction pursuant to Section 9.10(a) (*Alternative Procedures Relating to Loans Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions, then such Bonds or Loans shall be deemed specified in the Notice of Physical Settlement or any NOPS Amendment Notice for the purposes of the Matched Contracts of the Settlement Matched Pair.

## 6.10 Failure to pay Physical Settlement Amount

If, in relation to any Settlement Matched Pair, a Matched Seller fails to pay all or part of the Physical Settlement Amount (the **Failed Amount**) to the related Matched Buyer, as designee for LCH.Clearnet SA, when due:

- (a) the relevant Matched Buyer may and the relevant Matched Seller shall, as soon as practicable, give notice in writing to LCH.Clearnet SA, giving all material details of the Settlement Matched Pair involved, the relevant failure to pay and the Failed Amount;
- (b) such failure to pay shall not constitute or be deemed to constitute a breach of contract, event of default or failure to pay by LCH.Clearnet SA under the CDS Clearing Documentation or otherwise (but such failure to pay may, for the avoidance of doubt, constitute a breach of the CDS Clearing Documentation and/or a Payment Failure for the purposes of Article 4.3.1.1 of the CDS Clearing Rule Book by or with respect to the relevant Clearing Member);
- (c) if the relevant Matched Buyer elects to notify LCH.Clearnet SA of such failure to pay as contemplated above, such Matched Buyer may give any such notice as soon as reasonably practicable after the occurrence of such failure to pay by the relevant Matched Seller;
- (d) upon notice being given to LCH.Clearnet SA by the relevant Matched Buyer, "Cash Settlement" between the relevant Matched Buyer and LCH.Clearnet SA and the relevant Matched Seller and LCH.Clearnet SA pursuant to the Partial Cash Settlement Terms (set out in Section 9.8 ([Partial Cash Settlement Terms](#)) of the [2003 ISDA Credit Derivatives Definitions](#), as amended by this CDS Clearing Supplement) shall be deemed to apply to the relevant Physically Settled Cleared Transactions of the Settlement Matched Pair with respect to the Deliverable Obligations corresponding to the Failed Amount as though:
  - (i) the Deliverable Obligations not Delivered were Undeliverable Obligations;
  - (ii) the Latest Permissible Physical Settlement Date were the date on which the relevant Matched Buyer gave the relevant notice to LCH.Clearnet SA;
  - (iii) Indicative Quotations were not applicable;
  - (iv) the relevant Matched Buyer were the Calculation Agent in respect of the Physically Settled Cleared Transaction of the Settlement Matched Pair to which it is a direct party; and

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- (v) the Cash Settlement Amount determined in respect of the Physically Settled Cleared Transaction between Matched Buyer and LCH.Clearnet SA is also the Cash Settlement Amount in respect of the corresponding Physically Settled Cleared Transaction of the Settlement Matched Pair; and
- (e) LCH.Clearnet SA and the relevant Matched Buyer will settle the relevant Physically Settled Cleared Transaction accordingly.

#### 6.11 Partial Cash Settlement due to Impossibility or Illegality

Section 9.3 ~~of the~~ *(Partial Cash Settlement due to Impossibility or Illegality) of the 2003* ISDA Credit Derivatives Definitions shall apply to a Physically Settled Transaction in the circumstances contemplated therein, provided that Matched Buyer or Matched Seller notifies the other Clearing Member comprised in the relevant Settlement Matched Pair and LCH.Clearnet SA accordingly.

In such case, the related Physically Settled Cleared Transaction entered into between LCH.Clearnet SA and the other Clearing Member comprised in the relevant Settlement Matched Pair shall likewise be subject to "Cash Settlement" pursuant to the Partial Cash Settlement Terms and Section 6.14 (*Consequences of Cash Settlement*).

#### 6.12 Fallback to Cash Settlement in respect of Non-Deliverable Obligations

- (a) If Matched Buyer is not permitted to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the **Non-Deliverable Obligations**) specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice to Matched Seller as designee for LCH.Clearnet SA in the relevant Matched Pair because:
  - (i) the amount of such Deliverable Obligation to be Delivered is less than the relevant minimum denomination of such Deliverable Obligation; or
  - (ii) such Matched Seller is not a permitted transferee under such Deliverable Obligation (and, in the case of this sub-section (ii), such circumstance would not constitute an illegality or impossibility outside the control of a relevant party for the purposes of Section 9.3 ~~of the~~ *(Partial Cash Settlement due to Impossibility or Illegality) of the 2003* ISDA Credit Derivatives Definitions),

then it shall notify the relevant Matched Seller and LCH.Clearnet SA (in the form set out in Appendix VI hereto) accordingly describing in reasonable detail the relevant circumstances.

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With effect from such notification, such occurrence shall be treated, in relation to each relevant Physically Settled Cleared Transaction, as an illegality or impossibility outside the control of a relevant party for the purpose of Section 9.3 ~~of the~~ (Partial Cash Settlement Due to Impossibility or Illegality) of the 2003 ISDA Credit Derivatives Definitions.

- (b) Upon notice being given to LCH.Clearnet SA by Matched Buyer under sub-paragraph (a) of this Section 6.12 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*), "Cash Settlement" pursuant to the Partial Cash Settlement Terms shall be deemed to apply to the Matched Contracts in respect of the relevant Settlement Matched Pair with respect to the Non-Deliverable Obligations as though the Non-Deliverable Obligations were Undeliverable Obligations and the provisions set out in Section 6.14 (*Consequences of Cash Settlement*) of this CDS Clearing Supplement shall apply.

#### 6.13 Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM

***The following provision shall solely be applicable in respect of the Matched Contracts of the Settlement Matched Pair if a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that it has a CCM Client Transaction which corresponds to the Matched Buyer Contract:***

If a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that the corresponding CCM Client Transaction between such Matched Buyer and its CCM Client is to be settled (in whole or in part) by Cash Settlement pursuant to Section 9.3 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the 2003 ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*), then:

- (a) "Cash Settlement" shall be deemed to apply (in whole or in part, as applicable) to the Matched Contracts of the Settlement Matched Pair pursuant to the Partial Cash Settlement Terms and Section 6.14 (*Consequences of Cash Settlement*);
- (b) the 'Undeliverable Obligations' for the purposes of the Partial Cash Settlement Terms shall be the Undeliverable Obligations or Non-Deliverable Obligations in respect of the corresponding CCM Client Transaction; and
- (c) the Cash Settlement Amount and the Cash Settlement Date in respect of the Matched Contracts of the Settlement Matched Pair shall be the

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same as the Cash Settlement Amount and the Cash Settlement Date determined in respect of the corresponding CCM Client Transaction.

#### 6.14 Consequences of Cash Settlement

If the circumstances set out in either Section 6.11 (*Partial Cash Settlement Due to Impossibility or Illegality*) or paragraph (a) of Section 6.12 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) or Section 6.13 (*Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM*) apply, then:

- (a) the Latest Permissible Physical Settlement Date in respect of the relevant Physically Settled Cleared Transaction will be deemed to be the first date on which the relevant Matched Buyer or Matched Seller effectively gave the relevant notice to both LCH.Clearnet SA and the other Clearing Member as referred to in Section 6.11 (*Partial Cash Settlement Due to Impossibility or Illegality*) or paragraph (a) of Section 6.12 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) or Section 6.13 (*Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM*) above, as applicable, (and for these purposes, Section 9.7 ~~of the~~ (Latest Permissible Physical Settlement Date) of the 2003 ISDA Credit Derivatives Definitions shall not apply);
- (b) the relevant Matched Buyer will be deemed to be the Calculation Agent;
- (c) LCH.Clearnet SA and the relevant Matched Buyer will settle the applicable Matched Buyer Contract, and LCH.Clearnet SA and the relevant Matched Seller will settle the applicable Matched Seller Contract, accordingly; and
- (d) where sub-paragraph (a)(ii) of Section 6.12 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) applies, Indicative Quotations shall not be applicable.

#### 6.15 Amendments to Section 9.8(k) of 2003 ISDA Credit Derivatives Definitions

Solely for the purposes of Section 6.11 (*Partial Cash Settlement due to Impossibility or Illegality*), Section 6.12 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*), Section 6.13 (*Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM*) and Section 6.14 (*Consequences of Cash Settlement*) of this CDS Clearing Supplement, Section 9.8(k) of the 2003 ISDA Credit Derivatives Definitions is amended by inserting the following at the beginning thereof:

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"(A) For the purposes hereof, in addition to the requirements of Section 7.10, each firm Quotation shall:

- (1) be for a transaction with Matched Buyer (or its designee) (the **Relevant Buyer**) pursuant to which the Relevant Buyer agrees to Deliver the Deliverable Obligations to the Dealer submitting the firm quotation (the **Quoting Dealer**), which transaction shall be governed by documentation that is consistent with market practice applicable to the sale and purchase of Deliverable Obligations on the Valuation Date (which may be determined by the relevant Credit Derivatives Determinations Committee), including, without limitation, a representation that the Quoting Dealer has completed all "know your customer" or similar requirements under all applicable laws, regulations and internal compliance procedures relating to a transaction with the Relevant Buyer and in respect of the Reference Entity;
- (2) be capable of acceptance by the Relevant Buyer (for such purposes, each firm Quotation must, *inter alia*, be obtained from a Dealer with whom the Relevant Buyer, in its sole and absolute discretion, determines that it is able, in accordance with all its internal compliance and policy requirements, to transact and to Deliver the Deliverable Obligations) and be open for acceptance by the relevant party for at least 30 minutes; and
- (3) be obtained on the basis that if the Relevant Buyer agrees to Deliver the Deliverable Obligations to such Quoting Dealer on the terms set forth herein, such Quoting Dealer agrees to pay the settlement amount (calculated and payable for this purpose in accordance with the relevant market standard documentation and based on the price so quoted) that would be payable to the Relevant Buyer for such Deliverable Obligations.

(B) Otherwise,".

6.16 **Subsequent Determination by the Credit Derivatives Determinations Committee with respect to an Auction**

6.17 **Physical Settlement Costs**

6.18 **Representations and Agreements relating to Physical Settlement**

(a) **Claims by Matched Seller against LCH.Clearnet SA in respect of Obligations Delivered by Physical Settlement**

If a Matched Seller pursues a claim against LCH.Clearnet SA under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the [2003 ISDA Credit Derivatives](#)

Definitions in respect of any obligations Delivered by way of Physical Settlement of any Matched Seller Contract, then:

- (i) notwithstanding any provision of the 2003 ISDA Credit Derivatives Definitions to the contrary, LCH.Clearnet SA shall only be liable to make payments to that Matched Seller in respect of that claim to the extent of amounts recovered, including, without limitation, any amounts recovered by way of set-off or netting, by LCH.Clearnet SA from or on behalf of the related Matched Buyer in respect of any corresponding claims under or in connection with the Matched Buyer Contract (including, without limitation, following the declaration of an Event of Default in respect of such Matched Buyer) and after deducting any costs and expenses reasonably incurred by LCH.Clearnet in pursuing such corresponding claims for recovery under or in connection with the Matched Buyer Contract;
- (ii) LCH.Clearnet SA will use reasonable efforts to pursue any claim it may have against the related Matched Buyer but, notwithstanding Section 6.18(a)(i) above, LCH.Clearnet SA will, in the pursuit of such claims, act as though its liability to Matched Seller under the Matched Seller Contract was not limited or restricted in any way; and
- (iii) references to indemnity provisions set out in Section 9.2(a), 9.2(b) and 9.2(c)(iv) of the 2003 ISDA Credit Derivatives Definitions shall, in connection with a Matched Buyer Contract, be interpreted without regard to the limitations to Matched Seller's recourse to LCH.Clearnet SA under the corresponding Matched Seller Contract imposed by the provisions of this Section 6.18(a) and such limitations shall not restrict a Matched Seller from making a claim or raising a Dispute.

**(b) Right of Matched Seller to enforce against Matched Buyer**

Without prejudice to paragraph (a) above, a Matched Seller shall be entitled to enforce Sections 9.2(a), (b), (c)(i) and (c)(iv) of the 2003 ISDA Credit Derivatives Definitions against the related Matched Buyer in respect of any obligations Delivered by way of Physical Settlement of any Physically Settled Cleared Transaction under the Contracts (Rights of Third Parties) Act 1999 as though Matched Seller were party to the relevant Matched Buyer Contract in place of LCH.Clearnet SA.

**(c) Satisfaction of Claim by Matched Buyer discharges Liabilities owed to and by LCH.Clearnet SA**

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For the avoidance of doubt, if a Matched Buyer satisfies a claim made by a Matched Seller directly against the relevant Matched Buyer under Sections 9.2(a), (b), (c)(i) or (c)(iv) of the 2003 ISDA Credit Derivatives Definitions pursuant to the rights granted to such Matched Seller under paragraph (b) above, such satisfaction shall also constitute complete satisfaction and discharge of the corresponding liability of such Matched Buyer to LCH.Clearnet SA and the corresponding liability of LCH.Clearnet SA to such Matched Seller in respect of such claim.

(d) **Effect of Illegality or Tax or other Expense resulting from Designation through Creation of Matched Pairs**

The last sentence of Section 9.2(c)(iv) of the 2003 ISDA Credit Derivatives Definitions shall not operate so as to prevent LCH.Clearnet SA from creating any Matched Pair in accordance with this CDS Clearing Supplement, and LCH.Clearnet SA shall have no obligation to grant any indemnity with respect to any Tax, loss or cost to any Matched Buyer or Matched Seller thereunder.

If the circumstances contemplated at Section 9.2(c)(iv)(A) or (B) of the 2003 ISDA Credit Derivatives Definitions apply in respect of any Physically Settled Cleared Transaction and any related Settlement Matched Pair (in the case of (B), as notified by the Clearing Member which is the non-designating party for such purpose to the other Clearing Member comprised in the relevant Settlement Matched Pair prior to the first Delivery Date), then an impossibility shall be deemed to have occurred with respect to Physical Settlement of the relevant Physically Settled Cleared Transactions, and Section 9.3 ~~of the~~ (Partial Cash Settlement due to Impossibility or Illegality) of the 2003 ISDA Credit Derivatives Definitions (as amended by this CDS Clearing Supplement) shall apply.

6.19 **Miscellaneous Provisions relating to Physical Settlement**

7. **DELIVERY OF NOTICES AND FALLBACKS**

7.1 **General Rules relating to Notices**

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

Subject to Section 7.2 (*Oral Notices*) and without prejudice to Section 1.10 (Requirements Regarding Notices) and the remaining provisions of the 2003 ISDA Credit Derivatives 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

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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.Clearnet 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.Clearnet SA**

Any such notice or communication given by LCH.Clearnet SA to a Clearing Member or vice versa shall (except where delivered via a relevant DTCC Notice Facility) 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 and which are not delivered via a relevant DTCC Notice Facility shall be given to the address or number notified by LCH.Clearnet SA to the deliveror pursuant to Sections 5.1 (*Creation and Notification of Restructuring Matched Pairs*) or 6.2 (*Creation and Notification of Settlement Matched Pairs*).

Such notices shall only be deemed to be delivered effectively by LCH.Clearnet SA through the relevant Clearing Member as its designee

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as against the recipient where the address or number so notified by LCH.Clearnet 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.Clearnet SA to verify Signatories**

LCH.Clearnet 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 7 (*Delivery of Notices and Fallbacks*).

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7.2 **Oral Notices**

Notwithstanding the provisions of the 2003 ISDA Credit Derivatives Definitions, where, by way of exception as contemplated in this Section 7, Credit Event Notices and Notices to Exercise Movement Option are to be delivered directly to LCH.Clearnet SA (and not via a relevant DTCC Notice Facility), such notices may not be delivered by telephone.

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7.3 **Credit Event Notices and NEMOs**

7.4 **Notification of DTCC Failure and Resolution**

7.5 **Consequences of DTCC Failure**

7.6 **Clearing Member Communications Failure Event**

7.7 **Clearing Member Acknowledgements**

(a) **Duty to deliver Clearing Member Acknowledgements**

Each Clearing Member shall notify LCH.Clearnet SA or deliver a copy to LCH.Clearnet SA of any notice delivered or received by such Clearing Member to or from another Clearing Member comprised in a Matched Pair, including, without limitation, any Credit Event Notice or Notice to Exercise Movement Option which was delivered or received directly (and not via a DTCC Notice Facility) pursuant to Sections 7.5 (*Consequences of DTCC Failure*) or 7.6 (*Clearing Member Communications Failure Event*), and which such Clearing Member asserts or acknowledges was effective for the purposes of this CDS Clearing Supplement and the relevant Cleared Transactions (such notification, or delivery of such copy, in respect of any relevant notice, a **Clearing Member Acknowledgement**) by no later than 6.00 p.m. on:

- (i) in the case of a Notice of Physical Settlement or NOPS Amendment Notice, the date falling two Transaction Business Days following the date on which such notice was sent; or

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(ii) in the case of any other notice, on the last date on which such notice could validly be sent,

(in each case, the **Notice Acknowledgement Deadline**).

(b) **Clearing Member Acknowledgement received from both Clearing Members**

Where LCH.Clearnet SA receives a Clearing Member Acknowledgement in respect of any notice from both relevant Clearing Members comprised in a Matched Pair at or prior to the Notice Acknowledgement Deadline, LCH.Clearnet SA shall perform its obligations in respect of the relevant Cleared Transactions in accordance with and subject to the remaining provisions of the CDS Clearing Documentation.

(c) **Clearing Member Acknowledgement received from one Clearing Member**

Where LCH.Clearnet SA receives a Clearing Member Acknowledgement in respect of any notice from one relevant Clearing Member only at or prior to the Notice Acknowledgement Deadline, the provisions of Section 7.11 (*Disputes as to Notices*) shall apply and LCH.Clearnet SA and each relevant Clearing Member shall perform their obligations in respect of the relevant Cleared Transactions in accordance with and subject to the remaining provisions of the CDS Clearing Documentation and the terms of any final resolution of the relevant dispute, as agreed between the relevant parties or as determined 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.

In such case, LCH.Clearnet SA shall notify the Clearing Member from which it has not received a Clearing Member Acknowledgement of the asserted delivery or, as applicable, receipt of the relevant notice (in the case of a Credit Event Notice or Notice to Exercise Movement Option, through the reports referred to at Section 5.6 (*Reports*)).

(d) **No Clearing Member Acknowledgement received**

Where LCH.Clearnet SA does not receive Clearing Member Acknowledgement or confirmation of valid delivery in respect of any notice from either Clearing Member in the relevant Matched Pair on or prior to the relevant Notice Acknowledgement Deadline, the rights and obligations of LCH.Clearnet SA as against each relevant Clearing

Member, and vice versa, shall be construed as if no such notice had been given.

(e) **Consequences of no Clearing Member Acknowledgement being received**

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

(i) *Notices other than Notices of Physical Settlement and NOPS Amendment Notices*

Save in the case of a Notice of Physical Settlement or NOPS Amendment Notices, an amount shall be payable between the Clearing Members equal to the difference between the value of the Matched Buyer Contract had Clearing Member Acknowledgement been given to LCH.Clearnet SA on a timely basis and the value of such contract in the absence of such acknowledgement; 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, in the case of a Credit Event Notice or Notice to Exercise Movement Option, the eighth Transaction Business Day following the Auction Settlement Date, no Auction Announcement Date or Auction Cancellation Date, as applicable or otherwise the eighth Transaction Business Day following the last day on which such notice would validly have been delivered, by reference to the relevant Auction Settlement Amount or end of day contributed prices, in each case if available.

(ii) *Notices of Physical Settlement and NOPS Amendment Notices*

Where the relevant notice is a Notice of Physical Settlement or a NOPS Amendment Notice, the relevant Clearing Members shall acquire rights as against the other as though party to a bilateral credit default swap transaction on the terms of the related Matched Buyer Contract (including, without limitation, as to the satisfaction of the applicable Conditions to Settlement) and the Notice of Physical Settlement shall be deemed to have been given in respect of such transaction. Any resulting payment shall be due and payable two Transaction Business Days following the giving of a notice that such amount is due and payable.

In each case, the relevant Clearing Members shall have enforcement rights as against each other pursuant to the Contracts (Rights of Third

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Parties) Act 1994 in respect of any resulting payments and deliveries; LCH.Clearnet SA shall have no liability in respect thereof.

#### 7.8 Failure to notify Matched Pairs

Notwithstanding Section 5.3 (*Triggering of Restructuring Cleared Transactions*) and 6.5 (*Notices of Physical Settlement*), if LCH.Clearnet SA does not notify the relevant Clearing Members of Restructuring Matched Pairs created pursuant to Section 5.1 (*Creation and Notification of Restructuring Matched Pairs*) on or prior to the RMP Notification Deadline or Settlement Matched Pairs and related information specified in Section 6.2 (*Creation and Notification of Settlement Matched Pairs*) by the SMP Notification Deadline, as applicable:

- (a) the relevant Clearing Members may deliver Credit Event Notices, Notices to Exercise Movement Option, Notices of Physical Settlement or NOPS Amendment Notices to LCH.Clearnet SA, and vice versa;
- (b) the relevant Cleared Transactions shall be subject to Physical Settlement in accordance with their terms; and
- (c) the provisions of Sections 2.4 (*Amendments to 2003 ISDA Credit Derivatives Definitions*), 6 (*Physical Settlement*) and 8 (*Matched Pair Designations and Notices*) shall not apply and the terms of this CDS Clearing Supplement shall be construed accordingly.

For such purpose, Section 7.3 (*Certain Notices to be given via DTCC*) shall not apply in respect of notices given by the affected Clearing Members and accordingly Credit Event Notices and Notices to Exercise Movement Option shall be delivered directly (and not via the relevant DTCC Notice Facility).

#### 7.9 Failure to notify Matching Information

#### 7.10 Uncertain Delivery

#### 7.11 Disputes as to Notices

If any Clearing Member comprised in a Matched Pair where one such party is acting as designee of LCH.Clearnet SA disputes the effective delivery in accordance with the terms of the relevant Cleared Transactions of any notice delivered directly (and not via a relevant DTCC Notice Facility) in accordance with this Section 7 (*Delivery of Notices and Fallbacks*) (and for such purposes, a dispute between the relevant Clearing Member and LCH.Clearnet SA shall be deemed to have arisen if LCH.Clearnet SA receives a Clearing Member Acknowledgement from one relevant Clearing Member only in respect of any such notice as contemplated at Section 7.7(c) (*Clearing Member Acknowledgement received from one Clearing Member*)):

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- (d) LCH.Clearnet 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;
- (e) 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 Cleared Transactions the subject of such dispute as LCH.Clearnet SA determines appropriate to give effect to any relevant binding resolution; and
- (f) without prejudice to its obligations upon final resolution of the dispute, pending final resolution of any such dispute, LCH.Clearnet SA shall not be obliged to take any step pursuant to the terms of the relevant 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.Clearnet SA of any such disputes (in the form set out at Appendix XI hereto).

## 8. MATCHED PAIR DESIGNATIONS AND NOTICES

### 8.1 Creation of Matched Pairs

LCH.Clearnet SA will create Matched Pairs where required to do so pursuant to Section 5.1 (*Creation and Notification of Restructuring Matched Pairs*) or 6.2 (*Creation and Notification of Settlement Matched Pairs*) using a matching procedure that matches CDS Sellers with CDS Buyers pursuant to an algorithm incorporating the following principles:

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- (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);

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- (c) each Matched Pair will, to the extent possible, have an aggregate Restructuring Matched Pair Amount or, as applicable, Settlement Matched Pair Delivery Amount, which is an integral multiple of Euro 1,000,000, subject to a maximum of Euro 50,000,000; and
- (d) LCH.Clearnet SA will allocate a Restructuring Matched Pair Amount or, as applicable, Settlement Matched Pair Delivery Amount to each Matched Pair such that:
  - (i) the sum of all Restructuring Matched Pair Amounts or, as applicable, Settlement Matched Pair Delivery Amounts, of each CDS Buyer is equal to the aggregate Floating Rate Payer Calculation Amounts in respect of all (A) Initial Single Name Cleared Transactions, Restructuring Cleared Transactions (created following the occurrence of a previous Restructuring Credit Event), Spin-off Single Name Cleared Transactions and Resulting Single Name Cleared Transactions or (B) Cleared Transactions in respect of which the Fallback Settlement Method applies to the CDS Type for such Cleared Transaction, as applicable, to which such CDS Buyer is a party; and
  - (ii) the sum of all Restructuring Matched Pair Amounts or, as applicable, Settlement Matched Pair Delivery Amounts, of each CDS Seller is equal to the aggregate Floating Rate Payer Calculation Amounts in respect of (A) Initial Single Name Cleared Transactions, Restructuring Cleared Transactions (created following the occurrence of a previous Restructuring Credit Event), Spin-off Single Name Cleared Transactions and Resulting Single Name Cleared Transactions or (B) Cleared Transactions in respect of which the Fallback Settlement Method applies to the CDS Type for such Cleared Transaction, as applicable, to which such CDS Seller is a party.

Notwithstanding the above, if the Fallback Settlement Method applies in relation to a Cleared Transaction and a Restructuring Credit Event, the Restructuring Matched Pairs previously created pursuant to Section 5.1 (*Creation of Restructuring Matched Pairs*) and this Section 8.1 shall be deemed to be Settlement Matched Pairs created in accordance with Section 6.2 (*Creation and Notification of Settlement Matched Pairs*) and LCH.Clearnet SA shall have no obligation to create Settlement Matched Pairs in respect of such Cleared Transaction.

## 8.2 Registration of new Cleared Transactions and Removal of original Cleared Transactions

## 8.3 Matched Buyer Contracts

In respect of each Matched Buyer Contract which is the subject of a Matched Pair, LCH.Clearnet SA, pursuant to Section 9.2(c)(iv) of the [2003](#) ISDA Credit Derivatives Definitions (amended as set out at Section 2.4 (*Amendments to 2003 ISDA Credit Derivatives Definitions*)), as designator, shall be deemed to have designated Matched Seller in such Matched Pair as its designee:

- (a) 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 (other than notices required to be delivered via a DTCC Notice Facility);
- (b) other than in respect of the Physical Settlement Amount relating to the settlement of Non-DVP Obligations as referred to in Section 6.6 (*Delivery of Non-DVP Obligations*), to pay on behalf of LCH.Clearnet SA any applicable Physical Settlement Amount in accordance with the terms of the applicable Physically Settled Cleared Transaction, and to pay to, and to receive from, Matched Buyer of the Matched Pair, in each case, on behalf of LCH.Clearnet SA, any other amounts due and payable (including costs and expenses of settlement due under the applicable Matched Buyer Contract); and
- (c) to take Delivery, on behalf of LCH.Clearnet SA, of Deliverable Obligations from Matched Buyer of the Settlement Matched Pair.

The relevant Matched Seller shall be deemed to have accepted such designation upon notification of the relevant Matched Pair created and notified in accordance with the provisions of this CDS Clearing Supplement.

## 8.4 Matched Seller Contracts

In respect of each Matched Seller Contract which is the subject of a Matched Pair, LCH.Clearnet SA, pursuant to Section 9.2(c)(iv) of the [2003](#) ISDA Credit Derivatives Definitions (as amended pursuant to Section 2.4 (*Amendments to 2003 ISDA Credit Derivatives Definitions*) above), as designator, shall be deemed to have designated Matched Buyer in such Matched Pair as its designee:

- (a) 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 (other than notices required to be delivered via a DTCC Notice Facility);

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- (b) other than in respect of any Physical Settlement Amount relating to the settlement of Non-DVP Obligations as referred to in Section 6.6 (*Delivery of Non-DVP Obligations*), to receive on behalf of LCH.Clearnet SA the applicable Physical Settlement Amount in accordance with the terms of any applicable Physically Settled Cleared Transaction, and to pay to, and to receive from, Matched Seller of the Matched Pair, in each case, on behalf of LCH.Clearnet SA, any other amounts due and payable (including costs and expenses of settlement due under the Matched Seller Contract); and
- (c) to Deliver, on behalf of LCH.Clearnet SA, the relevant Deliverable Obligations to Matched Seller of the Settlement Matched Pair.

The relevant Matched Buyer shall be deemed to have accepted such designation upon notification of the relevant Matched Pair created and notified in accordance with the provisions of this CDS Clearing Supplement.

8.5 **Exercise of Rights**

8.6 **Clearing Member matched with Itself**

8.7 **Notices**

9. **SELF-REFERENCING TRANSACTIONS**

9.1 **Occurrence of Self Referencing Transaction**

9.2 **Occurrence of Self Referencing Transactions in respect of Clients**

10. **MANDATORY PROVISIONS FOR CCM CLIENT TRANSACTIONS**

11. **AMENDMENTS**

12. **FORMS OF NOTICES**

13. **EXCLUSION OF LIABILITY**

14. **DISPUTE RESOLUTION**

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 2003 ISDA Credit Derivatives Definitions and any Cleared Transactions (and any related definitions or Clearing Notices issued in respect of the CDS Clearing Supplement, the 2003 ISDA Credit

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Derivatives 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 CREDIT EVENT NOTICE**

**SCHEDULE**

**APPENDIX II: FORM OF NOTICE TO EXERCISE MOVEMENT OPTION**

**SCHEDULE**

**APPENDIX III: FORM OF NOTICE OF PHYSICAL SETTLEMENT**

**SCHEDULE**

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**APPENDIX IV: FORM OF NOPS AMENDMENT NOTICE**

**APPENDIX V: FORM OF NOTICE TO EXERCISE ALTERNATIVE DELIVERY  
PROCEDURE PURSUANT TO SECTION 6.7 (*ALTERNATIVE DELIVERY  
PROCEDURE*)**

**SCHEDULE**

**APPENDIX VI: FORM OF NOTICE OF FALLBACK TO CASH SETTLEMENT OF  
NON-DELIVERABLE OBLIGATIONS PURSUANT TO SECTION 6.12 (*FALLBACK  
TO CASH SETTLEMENT IN RESPECT OF NON-DELIVERABLE OBLIGATIONS*)**

**APPENDIX VII: FORM OF PHYSICAL SETTLEMENT CONFIRMATION AS  
CONTEMPLATED BY SECTION 6.19 (*MISCELLANEOUS PROVISIONS  
RELATING TO PHYSICAL SETTLEMENT*)**

**SCHEDULE**

**APPENDIX VIII: FORM OF NO PHYSICAL SETTLEMENT CONFIRMATION AS  
CONTEMPLATED BY SECTION 6.19 (*MISCELLANEOUS PROVISIONS  
RELATING TO PHYSICAL SETTLEMENT*)**

**SCHEDULE**

**APPENDIX IX: FORM OF NOTICE OF CLEARING MEMBER COMMUNICATIONS  
FAILURE EVENT PURSUANT TO SECTION 7.6 (*CLEARING MEMBER  
COMMUNICATIONS FAILURE EVENT*)**

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**APPENDIX X: FORM OF NOTICE FOR CEASING TO BE SUBJECT TO A CLEARING MEMBER COMMUNICATIONS FAILURE EVENT PURSUANT TO SECTION 7.6 (CLEARING MEMBER COMMUNICATIONS FAILURE EVENT)**

**APPENDIX XI: FORM OF NOTICE OF DISPUTE RELATING TO ANY MATCHED PAIR**

**APPENDIX XII: FORM OF NOTICE RELATING TO SELF-REFERENCING TRANSACTIONS**

**SCHEDULE**

**APPENDIX XIII: CCM CLIENT TRANSACTION REQUIREMENTS**

1. **Defined Terms**

Terms used in the Mandatory Provisions and not otherwise defined herein or in the 2003 ISDA Credit Derivatives Definitions shall have the meanings given to them in the CDS Clearing Supplement.

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2. **Terms of CCM Client Transactions**

2.1 2003 ISDA Credit Derivatives Definitions

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions published by the International Swaps and Derivatives Association as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions (the "**2003 ISDA Credit Derivatives Definitions**"), are incorporated into each CCM Client Transaction.

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2.2 *Single Name CCM Client Transactions - Reference Obligation*

With effect from the date on which the CCM Client Cleared Transaction corresponding to a Single Name CCM Client Transaction is registered in the TIW, such Single Name CCM Client Transaction shall be deemed to reference the CDSClear Preferred Reference Obligation in respect of the relevant Reference Entity.

2.3 *Single Name CCM Client Transactions - Updating Physical Settlement Matrix*

With effect from the date on which the CCM Client Cleared Transaction corresponding to a Single Name CCM Client Transaction is registered in the TIW, such Single Name CCM Client Transaction shall be deemed to reference the Relevant Physical Settlement Matrix.

With effect from the close of business on any Matrix Re-versioning Date, any Single Name CCM Client Transaction referencing the Existing Matrix will be deemed to have been amended so as to reference the Revised Matrix.

#### 2.4 *Index Client CCM Transactions - Updating Eligible Index Versions*

Upon the occurrence of a DTCC Re-versioning Date, any Index CCM Client Transaction shall be automatically amended so as to reference the portfolio of Reference Entities specified in the revised version of the index published by the Index Publisher and referenced in the TIW with effect from such DTCC Re-versioning Date.

#### 2.5 *Initial Payment Date*

Notwithstanding anything to the contrary in the 2003 ISDA Credit Derivatives Definitions, if the Initial 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 Initial Payment Date in respect of such CCM Client Transaction shall be deemed to be the Transaction Business Day immediately following the Clearing Day on which the Cleared Transactions relating to such CCM Client Transaction are created.

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#### 2.6 *2014 ISDA Credit Derivatives Definitions Protocol*

(a) If the Protocol Effectiveness Condition (as defined in the 2014 ISDA Credit Derivatives Definitions Protocol (the "2014 Protocol") is satisfied, then from and including the Implementation Date (as defined in the 2014 Protocol) the amendments set forth in Part 1 (Global Amendments) of Schedule 1 (Amendments to Protocol Covered Transactions) of the 2014 Protocol shall apply to each Index CCM Client Transaction and each Single Name CCM Client Transaction which incorporates the 2003 ISDA Credit Derivatives Definitions and each such CCM Client Transaction shall be a Protocol Covered Transaction for the purposes of the 2014 Protocol provided that:

- (i) the date on which the CCM Client Cleared Transaction corresponding to such CCM Client Transaction is registered in the TIW is prior to the Implementation Date;
- (ii) such CCM Client Transaction is not an Excluded Transaction (as defined in the 2014 Protocol) provided that if such CCM Client Transaction relates to more than one Reference Entity and would otherwise be a Protocol Covered Transaction but for the inclusion of any Affected Portion (as defined in the 2014 Protocol) therein, such Affected Portion shall be exclude for the purposes of this

Mandatory Provision 2.6(a) and the remaining portion of such CCM Client Transaction shall be deemed to be a Protocol Covered Transaction;

(iii) the Scheduled Termination Date in respect of such CCM Client Transaction is on or after the Implementation Date;

(iv) no Event Determination Date has occurred in respect of such CCM Client Transaction prior to the Implementation Date;

(v) from and including the Implementation Date the provisions of Appendix XIII of Part B of the CDS Clearing Supplement shall apply to such CCM Client Transaction or the portion of such Cleared Transaction other than the Affected Portion, as applicable and the CCM Client Cleared Transaction corresponding thereto and such CCM Client Transaction shall be treated as if it had been entered into and is subject to the 2014 ISDA Credit Derivatives Definitions. In the event of any inconsistency between the provisions of Part B of the CDS Clearing Supplement and the amendments set forth in this paragraph 2.6, the provisions of Appendix XIII of Part B of the CDS Clearing Supplement shall prevail.

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

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3.1 **Creation of Additional CCM Client Transactions**

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3.2 **Reversal of Creation of Additional CCM Client Transactions**

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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 that led to the creation of the Matched Pairs is reversed such that Section 5.5 (*Reversal of DC Credit Event Announcements*) of the CDS Clearing Supplement applies, then, subject to Section 9.1(c)(iii)(B) of the 2003 ISDA Credit Derivatives Definitions, 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 and any Credit Event Notices delivered in connection with such CCM Client Transactions shall be deemed to be ineffective.

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3.3 **Compression of CCM Client Transactions**

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3.4 **Succession Events and Cleared Transactions**

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4. **Notices**

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5. **Determination of Credit Events and Succession Events**

6. **Timings for the Delivery of Manual Notices**

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

6.1 *Delivery of Manual Notices by CCM Client Buyer*

For the purposes of the delivery by CCM Client Buyer of any notice in respect of a CCM Client Transaction which is permitted pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions) to be delivered manually (rather than via the relevant DTCC Notice Facility), Section 1.10 (*Requirements Regarding Notices*) of the 2003 ISDA Credit Derivatives Definitions shall be amended so as to provide that, solely in respect of the final day on which such manual 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.

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A manual notice (including, without limitation, a Credit Event Notice or a Notice to Exercise Movement Option) delivered 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 Certain Notices by CCM Seller/Matched Buyer to Matched Seller*

Any Credit Event Notice, Notice to Exercise Movement Option, Physical Settlement Notice, NOPS Amendment Notice, any notice given pursuant to Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions or any notice given pursuant to Section 9.10 (*Alternative Procedures Relating to Loans Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions which is permitted to be and is delivered manually by CCM Client Buyer to CCM Seller/Matched Buyer in respect of and pursuant to the terms of a CCM Client Transaction (including the Mandatory Provisions) shall not be effective unless and until 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 Restructuring Cleared Transaction or Physically Settled Cleared Transaction, as applicable.

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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 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 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 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 shall solely be applicable in respect of a CCM Client Transaction between a CCM Client Seller and its CCM Buyer/Matched Seller:***

**6.3 *Receipt of Certain Notices by CCM Buyer/Matched Seller deemed to be Receipt by CCM Client Seller***

Any Credit Event Notice, Notice to Exercise Movement Option, Physical Settlement Notice NOPS Amendment Notice, any notice given pursuant to Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions or any notice given pursuant to Section 9.10 (*Alternative Procedures Relating to Loans Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions which is permitted to be and is delivered manually by the relevant Matched Buyer to CCM Buyer/Matched Seller in respect of and pursuant to the terms of a Restructuring Cleared Transaction or Physically Settled Cleared Transaction (as applicable) relating to a CCM Client Transaction between such CCM Buyer/Matched Seller and CCM Client shall be deemed to constitute simultaneous delivery by CCM Buyer/Matched Seller to CCM Client Seller of such notice in respect of such CCM Client Transaction.

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CCM Buyer/Matched Seller undertakes to deliver such a notice to 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 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 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. **Physical Settlement**

7.1 *Fallback to Cash Settlement resulting from corresponding CCM Client Cleared Transaction*

If a CCM notifies its CCM Client that the Physically Settled Cleared Transaction corresponding to their CCM Client Transaction is to be settled (in whole or in part) by Cash Settlement pursuant to Section 6 (*Physical Settlement*) of the CDS Clearing Supplement and such CCM Client Transaction has not already been settled by Physical Settlement, such CCM Client Transaction shall also be settled (in whole or in part, as applicable) by Cash Settlement and the Cash Settlement Amount and the Cash Settlement Date shall be the same as the Cash Settlement Amount and the Cash Settlement Date determined in respect of the corresponding Physically Settled Cleared Transaction.

In respect of the CCM Client Transaction between CCM Client Buyer and CCM Seller/Matched Buyer, If CCM Client Buyer has already Delivered the Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer in whole (if Cash Settlement applies) or in part (if Partial Cash Settlement applies in which case CCM Seller/Matched Buyer shall retain a proportion of the Deliverable Obligations equal to the proportion of the Transaction to be settled by Physical Settlement).

7.2 *Fallback to Cash Settlement in respect of Non-Deliverable Obligations*

If, in respect of a CCM Client Transaction, Buyer is not permitted to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the Non-Deliverable Obligations) specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice to Seller because:

- (i) the amount of such Deliverable Obligation is less than the relevant minimum denomination of such Deliverable Obligation; or
- (ii) Seller is not a permitted transferee under such Deliverable Obligation (and, in the case of this sub-section (ii), such circumstance would not constitute an illegality or impossibility outside the control of a relevant party for the purposes of Section 9.3 ~~of the~~ (*Partial Cash Settlement Due to Impossibility or Illegality of the 2003 ISDA Credit Derivatives Definitions*),

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then it shall notify Seller accordingly describing in reasonable detail the relevant circumstances.

With effect from such notification, such occurrence shall be treated, in relation to such CCM Client Transaction, as an illegality or impossibility outside the control of a relevant party for the purpose of Section 9.3 ~~of the~~ *(Partial Cash Settlement Due to Impossibility or Illegality) of the 2003* ISDA Credit Derivatives Definitions and "Cash Settlement" pursuant to the Partial Cash Settlement Terms shall be deemed to apply to such CCM Client Transaction with respect to the Non-Deliverable Obligations as though the Non-Deliverable Obligations were Undeliverable Obligations and the provisions set out in Mandatory Provision 7.3 (*Consequences of Cash Settlement*) below shall apply.

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### 7.3 *Consequences of Cash Settlement*

If the circumstances set out in either Section 9.3 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the *2003* ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) apply to a CCM Client Transaction, then:

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(a) the Latest Permissible Physical Settlement Date in respect of such CCM Client Transaction will be deemed to be the first date on which the relevant Buyer or Seller effectively gave the relevant notice to the other pursuant to either Section 9.3 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the *2003* ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) above, as applicable, (and for these purposes, Section 9.7 ~~of the~~ (*Latest Permissible Physical Settlement Date*) of the *2003* ISDA Credit Derivatives Definitions shall not apply); and

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(b) where sub-paragraph (ii) of Mandatory Provision 7.2 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) applies, Indicative Quotations shall not be applicable.

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

### 7.4 *Delivery of Deliverable Obligations by CCM Client Buyer to CCM Seller/Matched Buyer*

***This Mandatory Provision 7.4 shall be applicable unless the CCM Client Buyer and CCM Seller/Matched Buyer agree that it shall not apply in respect of a specific CCM Client Transaction.***

In respect of a CCM Client Transaction, the Delivery of any Deliverable Obligations to be Delivered by CCM Client Buyer to CCM Seller/Matched Buyer shall be deemed not to have occurred for the purposes of such CCM Client Transaction unless and until CCM Seller/Matched Buyer Delivers

equivalent Deliverable Obligations to Matched Seller pursuant to the Physical Settlement of the corresponding Physically Settled Cleared Transaction.

Unless in respect of the corresponding Physically Settled Cleared Transactions:

- (a) Cash Settlement is applicable (in whole or in part);
- (b) a Buy-in Period is applicable or Buy-in Price has been determined pursuant to Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions;
- (c) a Deemed Buy-in Period is applicable pursuant to Section 6.8~~(b)~~(b)(i) of the CDS Clearing Supplement or Section 6.8~~(b)~~(b)(ii) of the CDS Clearing Supplement is applicable; or
- (d) Section 9.10(a) of the 2003 ISDA Credit Derivatives Definitions is applicable or Matched Seller has required Matched Buyer to Deliver a Bond or Loan pursuant to Section 9.10(b) of the 2003 ISDA Credit Derivatives Definitions,

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(each such event, a "**Non-delivery Event**"), CCM Seller/Matched Buyer undertakes to Deliver the Deliverable Obligations (or such portion of the Deliverable Obligations not affected by a Non-delivery Event) to Matched Seller not later than the first Business Day after the day on which a trade in such Deliverable Obligation would, if effected on the day on which CCM Seller/Matched Buyer received the Deliverable Obligations from CCM Client Buyer or on which the relevant Non-delivery Event ceased to apply, as applicable, (or if such day is not a Business Day, the following Business Day), be settled in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent after consultation with the parties.

For the purposes of Article VIII (*Terms relating to Physical Settlement*) of the 2003 ISDA Credit Derivatives Definitions, the Physical Settlement Amount shall not be payable by CCM Seller/Matched Buyer to CCM Client Buyer in respect of the CCM Client Transaction until the Physical Settlement of the corresponding Physically Settled Cleared Transaction has occurred.

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#### 7.5 *Buy-in of Bonds not Applicable*

Section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 ISDA Credit Derivatives Definitions shall not apply.

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#### 7.6 *Buyer's Right to Deliver suspended during Buy-in Period*

If CCM Seller/Matched Buyer notifies CCM Client Buyer in respect of a CCM Client Transaction that (i) it has received a Buy-in Notice from Matched Seller

in respect of the Matched Contracts of the related Settlement Matched Pair or (ii) it has been notified by Matched Seller in respect of the Matched Contracts of the related Settlement Matched Pair pursuant to Section 6.8~~(a)~~(b), (*Deemed Buy-in of Bonds resulting from CCM Client Transaction of Matched Seller*) of the CDS Clearing Supplement that such Matched Seller has received a Buy-in Notice from its CCM Client in respect of the CCM Client Transaction between such Matched Seller and its CCM Client, such notice from CCM Seller/Matched Buyer specifying:

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- i) the Buy-in Date;
- ii) the Relevant Bonds; and
- iii) the outstanding principal balance thereof sought to be bought-in,

then CCM Client Buyer's right to Deliver the specified Relevant Bonds shall be suspended until the fourth Business Day (inclusive) following such Buy-in Date.

#### 7.7 *Buy-in of Bonds in respect of Matched Contracts of the Settlement Matched Pair*

Provided that Physical Settlement has not already occurred in respect of a CCM Client Transaction, if CCM Seller/Matched Buyer notifies CCM Client Buyer that a Buy-in Price has been (i) determined or (ii) deemed to be determined pursuant to Section 6.8~~(a)~~(b), (*Deemed Buy-in of Bonds resulting from CCM Client Transaction of Matched Seller*) of the CDS Clearing Supplement, in respect of Relevant Bonds for the purposes of the Matched Contracts of the related Settlement Matched Pair, then on the Buy-in Effective Date:

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- i) CCM Client Buyer will be deemed to have Delivered to CCM Seller/Matched Buyer an outstanding principal balance of the Deliverable Obligations equal to the outstanding principal balance of the Deliverable Obligations Delivered or deemed to be Delivered by CCM Seller/Matched Buyer to Matched Seller in respect of the Matched Contracts; and
- ii) the Physical Settlement Amount to be paid by CCM Seller/Matched Buyer to CCM Client Buyer in respect of this CCM Client Transaction shall be reduced (**but not below zero**) by an amount equal to the amount by which the Physical Settlement Amount to be paid to CCM Seller/Matched Buyer by Matched Seller in respect of the Matched Contracts is to be reduced.

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CCM Seller/Matched Buyer shall notify CCM Client Buyer of such outstanding principal balance of the Deliverable Obligations and such Physical Settlement

Amount reduction for the purposes of i) and ii) above and of the Buy-in Effective Date.

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If CCM Client Buyer has already Delivered Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer and such equivalent Deliverable Obligations shall have an outstanding principal balance equal to the outstanding principal balance of the Deliverable Obligation(s) specified by CCM Seller/Matched Buyer in the above notice and deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer pursuant to this Mandatory Provision 7.7.

7.8 *Alternative Procedures relating to Loans – Seller Right to Select*

Section 9.10(b) (*Alternative Procedures Relating to Loans Not Delivered*) of the 2003 JSDA Credit Derivatives Definitions shall not apply.

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7.9 *Alternative Procedures relating to Loans – Seller designates alternative Loan or Bond*

In respect of a CCM Client Transaction, CCM Seller/Matched Buyer shall notify CCM Client Buyer if it has purchased Bond(s) and/or Loan(s) pursuant to Section 9.10(b) (*Alternative Procedures Relating to Loans Not Delivered*) of the 2003 JSDA Credit Derivatives Definitions on the instructions of the Matched Seller in respect of the corresponding CCM Client Cleared Transaction.

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Following such notification, such Bond(s) and/or Loan(s) shall be deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer in Physical Settlement of the CCM Client Transaction and the Physical Settlement Amount payable by CCM Seller/Matched Buyer to CCM Client Buyer shall be reduced (but not below zero) by an amount equal to the price at which such Bond(s) and or Loan(s) were purchased.

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CCM Seller/Matched Buyer shall provide CCM Client Buyer with details of such Bond(s) and/or Loan(s) and the related purchase price(s) in such notice.

If CCM Client Buyer has already Delivered Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer and such equivalent Deliverable Obligations shall have an outstanding principal balance equal to the outstanding principal balance of the Bond(s) and/or Loan(s) specified by CCM Seller/Matched Buyer in the above notice and deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer pursuant to this Mandatory Provision ~~7.9.7.9.~~

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

7.10 *Delivery of Deliverable Obligations to CCM Client Seller*

***This Mandatory Provision ~~7.49~~7.10 shall be applicable unless the CCM Client Seller and CCM Buyer/Matched Seller agree that it shall not apply in respect of a specific CCM Client Transaction.***

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Subject to the proviso below, in respect of a CCM Client Transaction, the Delivery of any Deliverable Obligations to be Delivered by CCM Buyer/Matched Seller to CCM Client Seller shall be deemed to have occurred for the purposes of such CCM Client Transaction upon receipt by CCM Buyer/Matched Seller of the Deliverable Obligations in respect of the Physical Settlement of the related Physically Settled Cleared Transaction; *provided, however, that* if the CCM Client Transaction is to be settled by Cash Settlement (in whole or in part) pursuant to Section 9.3 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the 2003 JSDA Credit Derivatives Definitions or Mandatory Provision 7.2 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) then such portion of the CCM Client Transaction which is to be settled by Cash Settlement shall not be deemed to be settled until such Cash Settlement occurs.

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Provided that Cash Settlement is not applicable, CCM Buyer/Matched Seller undertakes to Deliver the Deliverable Obligations to CCM Client Seller not later than the first Business Day after the day on which a trade in such Deliverable Obligation would, if effected on the day on which CCM Buyer/Matched Seller received the Deliverable Obligations from Matched Buyer (or if such day is not a Business Day, the following Business Day), be settled in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent after consultation with the parties.

7.11 *Alternative Procedures relating to Loans – Seller Right to Select*

Section 9.10(b) (*Alternative Procedures Relating to Loans Not Delivered*) of the 2003 JSDA Credit Derivatives Definitions shall not apply.

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7.12 *Alternative Procedures relating to Loans in respect of Matched Contracts*

In respect of a CCM Client Transaction, if CCM Buyer/Matched Seller notifies CCM Client Seller that a deemed amendment has been made to the Notice of Physical Settlement or any NOPS Amendment Notice in respect of the Matched Contracts of the Settlement Matched Pair that corresponds to such CCM Client Transaction pursuant to (i) Section 9.10(a) or (b) ~~(Alternative Procedures Relating to Loans Not Delivered)~~ of the 2003 JSDA Credit Derivatives Definitions or (ii) Section 6.9 (*Alternative Procedures Relating to Loans Not Delivered – Deemed Amendment resulting from CCM Client Transaction*) of

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the CDS Clearing Supplement, then the Notice of Physical Settlement or any NOPS Amendment Notice in respect of such CCM Client Transaction shall be deemed to have been amended by the addition of the Bonds or Loans which have been deemed to be added to the Notice of Physical Settlement or any NOPS Amendment Notice for the purposes of the Matched Contracts of the related Settlement Matched Pair.

## 8. **Self Referencing Transactions**

### 8.1 *Section 2.31 (Merger of Reference Entity and Seller) of the 2003 ISDA Credit Derivatives Definitions*

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Section 2.31 (*Merger of Reference Entity and Seller*) of the 2003 ISDA Credit Derivatives Definitions shall not apply.

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### 8.2 *Notification of Self Referencing Transactions*

In respect of any Single Name CCM Client Transaction, the CCM Client shall, unless prohibited from so doing by applicable law, notify the CCM as soon as reasonably practicable if:

- i) the CCM Client is or consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, the Reference Entity in relation to such Single Name CCM Client Transaction or enters into any agreement in respect of any of the foregoing;
- ii) the CCM Client and the Reference Entity in relation to such Single Name CCM Client Transaction are or become Affiliates; or
- iii) in respect of a Restructuring CCM Client Transaction, the CCM Client is or becomes the Reference Entity in relation to such Restructuring CCM Client Transaction as a result of the occurrence of the relevant Restructuring Credit Event.

### 8.3 *Termination of Self Referencing Transactions*

A CCM Client Transaction shall be terminated (unless it has already been terminated) at the same time as the termination of the corresponding Single Name Cleared Transaction pursuant to Section 9.1 (*Occurrence of Self Referencing Transaction*) or Section 9.2 (*Occurrence of Self Referencing Transactions in respect of Clients*) of the CDS Clearing Supplement and by reference to the price at which such Single Name Cleared Transaction is terminated and an amount will be payable:

- (a) if the CCM receives an amount from LCH.Clearnet SA in relation to such Single Name Cleared Transaction pursuant to Section 9.1 (*Occurrence of Self Referencing Transaction*) or Section 9.2 (*Occurrence of Self Referencing Transactions in respect of Clients*), by the CCM to the

CCM Client equal to such amount and on the Business Day following receipt by the CCM of such amount from LCH.Clearnet SA; and

- (b) if the CCM is obliged to pay an amount to LCH.Clearnet SA in relation to such Single Name Cleared Transaction pursuant to Section 9.1 (*Occurrence of Self Referencing Transaction*) or Section 9.2 (*Occurrence of Self Referencing Transactions in respect of Clients*), by the CCM Client to the CCM equal to such amount and on the later of (I) the Business Day prior to the day on which the CCM is obliged to pay such amount to LCH.Clearnet SA and (II) the Business Day following the Business Day on which the CCM gives notices to the CCM Client of the relevant amount.

#### 8.4 *Costs of Terminating Self Referencing Transactions*

Without prejudice to any other indemnity agreed between the CCM and the CCM Client in relation to CCM Client Transactions, the CCM Client agrees to indemnify and hold harmless the CCM from and against all costs and expenses that the CCM is obliged to bear pursuant to Section 9.1 (*Occurrence of Self Referencing Transaction*) or Section 9.2 (*Occurrence of Self Referencing Transactions in respect of Clients*) of the CDS Clearing Supplement.

#### 8.5 *Compression of Self Referencing Transactions*

Where the CCM acts as Matched Buyer and Matched Seller in respect of fungible Single Name Cleared Transactions that have a corresponding CCM Client Transaction in respect of which CCM has given notice to LCH.Clearnet SA pursuant to Section 9.1 (*Occurrence of Self Referencing Transaction*) of the CDS Clearing Supplement or in respect of which CCM Client has given notice to CCM pursuant to Mandatory Provision 8.2 (*Notification of Self Referencing Transactions*) and the relevant Single Name Cleared Transactions are compressed pursuant to Section 9.1 (*Occurrence of Self Referencing Transaction*) or Section 9.2 (*Occurrence of Self Referencing Transactions in respect of Clients*) of the CDS Clearing Supplement, the CCM Client will be deemed to have submitted to CCM a request to compress the corresponding CCM Client Transactions.

#### 9. **Calculation Agent**

#### 10. **Amendments**



**PART B**  
**CDS CLEARING SUPPLEMENT**

**FOR INDEX CLEARED TRANSACTIONS AND SINGLE NAME TRANSACTIONS**  
**INCORPORATING THE 2014 ISDA CREDIT DERIVATIVES DEFINITIONS**

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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 Cleared Transaction Confirmation, Single Name Cleared Transaction Confirmation, the 2014 ISDA Credit Derivatives 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:

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

**Affected Cleared Transaction:** Following

(i) a DC Credit Event Announcement or a publication by the DC Secretary of:

(a) a Successor Resolution; or

(b) a DC Resolution that a Substitute Reference Obligation has been determined in respect of a Non-Standard Reference Obligation; or

(ii) publication of a revised SRO List,

a Cleared Transaction that references the affected Reference Entity and/or Reference Obligation, as applicable.

**Asset Package Cash Settlement Amount:** In respect of an Asset Package, an amount in the Settlement Currency of the Physically Settled Cleared Transaction to which such Asset Package relates equal to the total amount of cash in such Settlement Currency (whether actual or deemed in accordance with Section 6.19(e) (*Asset Package Delivery*) comprising such Asset Package.

**Asset Package Notice:** A notice in the form set out in Appendix IVB.

**Buy-in Effective Date:** As set out at Section 6.8 (*Buy-in of Bonds – Matched Seller has entered into CCM Client 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.Clearnet 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.Clearnet SA, as amended from time to time.

**CDS Type:** A class of Cleared Transactions that are identical as to their terms, except that they may differ as to:

- (a) the Trade Date;
- (b) in respect of Index Cleared Transactions, the original notional amount;
- (c) in respect of Single Name Cleared Transactions, the Effective Date (provided that the current and future Fixed Rate Payer Calculation Periods for such Single Name Cleared Transactions are the same), the Floating Rate Payer Calculation Amount and the Reference Obligation (provided that LCH.Clearnet SA determines that the Reference Obligations of the Cleared Transactions are equivalent for the purposes of this CDS Clearing Supplement);
- (d) the Initial Payment Payer;
- (e) the Initial Payment Amount;
- (f) the Initial Payment Date; and
- (g) the identity of the relevant Buyer and Seller.

**CEN Triggering Period:** In relation to any Restructuring Cleared Transaction, the period during which the parties thereto may deliver a Restructuring Credit Event Notice in relation to all or part of such Restructuring Cleared Transaction, such period starting at 9:00 a.m. on and including the earlier to occur of:

- (a) the Transaction 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.

- (i) a Restructuring Credit Event, 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 RMP Notification Deadline falls and (C) such other date falling between the dates in (A) and (B), as determined by LCH.Clearnet SA in consultation with the CDSClear Product Committee and notified to the relevant Clearing Members prior to such date; and
- (ii) a Failure to Pay Credit Event, a Governmental Intervention Credit Event or a Bankruptcy Credit Event, the date falling one Transaction Business Day prior to the calendar day following the related Auction Final Price Determination Date, Auction Cancellation Date or No Auction Announcement Date;
- (iii) a Succession Event, a date determined by LCH.Clearnet SA in consultation with the CDSClear Product Committee, which shall be not later than the Transaction Business Day before the date on which DTCC will amend its records in respect of such Single Name Cleared Transaction to take into account the occurrence of such Succession Event, and notified to the relevant Clearing Members prior to such date; and
- (iv) a Rename Event, the Transaction Business Day before the date on which DTCC will amend its records in respect of Single Name Cleared Transactions to take into account the occurrence of such Rename Event.

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.Clearnet SA will be performed on the Clearing Day falling on the Thursday on or before the relevant Compression Cut-off Date.<sup>1</sup>

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

**Deemed Buy-in Period:** As set out at Section 6.8(b)(i).

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

<sup>1</sup> Further amendments to be considered once new confirmations published.

**DTCC Failure Event:** As set out at Section 7.4 (*Notification of DTCC Failure and Resolution*).

**DTCC Failure Event Time:** As set out at Section 7.4 (*Notification of DTCC Failure and Resolution*).

**DTCC Notice Facility:** A facility made available pursuant to the DTCC Rules for the delivery of Credit Event Notices relating to Restructuring Credit Events or Notices to Exercise Movement Option.

**DTCC Resolution Time:** As set out at Section 7.4 (*Notification of DTCC Failure and Resolution*).

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

**Failed Amount:** As set out at Section 6.10 (*Failure to pay Physical Settlement Amount*).

**First Novation Date:** In respect of:

- (a) an Index Cleared Transaction, the first date on which LCH.Clearnet SA will accept Original Transactions referencing the relevant Eligible Index Version for clearing pursuant to the CDS Clearing Documentation, being, in the case of any such version published pursuant to the occurrence of a Succession Event or Credit Event, the date on which credit default swap transactions referencing such version of such index are accepted for registration in the TIW in accordance with the DTCC Rules;
- (b) a Single Name Cleared Transaction in respect of which a Novation Cut-off Date has previously occurred pursuant to the occurrence of a Restructuring Credit Event in respect of the relevant Reference Entity, the calendar day following the Transaction Business Day following the latest possible Exercise Cut-off Date for the relevant Restructuring Credit Event or such other date on which LCH.Clearnet SA determines in consultation with the CDSClear Product Committee that LCH.Clearnet SA will begin to again accept Original Transactions referencing the relevant Reference Entity; and
- (c) a Single Name Cleared Transaction (other than in the circumstances set-out in (b) above), the first date on which LCH.Clearnet SA determines in consultation with the CDSClear Product Committee that LCH.Clearnet SA will accept or will begin to again accept (as applicable) Original Transactions referencing the relevant Reference Entity.

**Index Cleared Transaction:** A Cleared Transaction which references a portfolio of Reference Entities specified in a credit default swap index and consists of a Component Transaction (as defined in the Index Cleared Transaction Confirmation) in respect of each such Reference Entity, the terms of which are as evidenced by an Index Cleared Transaction Confirmation.

**Index Cleared Transaction Confirmation: For**

- (a) any Index Cleared Transaction which references a Markit iTraxx Europe Index Series 22 or above, the form of confirmation which incorporates the iTraxx Europe Untranching Standard Terms Supplement; and
- (b) if the Protocol Effectiveness Condition (as defined in the 2014 ISDA Credit Derivatives Definitions Protocol (the "2014 Protocol")) is satisfied, from and including the Implementation Date (as defined in the 2014 Protocol), any Index Cleared Transaction which references a Markit iTraxx Europe Index Series 21 or below, the form of confirmation which incorporates the iTraxx Europe Legacy Untranching Standard Terms Supplement,

each such supplement and confirmation as published by Markit Group Limited, as amended by this CDS Clearing Supplement and as completed by reference to the relevant Transaction Data (or, in either 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).

**Index CCM Client Transaction:** A CCM Client Transaction which references a portfolio of Reference Entities specified in a credit default swap index and consists of a Component Transaction (as defined in the Index Cleared Transaction Confirmation) in respect of each such Reference Entity and which is on the same economic terms as an Index Cleared Transaction registered in the CCM Client Trade Account in the name of such CCM for such CCM Client.

**Initial Re-couponsing Notice:** As set-out in Section 4.4 (*Re-couponsing of Restructuring Cleared Transactions*).

**Initial Single Name Cleared Transaction:** A Cleared Transaction entered into following the novation of an Original Transaction and which references a single Reference Entity, the terms of which are evidenced by a Single Name Cleared Transaction Confirmation.

**Initial Single Name CCM Client Transaction:** A CCM Client Transaction which references a single Reference Entity and which is on the same

economic terms as an Initial Single Name Cleared Transaction registered in the CCM Client Trade Account in the name of such CCM for such CCM Client.

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

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

**Matched Buyer:** A CDS Buyer comprised in a Matched Pair.

**Matched Buyer Contract:** A Cleared Transaction (or part thereof) between a Matched Buyer and LCH.Clearnet SA which is the subject of a Matched Pair having the Restructuring Matched Pair Amount or the Settlement Matched Pair Delivery 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:** A Restructuring Matched Pair or Settlement Matched Pair, as applicable.

**Matched Seller:** A CDS Seller comprised in a Matched Pair.

**Matched Seller Contract:** A Cleared Transaction (or part thereof) between a Matched Seller and LCH.Clearnet SA which is the subject of a Matched Pair having the Restructuring Matched Pair Amount or the Settlement Matched Pair Delivery Amount, as the case may be, relating to that Matched Pair.

**Matching Information Notification Deadline:** In respect of a Restructuring Cleared Transaction, 9.00 a.m. on the first day of the CEN Triggering Period, *provided that* the Matching Information Notification Deadline shall fall no earlier than the fifth Transaction Business Day following the relevant DC Credit Event Announcement.

**Matrix Re-versioning Date:** As set-out in Section 2.5 (*Physical Settlement Matrix Updates*).

**NEMO Triggering Period:** In relation to any Restructuring Cleared Transaction for which either "Mod R" or "Mod Mod R" is applicable, the period starting at 9:00 a.m. on the day falling on the relevant Movement Option Cut-off Date for the relevant Credit Event and ending at the last time for delivery of a valid Notice to Exercise Movement Option under the terms of the relevant Cleared Transaction.

**No Physical Settlement Confirmation:** As set out in Section 6.19 (*Miscellaneous Provisions relating to Physical Settlement*).

**No Physical Settlement Confirmation Deadline:** As set out in Section 6.19 (*Miscellaneous Provisions relating to Physical Settlement*).

**Non-Deliverable Obligation:** As set out at Section 6.12 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*).

**Non-DVP Asset Package Settlement Amount:** As set out in Section 6.6(b) (*Delivery of Non-DVP Obligations*).

**Non-DVP Obligation:** In respect of any Physically Settled Cleared Transaction: (1) a Deliverable Obligation, validly specified in a Notice of Physical Settlement, which does not, in accordance with then current market standards, settle on a delivery-versus-payment basis through the books and records of a central securities depository or securities settlement system; or (2) any Asset forming part of an Asset Package validly specified in an Asset Package Notice given in accordance with the final paragraph of Section 8.2 (*Notice of Physical Settlement*) of the 2014 ISDA Credit Derivatives Definitions.

**Notice Acknowledgement Deadline:** As set out in Section 7.7 (*Clearing Member Acknowledgements*).

**Notice Reconciliation Deadline:** As set out in Section 7.7 (*Clearing Member Acknowledgements*).

**Novation Cut-off Date:** The date with effect from which LCH.Clearnet SA will no longer accept Original Transactions referencing an Eligible Index Version or Eligible Reference Entity for novation, being:

(a) following the occurrence of a Restructuring Credit Event, the earlier of:

(i) a date determined by LCH.Clearnet 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,

provided that LCH.Clearnet SA in consultation with the CDSClear Product Committee may, but is not required to, determine that the Novation Cut-off Date for Index Cleared Transactions and the Novation Cut-off Date for Initial Single Name Cleared Transactions are to occur on different days;

(b) following the occurrence of a Failure to Pay Credit Event, a Bankruptcy Credit Event or a Governmental Intervention Credit Event, the calendar day following the related Auction Final Price Determination Date, Auction Cancellation Date or No Auction Announcement Date, as applicable;



(c) following the occurrence of a Succession Event:

(i) in respect of an Index Cleared Transaction, the date notified by DTCC to LCH.Clearnet SA as being the date on which DTCC will amend its records in respect of such Cleared Transaction to take into account a new version of such index published by the relevant index publisher taking into account the occurrence of such Succession Event; or

(ii) in respect of a Single Name Cleared Transaction, the day after the date on which the DC Secretary publicly announces a Succession Event Resolution in respect of such Succession Event;

(d) following the occurrence of a Rename Event in respect of Single Name Cleared Transactions, the date determined by LCH.Clearnet SA in consultation with the CDSClear Product Committee, which such date shall not be later than the date on which DTCC amends its records in respect of Single Name Cleared Transactions to take into account the occurrence of such Rename Event; or

(e) otherwise, as determined by LCH.Clearnet SA in consultation with the CDSClear Product Committee.

**Partial Cash Settlement Terms:** As set out in Section 9.6 (*Partial Cash Settlement Terms*) of the 2014 ISDA Credit Derivatives Definitions, as amended by this CDS Clearing Supplement.

**Payer:** As set out at Section 6.17 (*Physical Settlement Costs*).

**Physical Settlement Confirmation:** As set out in Section 6.19 (*Miscellaneous Provisions relating to Physical Settlement*).

**Physical Settlement Confirmation Deadline:** As set out in Section 6.19 (*Miscellaneous Provisions relating to Physical Settlement*).

**Physically Settled Cleared Transaction:** As set out at Section 6.3 (*Physically Settled Cleared Transactions*).

**Physical Settlement Matrix:** The Credit Derivatives Physical Settlement Matrix (as defined in Section 13.2 (*Credit Derivatives Physical Settlement Matrix*) of the 2014 ISDA Credit Derivatives Definitions).

**Recipient:** As set out at Section 6.17 (*Physical Settlement Costs*).

**Re-coupons Date:** As set-out in Section 4.4 (*Re-coupons of Restructuring Cleared Transactions*).

**Re-coupons Notice:** As set-out in Section 4.4 (*Re-coupons of Restructuring Cleared Transactions*).

**Rename Event:** As set out in Section 4.7 (*Rename Events*).

**Restructuring Cleared Transaction:** A Cleared Transaction which references a single Reference Entity and is created following the creation of Restructuring Matched Pairs pursuant to Section 5.2 (*Creation of Restructuring Cleared Transactions*), the terms of which are evidenced by a Single Name Cleared Transaction Confirmation.

**Restructuring CCM Client Transaction:** A CCM Client Transaction between a CCM and a CCM Client which references a single Reference Entity and which is on the same economic terms as a Restructuring Cleared Transaction registered in the CCM Client Trade Account in the name of such CCM for such CCM Client.

**Restructuring Matched Pair:** A pairing comprised of a Matched Buyer and a Matched Seller in respect of Restructuring Cleared Transactions created by LCH.Clearnet SA for the purposes of delivery of Credit Event Notices in respect of the relevant Restructuring Credit Event under Section 5.1 (*Creation and Notification of Restructuring Matched Pairs*).

**Restructuring Matched Pair Amount:** In respect of a Restructuring Matched Pair, the amount of the Floating Rate Payer Calculation Amount in respect of the relevant Restructuring Cleared Transactions allocated by LCH.Clearnet SA to such Restructuring Matched Pair under Section 8.1 (*Creation of Matched Pairs*).

**Resulting Single Name Cleared Transaction:** A Cleared Transaction which references a single Reference Entity and is created following the termination of a Restructuring Cleared Transaction pursuant to Section 5.15 (*Recoupons*) of the Procedures, the terms of which are evidenced by a Single Name Cleared Transaction Confirmation.

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

**Settlement Matched Pair:** A pairing comprised of a Matched Buyer and a Matched Seller in respect of Physically Settled Cleared Transactions deemed to have been created by LCH.Clearnet SA under Section 6.2 (*Creation and Notification of Settlement Matched Pairs*).

**Settlement Matched Pair Delivery Amount:** In respect of a Settlement Matched Pair, the amount of the Floating Rate Payer Calculation Amount in respect of the relevant Physically Settled Cleared Transactions allocated by LCH.Clearnet SA to such Settlement Matched Pair under Section 8.1 (*Creation of Matched Pairs*).

**Single Name Cleared Transaction:** An Initial Single Name Cleared Transaction, a Spin-off Single Name Cleared Transaction, a Restructuring Cleared Transaction and a Resulting Single Name Cleared Transaction.

**Single Name Cleared Transaction Confirmation:** The form of confirmation for use with the Physical Settlement Matrix that incorporates the 2014 ISDA Credit Derivatives Definitions, as amended by this CDS Clearing Supplement and as completed by reference to:

- (a) in the case of an Initial Single Name Cleared Transaction, the relevant Transaction Data; or
- (b) in the case of any other type of Single Name Cleared Transaction, the relevant Cleared Transaction or Cleared Transactions that existed immediately prior to the relevant event that resulted in the creation of such Single Name Cleared Transaction (with such amendments as are required pursuant to the terms of the CDS Clearing Documentation),

or 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.

**Single Name CCM Client Transaction:** A CCM Client Transaction between a CCM and a CCM Client which is on the same economic terms as a Single Name Cleared Transaction registered in the CCM Client Trade Account in the name of such CCM for such CCM Client.

**SMP Notification Deadline:** In respect of a notification by LCH.Clearnet SA to the relevant Clearing Members in relation to Settlement Matched Pairs, noon on the Transaction Business Day following the day on which the Fallback Settlement Method first becomes applicable.

**Spin-off Single Name Cleared Transaction:** The separate Single Name Cleared Transaction formed in respect of a Reference Entity from a Component Transaction (as defined in the Index Cleared Transaction Confirmation) of an Index Cleared Transaction following the occurrence of a DC Credit Event Announcement in respect of a Restructuring Credit Event with respect to the Reference Entity of such Component Transaction in accordance with the terms of such Index Cleared Transaction, the terms of which are evidenced by a Single Name Cleared Transaction Confirmation.

**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 Derivative Definitions.

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

**Transaction Business Day:** A "Business Day", as defined in the Index Cleared Transaction Confirmation or the Single Name Cleared Transaction Confirmation, as applicable.

**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.Clearnet SA as an Index Cleared Transaction or Initial Single Name Cleared Transaction, the data provided by an Approved Matching Provider to LCH.Clearnet SA for such purposes, which includes, without limitation:

- (a) in respect of an Index Cleared Transaction, the relevant index, including details of the index name, series and version, the annex date and the original notional amount;
- (b) in respect of an Initial Single Name Cleared Transaction, the Reference Entity, Reference Obligation, applicable Transaction Type, Floating Rate Payer Calculation Amount and the Fixed Rate;
- (c) the Trade Date;
- (d) the Scheduled Termination Date;
- (e) the Floating Rate Payer;
- (f) the Fixed Rate Payer;
- (g) the Fixed Rate Payer Payment Dates;
- (h) the Initial Payment Payer; and
- (i) the Initial Payment Amount.

### 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 Cleared Transaction Confirmation or a Single Name 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, the Index Cleared Transaction Confirmation or the Single Name 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.Clearnet 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.Clearnet 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 “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.Clearnet 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.Clearnet 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 Cleared Transactions and Initial Single Name Cleared Transactions

Upon novation of an Original Transaction at the Novation Time in accordance with Title III (*Clearing Operations*) of the CDS Clearing Rule Book, each resulting Index Cleared Transaction or Initial Single Name Cleared Transaction is entered into by LCH.Clearnet SA and the relevant Clearing Member on the terms of the related Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation (as applicable).

#### (b) Terms of Spin-off Single Name Cleared Transactions, Restructuring Cleared Transactions and Resulting Single Name Cleared Transactions

If any Spin-off Single Name Cleared Transaction is deemed to have been entered into by the parties in accordance with the terms of any Index Cleared Transaction or if any Restructuring Cleared Transaction is created pursuant to Section 5.2 (*Creation of Restructuring Cleared Transactions*) or if any Resulting Single Name Cleared Transaction is created pursuant to Section 5.15 (*Recouping*) of the Procedures, such Spin-off Single Name Cleared Transaction, Restructuring Cleared

Transaction or Resulting Single Name Cleared Transaction is entered into by LCH.Clearnet SA and the relevant Clearing Member on the terms of the related Single Name Cleared Transaction Confirmation.

**(c) Trade Date of Cleared Transactions following Compression**

Notwithstanding paragraphs (a) and (b) above, where Cleared Transactions are subject to compression in accordance with Chapter 3 (Compression) of Title III (Clearing Operations) of the CDS Clearing Rule Book, the Trade Date of any resulting Cleared Transaction(s) shall be, in respect of any 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.Clearnet SA before 7.00 p.m. on such Clearing Day (if such request is submitted and uploaded by the relevant Clearing member via the ECCW or LCAP) or 5.00 p.m. (if such request is not submitted via the ECCW or LCAP in the case of a disruption of the ECCW or LCAP);
  - (B) the Clearing Day on which such request is submitted if such request is not submitted via the ECCW or LCAP in the case of disruption of the ECCW or LCAP and is submitted after 5.00 p.m. but LCH.Clearnet 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 the ECCW or LCAP in the case of disruption of the ECCW or LCAP and is submitted after 5.00 p.m. and LCH.Clearnet 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 Cleared Transaction is automatically compressed by LCH.Clearnet SA in accordance with Section 5 of the Procedures.

## 2.2 Index Cleared Transaction Confirmation

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

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

"between LCH.Clearnet 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 fourth 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 fifth paragraph thereof and replacing it with the following:

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

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

(e) by specifying that there are no "Omitted Reference Entities";

(f) by inserting the following "Additional terms":

"The Standard Terms Supplement is amended for the purposes of this Transaction:

(a) by deleting in its entirety the last paragraph of the definition of "Reference Obligation", beginning "If there is no Standard Reference Obligation and the Index Sponsor..." and deleting the words "and the following paragraph:" from the first paragraph of the definition of "Reference Obligation"; and

(b) by deleting paragraph 5.5 (*De Minimis Cash Settlement*) in its entirety";

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

(h) by deleting the signature blocks.



If the Protocol Effectiveness Condition (as defined in the 2014 Protocol) is satisfied, then from and including the Implementation Date (as defined in the 2014 Protocol):

- (a) each component transaction of an Index Cleared Transaction which references a Markit iTraxx Europe Index Series 21 or below to which Section A of the relevant Index Cleared Transaction Confirmation applies shall be subject to the terms of Part A of this CDS Clearing Supplement; and
- (b) each component transaction of an Index Cleared Transaction which references a Markit iTraxx Europe Index Series 21 or below to which Section B of the relevant Index Cleared Transaction Confirmation applies shall be subject to the terms of Part B of this CDS Clearing Supplement.

### 2.3 Single Name Cleared Transaction Confirmation

The Single Name Cleared Transaction Confirmation is amended, supplemented and completed as follows:

- (a) by deleting the words "between us" from the first paragraph thereof and replacing them with:  
  
"between LCH.Clearnet SA ("**Party A**") and Clearing Member, as identified in the relevant CDS Admission Agreement between 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 specifying that the "Calculation Agent" is Party A;
- (d) notwithstanding the terms of the relevant Original Transaction, Standard Reference Obligation is applicable, provided that if there is no Standard Reference Obligation, by specifying that the Reference Obligation is the CDSClear Preferred Reference Obligation;
- (e) by deleting references to the Initial Payment Payer and the Initial Payment Amount in part 2 in relation to Single Name Cleared Transactions in respect of which there is no Initial Payment Payer and Initial Payment Amount;
- (f) by deleting parts 4, 5, 6, 7 and 8 in their entirety;

(g) by inserting the following provision in the "Additional Terms" section of the Confirmation:

"Section 11.4 (*Merger of Reference Entity and Seller*) of the 2014 Definitions shall not apply."; and

(h) by deleting the signature blocks.

#### **2.4 Amendments to 2014 ISDA Credit Derivatives Definitions**

(a) For the purposes of this CDS Clearing Supplement, Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions as incorporated in any Cleared Transaction shall be amended such that, where LCH.Clearnet SA is the designator in relation to any Restructuring Cleared Transaction or Physically Settled Cleared Transaction, as applicable, it is permitted to designate any relevant CDS Buyer or CDS Seller, as applicable, in accordance with Section 8 (*Matched Pair Designations and Notices*) as its designee, notwithstanding that such relevant CDS Buyer or CDS Seller, as applicable, is not its Affiliate and for the additional purposes of:

(i) delivering or receiving any Credit Event Notice relating to a Restructuring Credit Event or Notice to Exercise Movement Option (in each case, to the extent not delivered via a DTCC Notice Facility);

(ii) delivering or receiving any Notice of Physical Settlement or NOPS Amendment Notice or any Asset Package Notice pursuant to Section 8.2 (*Notice of Physical Settlement*) of the 2014 ISDA Credit Derivatives Definitions;

(iii) making or receiving payment of any Physical Settlement Amount and any costs and expenses of Physical Settlement; and

(iv) delivering or receiving any notice and otherwise exercising any rights or performing any obligations of LCH.Clearnet SA for the purposes of Sections 9.7 (*Buy-in of Bonds Not Delivered*), 9.8 (*Alternative Procedures Relating to Loans Not Delivered*) or 9.9 (*Alternative Procedures Relating to Assets Not Delivered*) of the 2014 ISDA Credit Derivatives Definitions.

(b) Section 11.2(a) of the 2014 ISDA Credit Derivatives Definitions is amended by deleting the words "any master agreement governing the Credit Derivative Transaction" at the end thereof and replacing them with the words "the CDS Clearing Documentation".

(c) Section 11.2(c)(ii) of the 2014 ISDA Credit Derivatives Definitions is amended by deleting the words "any master agreement governing the

Credit Derivative Transaction" in the second paragraph thereof and replacing them with the words "the CDS Clearing Documentation".

- (d) Section 11.2(c)(iii) of the 2014 ISDA Credit Derivatives Definitions is amended by deleting both occurrences of the words "a master agreement governing the Credit Derivative Transaction" and replacing each with the words "the CDS Clearing Documentation".

## 2.5 Physical Settlement Matrix Updates

### (a) Publication of Revised Matrix

Where ISDA publishes a new version (the "**Revised Matrix**") of the Physical Settlement Matrix that is the Relevant Physical Settlement Matrix in respect of an Eligible Reference Entity (the "**Existing Matrix**"), LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, determine whether the Existing Matrix and the Revised Matrix are fungible for the purposes of Single Name Cleared Transactions referencing such Eligible Reference Entity.

If there are any changes between the terms of the Revised Matrix and the Existing Matrix that would apply to Single Name Cleared Transactions referencing the Eligible Reference Entity and the Existing Matrix were they to reference the Revised Matrix instead, then the Existing Matrix and the Revised Matrix shall be deemed not to be fungible and paragraph (c) below shall apply.

### (b) Revised Matrix Fungible

If LCH.Clearnet SA determines in consultation with the CDSClear Product Committee that the Existing Matrix and the Revised Matrix are fungible for the purposes of Single Name Cleared Transactions referencing an Eligible Reference Entity (such date of determination, a **Matrix Re-versioning Date**), then:

- (i) LCH.Clearnet SA will promptly notify all Clearing Members of such determination; and
- (ii) each Single Name Cleared Transaction referencing such Eligible Reference Entity and the Existing Matrix will, as of the close of business on the Matrix Re-versioning Date, be deemed to have been amended so as to reference the Revised Matrix, which shall become the Relevant Physical Settlement Matrix in respect of such Eligible Reference Entity.

For the avoidance of doubt, following the publication of a Revised Matrix, there may be different Matrix Re-versioning Dates in respect of

Single Name Cleared Transactions referencing different Eligible Reference Entities.

**(c) Revised Matrix not Fungible**

If it is determined that the Revised Matrix and the Existing Matrix are not fungible for the purposes of Single Name Cleared Transactions referencing an Eligible Reference Entity, then existing Single Name Cleared Transactions referencing such Eligible Reference Entity and the Existing Matrix shall continue to reference the Existing Matrix.

**(d) Original Transactions submitted prior to Matrix Re-versioning Date**

Any Original Transaction referencing an Eligible Reference Entity submitted for clearing after a Matrix Re-versioning Date in respect of such Eligible Reference Entity and which references the Existing Matrix prior to such Matrix Re-versioning Date will, following novation, result in an Initial Single Name Cleared Transaction referencing the Revised Matrix.

**3. PAYMENTS AND DELIVERIES**

**3.1 Obligation to pay and deliver**

Each of LCH.Clearnet SA and each Clearing Member will make each payment or delivery 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.

Deliveries under any Cleared Transaction will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in or pursuant to the CDS Clearing Documentation.

**3.2 Payments under Original Transactions**

(a) If any Initial Payment Amount or Fixed Amount is due and payable under the terms of an Original Transaction on or before the Clearing Day on which the related 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 Initial Payment Amount or Fixed Amount shall be payable in respect of such Cleared Transactions.

- (b) If the Initial Payment Date of an Original Transaction is a date falling after the Clearing Day on which the 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 Initial Payment Date for the related Cleared Transactions shall occur on the Transaction Business Day immediately following the Clearing Day on which such related Cleared Transactions are created.

#### **4. CREDIT EVENTS, SUCCESSION EVENTS AND RENAME EVENTS**

##### **4.1 Determination of Credit Events and Succession Events**

Notwithstanding any provision of any Cleared Transaction to the contrary:

- (a) LCH.Clearnet 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 Event Resolutions) or 3.6 (Substitute Reference Obligation Resolutions) of the DC Rules; and
- (b) neither LCH.Clearnet 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 a Restructuring Credit Event in accordance with the terms of any Restructuring Cleared Transaction and, where applicable, the DTCC Rules and Section 7.8 (Failure to notify Matched Pairs)).

##### **4.2 Credit Event Timeline**

###### **(a) Publication of Credit Event Timeline**

Upon a DC Credit Event Announcement, LCH.Clearnet SA will publish and make available to Clearing Members a timeline in respect of the relevant Credit Event and related Affected Cleared Transactions, to notify, among other things, the relevant Novation Cut-off Date(s), Compression Cut-off Date(s) and First Novation Date(s).

Any such timeline shall (i) be published and made available on the date of such DC Credit Event Announcement or, if LCH.Clearnet 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.Clearnet 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 and/or actions of DTCC, or in each case any subsequent amendments thereto. Any such amendment shall be made by LCH.Clearnet SA as soon as reasonably practicable following the relevant event.

**4.3 Novation and Compression following Credit Events**

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 shall become eligible for compression in accordance with Chapter 3 (Compression) of Title III (Clearing Operations) of the CDS Clearing Rule Book on the Transaction Business Day following the related Exercise Cut-off Date applicable to the relevant Buyer.

By way of clarification to Chapter 3 (Compression) of Title III (Clearing Operations) of the CDS Clearing Rule Book, LCH.Clearnet SA shall effect compression of relevant Cleared Transactions if and to the extent requested by a Clearing Member.

**4.4 Re-coupling of Restructuring Cleared Transactions**

Following a Restructuring Credit Event, LCH.Clearnet SA may perform re-coupling in accordance with Section 5 of the Procedures on any Restructuring Cleared Transaction (or portion thereof) in respect of which a valid Credit Event Notice has not been delivered during the relevant CEN Triggering Period, provided that:

- (a) LCH.Clearnet SA notifies (such notice, the “**Initial Re-coupling Notice**”) all of the relevant Clearing Members of its intention to perform such re-coupling and the intended date of such re-coupling (such date, the “**Re-Coupling Date**”);
- (b) the Re-Coupling Date is no earlier than the later of (i) the end of the relevant CEN Trigger Period; and (ii) eight Transaction Business Days after the effective date of the Initial Re-coupling Notice;
- (c) all of the relevant Clearing Members have subsequently consented to the proposed re-coupling, subject to confirmation of the terms of such

re-coupons, within five Transaction Business Days of the effective date of the Initial Re-coupons Notice;

(d) after receiving consent from all relevant Clearing Members in accordance with paragraph (c) above, LCH.Clearnet SA notifies (such notice, the “**Re-coupons Notice**”) the relevant Clearing Members, no later than three Transactions Business Days prior to the Re-Coupons Date, of the proposed terms of the Resulting Single Name Cleared Transactions determined by LCH.Clearnet SA in accordance with Section 5 of the Procedures; and

(e) all of the relevant Clearing Members have subsequently consented to the proposed terms of such re-coupons process as set out in the Re-coupons Notice within two Transaction Business Days of the effective date of the Re-coupons Notice.

For the avoidance of doubt, if, in respect of a proposed re-coupons process, LCH.Clearnet SA does not obtain consent from all of the relevant Clearing Members in accordance with paragraphs (c) or (e) above, then LCH.Clearnet SA may elect to propose a re-coupons process again in accordance with this Section 4.4 for so long as any relevant Restructuring Cleared Transactions remain outstanding.

#### 4.5 Succession Events and Cleared Transactions

If LCH.Clearnet SA determines that any Original Transaction submitted for novation or any Cleared Transaction subject to compression would have been subject to a Succession Event but will no longer be subject to such Succession Event upon novation or compression (as applicable) because of the Trade Date that would be specified with respect to the relevant Cleared Transactions, LCH.Clearnet SA may take such action as it deems necessary to ensure that such Succession Event is given effect with respect to such Cleared Transactions, including, without limitation, specifying an alternate Trade Date for purposes of Section 2.1 (*Reference Entity*) of the 2014 ISDA Credit Derivatives Definitions with respect to each relevant Cleared Transaction or, where LCH.Clearnet SA determines that an alternative course of action is not practicable, declining to accept such Original Transaction for novation or Cleared Transaction for compression (as applicable).

#### 4.6 Succession Event Timeline

##### (a) Publication of Succession Event Timeline

Following the publication of a Successor Resolution, LCH.Clearnet SA will publish and make available to Clearing Members a timeline in respect of the relevant Succession Event and related Affected Cleared Transactions, to notify, amongst other things, the relevant Novation

Cut-off Date(s), Compression Cut-off Date(s) and First Novation Date(s).

Any such timeline shall be published and made available as soon as practicable (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 shall 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 Succession Event Timeline**

Any such timeline may be subject to subsequent amendment by LCH.Clearnet SA, by means of a Clearing Notice to Clearing Members, to reflect subsequent DC Resolutions and any relevant actions of DTCC, or in each case any subsequent amendments thereto. Any such amendment shall be made by LCH.Clearnet SA as soon as reasonably practicable following the relevant event.

**4.7 Rename Events**

In respect of Single Name Cleared Transactions, if a Reference Entity changes its name (a "Rename Event"), LCH.Clearnet SA will publish and make available to Clearing Members as soon as practicable upon becoming aware of such Rename Event a timeline in respect of the relevant Rename Event and related Affected Cleared Transactions, to notify, amongst other things, the relevant Novation Cut-off Date(s), Compression Cut-off Date(s) and First Novation Date(s).

Any such timeline may be subject to subsequent amendment by LCH.Clearnet SA, by means of a Clearing Notice to Clearing Members, to reflect any relevant actions of DTCC. Any such amendment shall be made by LCH.Clearnet SA as soon as reasonably practicable following the relevant event.

**4.8 Updating Eligible Index Versions**

**(a) Publication of Revised Index**

Where the Index Publisher of an Eligible Index Version publishes a revised version of such index following:

- (i) a DC Credit Event Announcement;
- (ii) a Successor Resolution; or
- (iii) the determination of a Substitute Reference Obligation in respect of a Non-Standard Relevant Obligation , or



(iv) Publication of a revised SRO List,

LCH.Clearnet SA will in consultation with the CDSClear Product Committee determine whether such revised index version is fungible with the Eligible Index Version after taking account of the relevant Credit Event, Succession Event or, as applicable, Substitute Reference Obligation.

**(b) Index Version not Fungible**

If LCH.Clearnet SA determines in consultation with the CDSClear Product Committee that such revised index version is not fungible with the Eligible Index Version after taking account of the relevant Credit Event, Succession Event or, as applicable, Substitute Reference Obligation, it shall notify DTCC accordingly so that DTCC does not automatically update the trade records for Index Cleared Transactions and Index CCM Client Transactions referencing the relevant Eligible Index Version in the TIW.

**(c) Index Fungible**

Unless LCH.Clearnet SA has notified DTCC in accordance with paragraph (b) above, following confirmation from DTCC that the trade records for Cleared Transactions referencing the relevant index have been updated in the TIW (such date a **DTCC Re-versioning Date**) so that such Cleared Transactions reference the revised index version (which such revised index version shall become the Eligible Index Version), LCH.Clearnet SA will update its corresponding records in the CDS Clearing System overnight following such DTCC Re-versioning Date. LCH.Clearnet SA will send Cleared Transaction Portfolio Reports to the relevant Clearing Members on the Transaction Business Day following such DTCC Re-versioning Date which will be updated so as to refer to Cleared Transactions referencing the revised index version.

**4.9 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.Clearnet 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 Restructuring Matched Pairs**

Following the occurrence of a Restructuring Credit Event, LCH.Clearnet SA will create (on one or, if the Novation Cut-off Date in respect of Index Cleared Transactions is prior to the Novation Cut-off Date in respect of Initial Single Name Cleared Transactions, two or more occasions) Restructuring Matched Pairs in accordance with Section 10.2(a)(i) of the 2014 ISDA Credit Derivatives Definitions:

(d) Section 4.9 (Reversal of DC Credit Event Announcements and Margining) shall apply.

### **5.2 Reports**

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

(a) the aggregate Floating Rate Payer Calculation Amounts of Restructuring Cleared Transactions to which they are a party and which are the subject of Credit Event Notices; and

(b) the results of the exercise of any Movement Option in relation to 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 Restructuring Cleared Transaction.

## **6. PHYSICAL SETTLEMENT**

### **6.1 General Terms relating to Physical Settlement**

Where Physical Settlement is applicable as the Fallback Settlement Method pursuant to Section 6.1 (Auction Settlement) or 6.15 (Movement Option) of the 2014 ISDA Credit Derivatives Definitions, each Cleared Transaction will be subject to settlement in accordance with its terms and this Section 6 (Physical Settlement).

LCH.Clearnet SA has implemented a process, as set-out in this Section 6 (Physical Settlement), pursuant to which Clearing Members will manage the

physical delivery process bilaterally in respect of any Cleared Transactions for which Physical Settlement is applicable.

Notwithstanding such process, LCH.Clearnet SA shall remain the legal counterparty for any such Cleared Transactions for which Physical Settlement is applicable and shall continue to be liable with respect to its obligations relating to such Physical Settlement, subject to its terms and this Section 6 (*Physical Settlement*).

5.1 (*Creation and Notification of Restructuring Matched Pairs*) in respect of such Restructuring Cleared Transaction.

## **6.2 Physically Settled Cleared Transactions**

Following the actual or deemed creation of such Settlement Matched Pairs, the relevant Cleared Transactions in respect of which the Fallback Settlement Method applies will be construed as if they had been terminated and new Cleared Transactions of the same CDS Type will be deemed to have been entered into between each such Clearing Member and LCH.Clearnet SA (each such deemed Cleared Transaction being a "**Physically Settled Cleared Transaction**").

Each such Physically Settled Cleared Transaction shall have a Floating Rate Payer Calculation Amount corresponding to the Settlement Matched Pair Delivery Amount of a Settlement Matched Pair in which the relevant Clearing Member is comprised as a Matched Buyer or a Matched Seller, as applicable.

## **6.3 Matched Seller Calculation Agent**

Notwithstanding any provision to the contrary in a Physically Settled Cleared Transaction (but subject as set out in Section 6.10 (*Failure to pay Physical Settlement Amount*), the "Calculation Agent" for the purposes of Article VIII (*Terms relating to Physical Settlement*) and Section 9.6 (*Partial Cash Settlement Terms*) of the 2014 ISDA Credit Derivatives Definitions shall be the relevant Matched Seller.

## **6.4 Notices of Physical Settlement**

### **(a) No Notices of Physical Settlement until Notification of Settlement Matched Pairs**

Subject as set out at Section 7.8 (*Failure to notify Matched Pairs*) and notwithstanding anything to the contrary in the terms of any Cleared Transaction, Clearing Members may not deliver any Notices of Physical Settlement or Asset Package Notices in respect of any Affected Cleared Transactions until they have been notified of their Settlement Matched Pairs.

**(b) Notice of Physical Settlement and Asset Package Notice to contain Matched Buyer Account Information**

Each Notice of Physical Settlement and Asset Package Notice delivered by Matched Buyer shall contain, in addition to the information required under the terms of the relevant Physically Settled Cleared Transaction, Matched Buyer's account information.

**(c) Details of Asset Package**

If Asset Package Delivery is applicable in respect of a Physically Settled Cleared Transaction, the Matched Buyer shall on the NOPS Effective Date, or as soon as reasonably practicable thereafter, deliver an Asset Package Notice to the Matched Seller containing a detailed description of the Asset Package that the Matched Buyer intends to deliver to Matched Seller in lieu of the Prior Deliverable Obligation that is specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable.

**(d) LCH.Clearnet SA not Liable**

LCH.Clearnet SA shall have no liability with respect to any loss, cost, damage or expense suffered or incurred by a Matched Seller as a result of any error or inaccuracy in any Notice of Physical Settlement or any NOPS Amendment Notice or Asset Package Notice sent by a Matched Buyer and shall have no duty to verify any such notice or the contents thereof.

**6.5 Delivery of Non-DVP Obligations**

The following shall apply in relation to any Settlement Matched Pair where: (1) the relevant Matched Buyer specifies a Non-DVP Obligation in a Notice of Physical Settlement or a NOPS Amendment Notice, or (2) if Asset Package Delivery is applicable in respect of a Physically Settled Cleared Transaction:

(a) The relevant Matched Buyer shall notify LCH.Clearnet SA that it is ready to Deliver the relevant Non-DVP Obligation (or if Asset Package Delivery is applicable, the Assets that are to be delivered) at or prior to 5.30 p.m. on the Transaction Business Day prior to the date on which Delivery is scheduled to occur. In such notice, the relevant Matched Buyer shall also specify the amount of any expenses payable to it under Section 11.2(c)(vi) of the 2014 ISDA Credit Derivatives Definitions.

(b) LCH.Clearnet SA shall notify the relevant Matched Seller at or prior to 6.30 p.m. on the Transaction Business Day prior to the date on which Delivery is scheduled to occur that it is obligated to pay LCH.Clearnet SA the amount of the relevant Physical Settlement Amount

corresponding to the Outstanding Amount of such Non-DVP Obligation or, if Asset Package Delivery is applicable in respect of such Settlement Matched Pair, the amount of such Physical Settlement Amount which corresponds to the Outstanding Amount of the Deliverable Obligation(s) in lieu of which the Asset Package is being Delivered less an amount equal to the Asset Package Cash Settlement Amount determined in respect of such Asset Package (the "**Non-DVP Asset Package Settlement Amount**") and in each case any amounts in respect of expenses notified by the relevant Matched Buyer before 9.00 a.m. on the following Transaction Business Day.

- (c) The relevant Matched Seller shall pay to LCH.Clearnet SA the amount(s) so requested on or prior to 9.00 a.m. on the Transaction Business Day immediately following the date on which the relevant Matched Buyer notified LCH.Clearnet SA of its readiness to Deliver provided that the request for payment has been made in a timely manner as set out above.
- (d) LCH.Clearnet SA shall notify the relevant Matched Buyer that it has received payment at or prior to 5.30 p.m. on the Transaction Business Day in which LCH.Clearnet SA receives payment, provided that payment is received by LCH.Clearnet SA at or prior to 9.00 a.m. on such Transaction Business Day as set out above.
- (e) The relevant Matched Buyer shall Deliver the relevant non-DVP Obligations (or if Asset Package Delivery is applicable, the Assets that are to be delivered) to the relevant Matched Seller, provided that, if Asset Package Delivery is applicable the relevant Matched Buyer's obligation to deliver any Assets in the form of cash in the Settlement Currency forming part of the relevant Asset Package will be automatically satisfied and discharged.
- (f) The relevant Matched Seller shall notify LCH.Clearnet SA that Delivery has occurred by 5.30 p.m. on the Transaction Business Day on which Matched Seller receives Delivery of the relevant Non-DVP Obligations (or if Asset Package Delivery is applicable, the relevant Assets that are to be delivered pursuant to this Section 6.6 (*Delivery of Non-DVP Obligations*)). Notices received after 3.30 p.m. will be deemed received on the next following Transaction Business Day, unless LCH.Clearnet SA agrees otherwise.
- (g) If and to the extent that LCH.Clearnet SA has received payment from the relevant Matched Seller of the Physical Settlement Amount or the Non-DVP Asset Package Settlement Amount, as applicable in full on a timely basis as set out above, LCH.Clearnet SA shall pay the Physical Settlement Amount or the Non-DVP Asset Package Settlement Amount, as applicable and any expenses due to the relevant Matched

Buyer under Section 11.2(c)(vi) of the 2014 ISDA Credit Derivatives Definitions on or prior to 9.00 a.m. on the Transaction Business Day following the Transaction Business Day on which LCH.Clearnet SA receives the notice referred to in sub-paragraph (e) above from the relevant Matched Seller.

- (h) If and to the extent that Delivery of the relevant Non-DVP Obligations has not been effected by the relevant Matched Buyer in accordance with terms of the relevant Physically Settled Cleared Transaction as of the expiry of the third Transaction Business Day following delivery of the relevant Matched Buyer's notice referred to above, the relevant Matched Seller may request LCH.Clearnet SA to repay the Physical Settlement Amount or the Non-DVP Asset Package Settlement Amount, as applicable, not earlier than the first Transaction Business Day following the date on which such request is effectively delivered to LCH.Clearnet SA.

#### **6.6 Alternative Delivery Procedure**

A Matched Buyer and Matched Seller comprising a Settlement Matched Pair may elect to exercise their rights against and perform obligations to LCH.Clearnet SA in relation to the Settlement Matched Pair Delivery Amount (or any portion thereof) directly as between themselves. To exercise such option, the relevant Matched Buyer and Matched Seller must each notify LCH.Clearnet SA accordingly (in the form set out in Appendix V hereto) specifying the relevant Matched Contracts in respect of the related relevant Settlement Matched Pair Delivery Amounts and obtain the consent of LCH.Clearnet SA, which consent will not be unreasonably withheld or delayed by more than one Transaction Business Day following receipt of such notification by Matched Buyer and Matched Seller.

With effect from the time that LCH.Clearnet SA confirms its consent, the Settlement Matched Pair Delivery Amount will be reduced by the amount specified in the joint notice of the relevant Matched Buyer and Matched Seller, and the relevant Matched Buyer and Matched Seller shall each perform their obligations to each other and shall each acquire enforcement rights in respect of the other party's obligations to it pursuant to the Contracts (Rights of Third Parties) Act 1999 in respect of any such reduction as agreed between them.

#### **6.7 Buy-in of Bonds – Matched Seller has entered into CCM Client Transaction**

***The following provisions shall solely be applicable to a Matched Seller that is a CCM in respect of the Matched Contracts of the Settlement Matched Pair if such Matched Seller notifies Matched Buyer and***

**LCH.Clearnet SA that it has a CCM Client Transaction which corresponds to the Matched Seller Contract:**

(a) Buy-in of Bonds – Settlement Matched Pair

Section 9.7 (Buy-in of Bonds Not Delivered) of the 2014 ISDA Credit Derivatives Definitions shall not apply in respect of the Matched Contracts of the Settlement Matched Pair.

(b) Deemed Buy-in of Bonds resulting from CCM Client Transaction of Matched Seller that is a CCM

Provided that Physical Settlement has not already occurred in respect of the Matched Contracts of a Settlement Matched Pair, if:

(i) the Matched Seller that is a CCM receives a Buy-in Notice from its CCM Client in respect of the CCM Client Transaction between such Matched Seller and its CCM Client which is validly delivered pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions), then such Matched Seller shall notify Matched Buyer and LCH.Clearnet.SA of its receipt of such Buy-in Notice and of the content thereof and Matched Buyer's right to Deliver the Relevant Bonds specified in the relevant Buy-in Notice shall be suspended until the fourth Business Day (inclusive) following the Buy-In Date specified in the relevant Buy-In Notice (the "**Deemed Buy-in Period**"); and

(ii) such Matched Seller notifies Matched Buyer and LCH.Clearnet SA that it has been notified by its CCM Client pursuant to Section 9.7 (Buy-in of Bonds Not Delivered) of the 2014 ISDA Credit Derivatives Definitions that a Buy-in Price has been determined in respect of Relevant Bonds for the purposes of the CCM Client Transaction between such Matched Seller and its CCM Client, then on the third Business Day following receipt by Matched Seller of such notice from its CCM Client (which such date Matched Seller shall specify) (the "**Buy-in Effective Date**):

(A) Matched Buyer will be deemed to have Delivered to such Matched Seller an outstanding principal balance of the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, for which a Buy-in Price was determined by the CCM Client; and

(B) the Physical Settlement Amount to be paid by such Matched Seller to Matched Buyer in respect of the Matched Contracts of the Settlement Matched Pair shall be reduced (but not below zero) by an amount equal to the amount by

which the Physical Settlement Amount to be paid to such Matched Seller by its CCM Client in respect of the CCM Client Transaction has been reduced pursuant to Section 9.7 (Buy-in of Bonds Not Delivered) of the 2014 ISDA Credit Derivatives Definitions.

Such Matched Seller shall notify Matched Buyer and LCH.Clearnet SA of the outstanding principal balance of the Deliverable Obligations and the Physical Settlement Amount reduction determined in respect of its CCM Client Transaction for the purposes of (A) and (B) above.

#### **6.8 Alternative Procedures relating to Loans – Buyer Right to Deliver**

**The following provision shall solely be applicable in respect of the Matched Contracts of the Settlement Matched Pair if a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that it has a CCM Client Transaction which corresponds to the Matched Buyer Contract:**

If a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that it has received a Bond or Loan from its CCM Client in respect of its CCM Client Transaction pursuant to Section 9.8(i) (Alternative Procedures Relating to Loans Not Delivered) of the 2014 ISDA Credit Derivatives Definitions, then such Bonds or Loans shall be deemed specified in a NOPS Amendment Notice for the purposes of the Matched Contracts of the Settlement Matched Pair and such NOPS Amendment Notice will be effective notwithstanding the fact that it is deemed specified after the Physical Settlement Date.

#### **6.9 Failure to pay Physical Settlement Amount**

If, in relation to any Settlement Matched Pair, a Matched Seller fails to pay all or part of the Physical Settlement Amount (the **Failed Amount**) to the related Matched Buyer, as designee for LCH.Clearnet SA, when due:

- (a) the relevant Matched Buyer may and the relevant Matched Seller shall, as soon as practicable, give notice in writing to LCH.Clearnet SA, giving all material details of the Settlement Matched Pair involved, the relevant failure to pay and the Failed Amount;
- (b) such failure to pay shall not constitute or be deemed to constitute a breach of contract, event of default or failure to pay by LCH.Clearnet SA under the CDS Clearing Documentation or otherwise (but such failure to pay may, for the avoidance of doubt, constitute a breach of the CDS Clearing Documentation and/or a Payment Failure for the purposes of Article 4.3.1.1 of the CDS Clearing Rule Book by or with respect to the relevant Clearing Member);



- (c) if the relevant Matched Buyer elects to notify LCH.Clearnet SA of such failure to pay as contemplated above, such Matched Buyer may give any such notice as soon as reasonably practicable after the occurrence of such failure to pay by the relevant Matched Seller;
- (d) upon notice being given to LCH.Clearnet SA by the relevant Matched Buyer, "Cash Settlement" between the relevant Matched Buyer and LCH.Clearnet SA and the relevant Matched Seller and LCH.Clearnet SA pursuant to the Partial Cash Settlement Terms (set out in Section 9.6 (*Partial Cash Settlement Terms*) of the 2014 ISDA Credit Derivatives Definitions, as amended by this CDS Clearing Supplement) shall be deemed to apply to the relevant Physically Settled Cleared Transactions of the Settlement Matched Pair with respect to the Deliverable Obligations corresponding to the Failed Amount as though:
- (i) the Deliverable Obligations not Delivered were Undeliverable Obligations;
  - (ii) the Latest Permissible Physical Settlement Date were the date on which the relevant Matched Buyer gave the relevant notice to LCH.Clearnet SA;
  - (iii) Indicative Quotations were not applicable;
  - (iv) the relevant Matched Buyer were the Calculation Agent in respect of the Physically Settled Cleared Transaction of the Settlement Matched Pair to which it is a direct party; and
  - (v) the Cash Settlement Amount determined in respect of the Physically Settled Cleared Transaction between Matched Buyer and LCH.Clearnet SA is also the Cash Settlement Amount in respect of the corresponding Physically Settled Cleared Transaction of the Settlement Matched Pair; and
- (e) LCH.Clearnet SA and the relevant Matched Buyer will settle the relevant Physically Settled Cleared Transaction accordingly.

#### **6.10 Partial Cash Settlement due to Impossibility or Illegality**

Section 9.1 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the 2014 ISDA Credit Derivatives Definitions shall apply to a Physically Settled Transaction in the circumstances contemplated therein, provided that Matched Buyer or Matched Seller notifies the other Clearing Member comprised in the relevant Settlement Matched Pair and LCH.Clearnet SA accordingly.

In such case, the related Physically Settled Cleared Transaction entered into between LCH.Clearnet SA and the other Clearing Member comprised in the

relevant Settlement Matched Pair shall likewise be subject to "Cash Settlement" pursuant to the Partial Cash Settlement Terms and Section 6.14 (Consequences of Cash Settlement).

#### **6.11 Fallback to Cash Settlement in respect of Non-Deliverable Obligations**

(a) If Matched Buyer is not permitted to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the **Non-Deliverable Obligations**) specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice to Matched Seller as designee for LCH.Clearnet SA in the relevant Matched Pair because:

- (i) the amount of such Deliverable Obligation to be Delivered is less than the relevant minimum denomination of such Deliverable Obligation; or
- (ii) such Matched Seller is not a permitted transferee under such Deliverable Obligation (and, in the case of this sub-section (ii), such circumstance would not constitute an illegality or impossibility outside the control of a relevant party for the purposes of Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions).

then it shall notify the relevant Matched Seller and LCH.Clearnet SA (in the form set out in Appendix VI hereto) accordingly describing in reasonable detail the relevant circumstances.

With effect from such notification, such occurrence shall be treated, in relation to each relevant Physically Settled Cleared Transaction, as an illegality or impossibility outside the control of a relevant party for the purpose of Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions.

(b) Upon notice being given to LCH.Clearnet SA by Matched Buyer under sub-paragraph (a) of this Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations), "Cash Settlement" pursuant to the Partial Cash Settlement Terms shall be deemed to apply to the Matched Contracts in respect of the relevant Settlement Matched Pair with respect to the Non-Deliverable Obligations as though the Non-Deliverable Obligations were Undeliverable Obligations and the provisions set out in Section 6.14 (Consequences of Cash Settlement) of this CDS Clearing Supplement shall apply.

**6.12 Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM**

**The following provision shall solely be applicable in respect of the Matched Contracts of the Settlement Matched Pair if a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that it has a CCM Client Transaction which corresponds to the Matched Buyer Contract:**

If a Matched Buyer that is a CCM notifies Matched Seller and LCH.Clearnet SA that the corresponding CCM Client Transaction between such Matched Buyer and its CCM Client is to be settled (in whole or in part) by Cash Settlement pursuant to Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations), then:

- (a) "Cash Settlement" shall be deemed to apply (in whole or in part, as applicable) to the Matched Contracts of the Settlement Matched Pair pursuant to the Partial Cash Settlement Terms and Section 6.14 (Consequences of Cash Settlement);
- (b) the 'Undeliverable Obligations' for the purposes of the Partial Cash Settlement Terms shall be the Undeliverable Obligations or Non-Deliverable Obligations in respect of the corresponding CCM Client Transaction; and
- (c) the Cash Settlement Amount and the Cash Settlement Date in respect of the Matched Contracts of the Settlement Matched Pair shall be the same as the Cash Settlement Amount and the Cash Settlement Date determined in respect of the corresponding CCM Client Transaction.

**6.13 Consequences of Cash Settlement**

If the circumstances set out in either Section 6.11 (Partial Cash Settlement Due to Impossibility or Illegality) or paragraph (a) of Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) or Section 6.13 (Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM) apply, then:

- (a) the Latest Permissible Physical Settlement Date in respect of the relevant Physically Settled Cleared Transaction will be deemed to be the first date on which the relevant Matched Buyer or Matched Seller effectively gave the relevant notice to both LCH.Clearnet SA and the other Clearing Member as referred to in Section 6.11 (Partial Cash Settlement Due to Impossibility or Illegality) or paragraph (a) of Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) or Section 6.13 (Cash Settlement Resulting from CCM

Client Transaction of a Matched Buyer that is a CCM) above, as applicable, (and for these purposes, Section 9.5 (Latest Permissible Physical Settlement Date) of the 2014 ISDA Credit Derivatives Definitions shall not apply):

#### 6.14 Amendments to Section 9.6(k) of 2014 ISDA Credit Derivatives Definitions

Solely for the purposes of Section 6.11 (Partial Cash Settlement due to Impossibility or Illegality), Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations), Section 6.13 (Cash Settlement Resulting from CCM Client Transaction of a Matched Buyer that is a CCM) and Section 6.14 (Consequences of Cash Settlement) of this CDS Clearing Supplement, Section 9.6(k) of the 2014 ISDA Credit Derivatives Definitions is amended by inserting the following at the beginning thereof:

"(A) For the purposes hereof, in addition to the requirements of Section 7.10, each firm Quotation shall:

- (1) be for a transaction with Matched Buyer (or its designee) (the **Relevant Buyer**) pursuant to which the Relevant Buyer agrees to Deliver the Deliverable Obligations to the Dealer submitting the firm quotation (the **Quoting Dealer**), which transaction shall be governed by documentation that is consistent with market practice applicable to the sale and purchase of Deliverable Obligations on the Valuation Date (which may be determined by the relevant Credit Derivatives Determinations Committee), including, without limitation, a representation that the Quoting Dealer has completed all "know your customer" or similar requirements under all applicable laws, regulations and internal compliance procedures relating to a transaction with the Relevant Buyer and in respect of the Reference Entity;
- (2) be capable of acceptance by the Relevant Buyer (for such purposes, each firm Quotation must, *inter alia*, be obtained from a Dealer with whom the Relevant Buyer, in its sole and absolute discretion, determines that it is able, in accordance with all its internal compliance and policy requirements, to transact and to Deliver the Deliverable Obligations) and be open for acceptance by the relevant party for at least 30 minutes; and
- (3) be obtained on the basis that if the Relevant Buyer agrees to Deliver the Deliverable Obligations to such Quoting Dealer on the terms set forth herein, such Quoting Dealer agrees to pay the settlement amount (calculated and payable for this purpose in accordance with the relevant market standard documentation and

based on the price so quoted) that would be payable to the Relevant Buyer for such Deliverable Obligations.

(B) Otherwise,".

#### 6.15 Subsequent Determination by the Credit Derivatives Determinations Committee with respect to an Auction

If the Fallback Settlement Method applies in respect of a Cleared Transaction and a subsequent resolution of the Credit Derivatives Determinations Committee determines that Transaction Auction Settlement Terms will be published, LCH.Clearnet SA shall have no obligation to create Settlement Matched Pairs in accordance with Section 6.2 (Creation and Notification of Settlement Matched Pairs).

Unless settlement has occurred with respect to any Settlement Matched Pairs prior to such determination, any such Settlement Matched Pairs so created shall be deemed not to have been created and any notices delivered in connection with such Settlement Matched Pairs shall be deemed to be ineffective.

LCH.Clearnet SA shall effect any relevant registrations in the TIW in order to reflect the application of Auction Settlement as the Settlement Method in respect of the relevant Cleared Transactions.

#### 6.16 Physical Settlement Costs

If the Fallback Settlement Method applies in respect of a Cleared Transaction and any amounts are payable in relation to any costs or expenses of Physical Settlement (including any costs or expenses relating to the delivery of any Assets forming part of an Asset Package), then:

(a) where such amount would otherwise be payable by LCH.Clearnet SA to Matched Buyer or Matched Seller (the **Recipient**), such amount shall be payable to the Recipient by the other party to the Matched Contract who is not the Recipient, as designee to pay such amount on behalf of LCH.Clearnet SA; and

(a) where such amount would otherwise be payable to LCH.Clearnet SA by Matched Buyer or Matched Seller (the **Payer**), such amount shall be payable by the Payer to the other party to the Matched Contract who is not the Payer, as designee to receive such amount on behalf of LCH.Clearnet SA.

Any Matched Seller or Matched Buyer who is required to make any payment as designee on behalf of LCH.Clearnet SA pursuant to this Section 6.17 shall not be entitled to any reimbursement from LCH.Clearnet SA in respect of such amount.

Any Matched Seller or Matched Buyer who receives any payment pursuant to this Section 6.17 shall not be obliged to remit to LCH.Clearnet SA any such amount so received (without prejudice to any rights of LCH.Clearnet SA where there is a failure to Deliver).

LCH.Clearnet SA shall not be liable to a Matched Buyer or a Matched Seller for any of the costs and expenses of Physical Settlement of any Cleared Transaction.

#### **6.17 Representations and Agreements relating to Physical Settlement**

##### **(a) Claims by Matched Seller against LCH.Clearnet SA in respect of Obligations Delivered by Physical Settlement**

If a Matched Seller pursues a claim against LCH.Clearnet SA under Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions in respect of any obligations Delivered by way of Physical Settlement of any Matched Seller Contract, then:

- (i) notwithstanding any provision of the 2014 ISDA Credit Derivatives Definitions to the contrary, LCH.Clearnet SA shall only be liable to make payments to that Matched Seller in respect of that claim to the extent of amounts recovered, including, without limitation, any amounts recovered by way of set-off or netting, by LCH.Clearnet SA from or on behalf of the related Matched Buyer in respect of any corresponding claims under or in connection with the Matched Buyer Contract (including, without limitation, following the declaration of an Event of Default in respect of such Matched Buyer) and after deducting any costs and expenses reasonably incurred by LCH.Clearnet in pursuing such corresponding claims for recovery under or in connection with the Matched Buyer Contract;
- (ii) LCH.Clearnet SA will use reasonable efforts to pursue any claim it may have against the related Matched Buyer but, notwithstanding Section 6.18(a)(i) above, LCH.Clearnet SA will, in the pursuit of such claims, act as though its liability to Matched Seller under the Matched Seller Contract was not limited or restricted in any way; and
- (iii) references to indemnity provisions set out in Section 11.2(a), 11.2(b) and 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions shall, in connection with a Matched Buyer Contract, be interpreted without regard to the limitations to Matched Seller's recourse to LCH.Clearnet SA under the corresponding Matched Seller Contract imposed by the provisions of this Section 6.18(a) and such limitations shall not restrict a Matched Seller from making a claim or raising a Dispute.

**(b) Right of Matched Seller to enforce against Matched Buyer**

Without prejudice to paragraph (a) above, a Matched Seller shall be entitled to enforce Sections 11.2(a), (b), (c)(i) and (c)(iv) of the 2014 ISDA Credit Derivatives Definitions against the related Matched Buyer in respect of any obligations Delivered by way of Physical Settlement of any Physically Settled Cleared Transaction under the Contracts (Rights of Third Parties) Act 1999 as though Matched Seller were party to the relevant Matched Buyer Contract in place of LCH.Clearnet SA.

**(c) Satisfaction of Claim by Matched Buyer discharges Liabilities owed to and by LCH.Clearnet SA**

For the avoidance of doubt, if a Matched Buyer satisfies a claim made by a Matched Seller directly against the relevant Matched Buyer under Sections 11.2(a), (b), (c)(i) or (c)(iv) of the 2014 ISDA Credit Derivatives Definitions pursuant to the rights granted to such Matched Seller under paragraph (b) above, such satisfaction shall also constitute complete satisfaction and discharge of the corresponding liability of such Matched Buyer to LCH.Clearnet SA and the corresponding liability of LCH.Clearnet SA to such Matched Seller in respect of such claim.

**(d) Effect of Illegality or Tax or other Expense resulting from Designation through Creation of Matched Pairs**

The last sentence of Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions shall not operate so as to prevent LCH.Clearnet SA from creating any Matched Pair in accordance with this CDS Clearing Supplement, and LCH.Clearnet SA shall have no obligation to grant any indemnity with respect to any Tax, loss or cost to any Matched Buyer or Matched Seller thereunder.

If the circumstances contemplated at Section 11.2(c)(iv)(A) or (B) of the 2014 ISDA Credit Derivatives Definitions apply in respect of any Physically Settled Cleared Transaction and any related Settlement Matched Pair (in the case of (B), as notified by the Clearing Member which is the non-designating party for such purpose to the other Clearing Member comprised in the relevant Settlement Matched Pair prior to the first Delivery Date), then an impossibility shall be deemed to have occurred with respect to Physical Settlement of the relevant Physically Settled Cleared Transactions, and Section 9.1 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the 2014 ISDA Credit Derivatives Definitions (as amended by this CDS Clearing Supplement) shall apply.

## 6.18 Miscellaneous Provisions relating to Physical Settlement

### (a) Margin

For the avoidance of doubt, LCH.Clearnet SA will continue to call all Margin and such Margin will remain due in relation to any Cleared Transaction to which Physical Settlement applies until:

- (i) LCH.Clearnet SA has received a Physical Settlement Notification from each Clearing Member;
- (ii) LCH.Clearnet SA has received a No Physical Settlement Confirmation from each Clearing Member; or
- (iii) in each case, any related dispute is 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.

### (b) Notification of Completion of Physical Settlement

Upon completion of Physical Settlement by the relevant Matched Pair of a Physically Settled Cleared Transaction, Matched Buyer and Matched Seller shall inform LCH.Clearnet SA as soon as reasonably practicable and in any event before the date falling two Transaction Business Days following such completion (the **Physical Settlement Confirmation Deadline**) by notice (a **Physical Settlement Confirmation**) in the form set out at Appendix VII hereto.

### (c) Notification that Physical Settlement will not occur

If no Notice of Physical Settlement has been delivered within the relevant time period permitted for such delivery in accordance with the terms of the relevant Physically Settled Cleared Transaction and, accordingly, Physical Settlement will not, under the terms of the relevant Physically Settled Cleared Transaction, occur, Matched Buyer and Matched Seller shall inform LCH.Clearnet SA as soon as reasonably practicable thereafter and in any event before the date falling two Transaction Business Days following the relevant date after which delivery of a Notice of Physical Settlement is no longer permitted in accordance with the terms of the relevant Physically Settled Cleared Transaction (the **No Physical Settlement Confirmation Deadline**) by notice (a **No Physical Settlement Confirmation**) in the form set out at Appendix VIII hereto.

### (d) Dispute regarding Physical Settlement

If LCH.Clearnet SA receives a Physical Settlement Confirmation or No Physical Settlement Confirmation from one relevant Matched Buyer or



Matched Seller only at or prior to the relevant Physical Settlement Confirmation Deadline or No Physical Settlement Confirmation Deadline, as the case may be, there shall be deemed to be a Dispute with respect to the Physically Settled Cleared Transactions between LCH.Clearnet SA and each relevant Clearing Member.

**(e) Asset Package Delivery**

If Asset Package Delivery is applicable in respect of a Physically Settled Cleared Transaction and an Asset to be delivered is a Non-Transferable Instrument or Non-Financial Instrument, then the Asset shall be deemed to be an amount of cash equal to the value determined by the CDSClear Product Committee (which, notwithstanding anything to the contrary, shall be the "Calculation Agent" for the purposes of Section 8.15 (Asset Market Value) of the 2014 ISDA Credit Derivatives Definitions).

**7. DELIVERY OF NOTICES AND FALLBACKS**

**7.1 General Rules relating to Notices**

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

Subject to Section 7.2 (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 (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.Clearnet 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.Clearnet SA**

Any such notice or communication given by LCH.Clearnet SA to a Clearing Member or vice versa shall (except where delivered via a relevant DTCC Notice Facility) 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 and which are not delivered via a relevant DTCC Notice Facility shall be given to the address or number notified by LCH.Clearnet SA to the deliveror pursuant to Sections 5.1 (*Creation and Notification of Restructuring Matched Pairs*) or 6.2 (*Creation and Notification of Settlement Matched Pairs*).

Such notices shall only be deemed to be delivered effectively by LCH.Clearnet SA through the relevant Clearing Member as its designee as against the recipient where the address or number so notified by LCH.Clearnet 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.Clearnet SA to verify Signatories**

LCH.Clearnet 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 7 (*Delivery of Notices and Fallbacks*).

**7.2 Oral Notices**

Notwithstanding the provisions of the 2014 ISDA Credit Derivatives Definitions, where, by way of exception as contemplated in this Section 7, Credit Event Notices and Notices to Exercise Movement Option are to be delivered directly to LCH.Clearnet SA (and not via a relevant DTCC Notice Facility), such notices may not be delivered by telephone.

**7.3 Credit Event Notices and NEMOs**

**(a) Credit Event Notices and NEMOs to be given via DTCC**

Credit Event Notices and Notices to Exercise Movement Option shall be delivered by way of the relevant DTCC Notice Facility, save if and as expressly stated to the contrary in this Section 7 or expressly agreed by LCH.Clearnet SA. The deemed time of delivery of any such notices shall be as set out in the DTCC Rules from time to time.

**(b) Credit Event Notices and NEMOs delivered in respect of CCM Client Transaction**

If a Matched Buyer or a Matched Seller that is a CCM receives a valid Credit Event Notice or Notice to Exercise Movement Option from its CCM Client in respect of a CCM Client Transaction by way of the relevant DTCC Notice Facility, such notice shall be deemed also to be a Credit Event Notice or Notice to Exercise Movement Option (as applicable) for the purposes of the corresponding Matched Contracts of the Settlement Matched Pair.

**7.4 Notification of DTCC Failure and Resolution**

**(a) LCH.Clearnet SA to notify Clearing Members of DTCC Failure Event**

If DTCC notifies LCH.Clearnet SA or LCH.Clearnet SA otherwise becomes aware that the relevant DTCC Notice Facility is or will be unavailable to process all or substantially all Credit Event Notices or Notices to Exercise Movement Option, as applicable, with respect to a Restructuring Credit Event in a timely manner (a **DTCC Failure Event**), then LCH.Clearnet SA will, as soon as reasonably practicable and in any event within one hour of such notification or of LCH.Clearnet SA becoming aware of such non-availability, as applicable, notify all relevant Clearing Members of such occurrence, including the time at which such failure occurred (or, if LCH.Clearnet SA is not notified of such time by or on behalf of DTCC, the time at which LCH.Clearnet received the relevant notification from or on behalf of DTCC or becomes aware of the relevant non-availability) (the **DTCC Failure Event Time**). LCH.Clearnet SA shall also publish such information on its Website as soon as reasonably practicable after becoming aware of a DTCC Failure Event.

**(b) LCH.Clearnet SA to notify Clearing Members of Resolution of DTCC Failure Event**

If, subsequent to a DTCC Failure Event, DTCC (or a third party designated under the DTCC Rules from time to time) notifies LCH.Clearnet SA that a DTCC Failure Event previously notified to Clearing Members is no longer in effect, LCH.Clearnet SA will as soon as reasonably practicable notify all relevant Clearing Members accordingly, including the time (the **DTCC Resolution Time**) (which

must be no earlier than 30 minutes following the time of such notification) at which such DTCC Failure Event is deemed to have been resolved and following which the relevant DTCC Notice Facility is operative for the purposes of delivery of relevant notices relating to Restructuring Cleared Transactions (including transactions in respect of which notices may have been delivered directly pursuant to Section 7.5 (Consequences of DTCC failure). LCH.Clearnet SA shall also publish such information on its Website as soon as reasonably practicable after notifying Clearing Members that the DTCC Failure Event is no longer in effect and of the DTCC Resolution Time.

**(c) Notices given prior to DTCC Resolution Time to be confirmed to DTCC**

LCH.Clearnet SA and, to the extent so requested by LCH.Clearnet SA, each Clearing Member shall, as soon as reasonably practicable and to the extent permitted by DTCC, provide or confirm to DTCC details of any relevant notices (in the case of a Clearing Member, being any relevant notices delivered directly by such Clearing Member) given in respect of Cleared Transactions prior to the DTCC Resolution Time, so as to permit delivery of subsequent notices in respect of such Cleared Transactions via the relevant DTCC Notice Facility.

**7.5 Consequences of DTCC Failure**

From (and including) the DTCC Failure Event Time to (but excluding) the DTCC Resolution Time:

- (a) Section 7.3(a) (Credit Event Notices and NEMOs to be given via DTCC) shall not apply and accordingly Credit Event Notices and Notices to Exercise Movement Option shall be delivered directly (and not via the relevant DTCC Notice Facility);
- (b) any notice delivered via the relevant DTCC Notice Facility prior to the DTCC Failure Event Time will be valid and will not be affected by such DTCC Failure Event; and
- (c) any notice delivered or purported to be delivered via the relevant DTCC Notice Facility at or following the DTCC Failure Event Time but prior to the DTCC Resolution Time will not be valid and effective.

Section 7.3(a) (Credit Event Notices and NEMOs to be given via DTCC) shall apply with effect from the DTCC Resolution Time and, accordingly, any notice thereafter delivered or purported to be delivered directly (and not via the relevant DTCC Notice Facility) will not be valid and effective.

## **7.6 Clearing Member Communications Failure Event**

### **(a) Right to deliver Notices manually following Clearing Member Communications Failure Event**

If a Clearing Member is affected by a significant communications or information technology failure resulting in it being impossible or impractical for such Clearing Member to deliver any Credit Event Notice in relation to a Restructuring Credit Event or any Notice to Exercise Movement Option via a relevant DTCC Notice Facility (a **Clearing Member Communications Failure Event**) it may, notwithstanding Section 7.3(a) (*Credit Event Notices and NEMOs to be given via DTCC*) deliver Credit Event Notices and Notices to Exercise Movement Option directly (and not via the relevant DTCC Notice Facility).

### **(b) Clearing Member to notify LCH.Clearnet SA of Occurrence of Clearing Member Communications Failure Event**

Following the occurrence of a Clearing Member Communications Failure Event, the affected Clearing Member shall, within one hour of delivering any Credit Event Notice or Notice to Exercise Movement Option directly, deliver to LCH.Clearnet SA a notice (in the form set out at Appendix IX hereto) signed by a senior officer (such as a managing director or equivalent) of such Clearing Member certifying that it is affected by a Clearing Member Communications Failure Event (or, if such Clearing Member is unable to deliver such notice in writing, orally by telephone).

LCH.Clearnet SA shall notify all Clearing Members accordingly as soon as reasonably practicable and in any event within one hour of receipt of any such notification.

### **(c) Notices to Clearing Member affected by Clearing Member Communications Failure Event**

For the avoidance of doubt, Section 7.3(a) (*Credit Event Notices and NEMOs to be given via DTCC*) shall continue to apply in respect of notices given to the affected Clearing Member by Clearing Members comprised in any Matched Pair in respect of which the affected Clearing Member is a Matched Buyer or Matched Seller.

### **(d) Notification of Resolution of Clearing Member Communications Failure Event**

As soon as reasonably practicable upon a Clearing Member ceasing to be subject to a Clearing Member Communications Failure Event, it shall notify LCH.Clearnet SA accordingly (in the form set out at Appendix X hereto) and thereupon Section 7.3(a) (*Credit Event Notices and*

NEMOs to be given via DTCC) shall apply and, accordingly, any Credit Event Notice or Notice to Exercise Movement Option thereafter delivered or purported to be delivered directly (and not via the relevant DTCC Notice Facility) will not be valid and effective.

**(e) Clearing Member Duty to Mitigate**

A Clearing Member which is subject to a Clearing Member Communications Failure Event shall use reasonable endeavours to mitigate the operational impact on other Clearing Members and LCH.Clearnet SA of any Clearing Member Communications Failure Event, to cure such Clearing Member Communications Failure Event as soon as possible and to ensure that the circumstances giving rise to the relevant Clearing Member Communications Failure Event do not recur.

**(f) Breach by Clearing Member does not Invalidate Valid Notices**

Without prejudice to any other rights or remedy of LCH.Clearnet SA, any breach by a Clearing Member of the provisions of this Section 7.6 shall not cause any Credit Event Notice or Notice to Exercise Movement Option delivered otherwise than in accordance with the relevant Restructuring Cleared Transaction, which would otherwise be valid and effective, to be invalid or ineffective.

**7.7 Clearing Member Acknowledgements**

**(a) Duty to deliver Clearing Member Acknowledgements**

Each Clearing Member shall notify LCH.Clearnet SA or deliver a copy to LCH.Clearnet SA of any notice delivered or received by such Clearing Member to or from another Clearing Member comprised in a Matched Pair, including, without limitation, any Credit Event Notice or Notice to Exercise Movement Option which was delivered or received directly (and not via a DTCC Notice Facility) pursuant to Sections 7.5 (Consequences of DTCC Failure) or 7.6 (Clearing Member Communications Failure Event), and which such Clearing Member asserts or acknowledges was effective for the purposes of this CDS Clearing Supplement and the relevant Cleared Transactions (such notification, or delivery of such copy, in respect of any relevant notice, a **Clearing Member Acknowledgement**) by no later than 6.00 p.m. on:

- (i) in the case of a Notice of Physical Settlement or NOPS Amendment Notice or Asset Package Notice, the date falling two Transaction Business Days following the date on which such notice was sent; or
- (ii) in the case of any other notice, on the last date on which such notice could validly be sent.

(in each case, the **Notice Acknowledgement Deadline**).

**(b) Clearing Member Acknowledgement received from both Clearing Members**

Where LCH.Clearnet SA receives a Clearing Member Acknowledgement in respect of any notice from both relevant Clearing Members comprised in a Matched Pair at or prior to the Notice Acknowledgement Deadline, LCH.Clearnet SA shall perform its obligations in respect of the relevant Cleared Transactions in accordance with and subject to the remaining provisions of the CDS Clearing Documentation.

**(c) Clearing Member Acknowledgement received from one Clearing Member**

Where LCH.Clearnet SA receives a Clearing Member Acknowledgement in respect of any notice from one relevant Clearing Member only at or prior to the Notice Acknowledgement Deadline, the provisions of Section 7.11 (*Disputes as to Notices*) shall apply and LCH.Clearnet SA and each relevant Clearing Member shall perform their obligations in respect of the relevant Cleared Transactions in accordance with and subject to the remaining provisions of the CDS Clearing Documentation and the terms of any final resolution of the relevant dispute, as agreed between the relevant parties or as determined 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.

In such case, LCH.Clearnet SA shall notify the Clearing Member from which it has not received a Clearing Member Acknowledgement of the asserted delivery or, as applicable, receipt of the relevant notice (in the case of a Credit Event Notice or Notice to Exercise Movement Option, through the reports referred to at Section 5.6 (*Reports*)).

**(d) No Clearing Member Acknowledgement received**

Where LCH.Clearnet SA does not receive Clearing Member Acknowledgement or confirmation of valid delivery in respect of any notice from either Clearing Member in the relevant Matched Pair on or prior to the relevant Notice Acknowledgement Deadline, the rights and obligations of LCH.Clearnet SA as against each relevant Clearing Member, and vice versa, shall be construed as if no such notice had been given.

**(e) Consequences of no Clearing Member Acknowledgement being received**

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

(i) Notices other than Notices of Physical Settlement, NOPS Amendment Notices and Asset Package Notices

Save in the case of a Notice of Physical Settlement, a NOPS Amendment Notice or an Asset Package Notice, an amount shall be payable between the Clearing Members equal to the difference between the value of the Matched Buyer Contract had Clearing Member Acknowledgement been given to LCH.Clearnet SA on a timely basis and the value of such contract in the absence of such acknowledgement; 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, in the case of a Credit Event Notice or Notice to Exercise Movement Option, the eighth Transaction Business Day following the Auction Settlement Date, no Auction Announcement Date or Auction Cancellation Date, as applicable or otherwise the eighth Transaction Business Day following the last day on which such notice would validly have been delivered, by reference to the relevant Auction Settlement Amount or end of day contributed prices, in each case if available.

(ii) Notices of Physical Settlement, NOPS Amendment Notices and Asset Package Notices

Where the relevant notice is a Notice of Physical Settlement, a NOPS Amendment Notice or an Asset Package Notice, the relevant Clearing Members shall acquire rights as against the other as though party to a bilateral credit default swap transaction on the terms of the related Matched Buyer Contract (including, without limitation, as to the occurrence of an Event Determination Date) and the Notice of Physical Settlement, NOPS Amendment Notice or Asset Package Notice, as applicable shall be deemed to have been given in respect of such transaction. Any resulting payment shall be due and payable two Transaction Business Days following the giving of a notice that such amount is due and payable.

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.Clearnet SA shall have no liability in respect thereof.



## **7.8 Failure to notify Matched Pairs**

Notwithstanding Section 5.3 (Triggering of Restructuring Cleared Transactions) and 6.5 (Notices of Physical Settlement), if LCH.Clearnet SA does not notify the relevant Clearing Members of Restructuring Matched Pairs created pursuant to Section 5.1 (Creation and Notification of Restructuring Matched Pairs) on or prior to the RMP Notification Deadline or Settlement Matched Pairs and related information specified in Section 6.2 (Creation and Notification of Settlement Matched Pairs) by the SMP Notification Deadline, as applicable:

- (a) the relevant Clearing Members may deliver Credit Event Notices, Notices to Exercise Movement Option, Notices of Physical Settlement or NOPS Amendment Notices to LCH.Clearnet SA, and vice versa;
- (b) the relevant Cleared Transactions shall be subject to Physical Settlement in accordance with their terms; and
- (c) the provisions of Sections 2.4 (Amendments to 2014 ISDA Credit Derivatives Definitions), 6 (Physical Settlement) and 8 (Matched Pair Designations and Notices) shall not apply and the terms of this CDS Clearing Supplement shall be construed accordingly.

For such purpose, Section 7.3 (Certain Notices to be given via DTCC) shall not apply in respect of notices given by the affected Clearing Members and accordingly Credit Event Notices and Notices to Exercise Movement Option shall be delivered directly (and not via the relevant DTCC Notice Facility).

## **7.9 Failure to notify Matching Information**

If LCH.Clearnet SA notifies relevant Clearing Members of Restructuring Matched Pairs created pursuant to Section 5.1 (Creation and Notification of Restructuring Matched Pairs) on or prior to the RMP Notification Deadline, but does not notify DTCC of relevant Matching Information on or prior to the RMP Notification Deadline, then Section 7.3(a) (Credit Event Notices and NEMOs to be given via DTCC) shall not apply in respect of notices to be delivered by affected Clearing Members and accordingly Credit Event Notices and Notices to Exercise Movement Option shall be delivered directly as between Clearing Members (as designees of LCH.Clearnet SA) (and not via the relevant DTCC Notice Facility).

## **7.10 Uncertain Delivery**

### **(a) Manual Notice permitted if Delivery of Notice in DTCC uncertain**

Notwithstanding Section 7.3(a) (Credit Event Notices and NEMOs to be given via DTCC), where such notices are permitted to be delivered by means other than the relevant DTCC Notice Facility pursuant to this

Section 7, and a CDS Clearing Member is uncertain as to whether or not a Credit Event Notice or Notice to Exercise Movement Option (as applicable) it (or, in the case of a CCM, its CCM Client) attempted to deliver via a DTCC Notice Facility has:

- (i) actually been delivered; or
- (ii) was delivered prior to the DTCC Failure Time,

that CDS Clearing Member shall be entitled to deliver such a notice directly to any Clearing Member comprised in a relevant Matched Pair (as designee of LCH.Clearnet SA) specifying that such notice is only to be effective to the extent that the other purported notice is not effective.

**(b) Details to be provided of Uncertain Notice**

If a Clearing Member delivers a manual notice pursuant to sub-section (a) (*Manual Notice permitted if Delivery of Notice in DTCC uncertain*) above, such Clearing Member shall be required to provide (together with such notice) sufficient details of the notice attempted to be given by way of the relevant DTCC Notice Facility so as to allow the other Clearing Member and LCH.Clearnet SA to identify the communication concerned.

**(c) DTCC Notice delivered successfully**

If the first Credit Event Notice or Notice to Exercise Movement Option (as applicable) to which the manual notice delivered pursuant to sub-section (a) (*Manual Notice permitted if Delivery of Notice in DTCC uncertain*) above relates was actually delivered successfully, any subsequent Credit Event Notice or Notice to Exercise Movement Option delivered shall be deemed not to have been delivered.

**7.11 Disputes as to Notices**

If any Clearing Member comprised in a Matched Pair where one such party is acting as designee of LCH.Clearnet SA disputes the effective delivery in accordance with the terms of the relevant Cleared Transactions of any notice delivered directly (and not via a relevant DTCC Notice Facility) in accordance with this Section 7 (and for such purposes, a dispute between the relevant Clearing Member and LCH.Clearnet SA shall be deemed to have arisen if LCH.Clearnet SA receives a Clearing Member Acknowledgement from one relevant Clearing Member only in respect of any such notice as contemplated at Section 7.7(c) (*Clearing Member Acknowledgement received from one Clearing Member*)):

- (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 Matched Pair will, to the extent possible, have an aggregate Restructuring Matched Pair Amount or, as applicable, Settlement Matched Pair Delivery Amount, which is an integral multiple of Euro 1,000,000, subject to a maximum of Euro 50,000,000; and
- (d) LCH.Clearnet SA will allocate a Restructuring Matched Pair Amount or, as applicable, Settlement Matched Pair Delivery Amount to each Matched Pair such that:
  - (i) the sum of all Restructuring Matched Pair Amounts or, as applicable, Settlement Matched Pair Delivery Amounts, of each CDS Buyer is equal to the aggregate Floating Rate Payer Calculation Amounts in respect of all (A) Initial Single Name Cleared Transactions, Restructuring Cleared Transactions (created following the occurrence of a previous Restructuring Credit Event), Spin-off Single Name Cleared Transactions and Resulting Single Name Cleared Transactions or (B) Cleared Transactions in respect of which the Fallback Settlement Method applies to the CDS Type for such Cleared Transaction, as applicable, to which such CDS Buyer is a party; and
  - (ii) the sum of all Restructuring Matched Pair Amounts or, as applicable, Settlement Matched Pair Delivery Amounts, of each CDS Seller is equal to the aggregate Floating Rate Payer Calculation Amounts in respect of (A) Initial Single Name Cleared Transactions, Restructuring Cleared Transactions (created following the occurrence of a previous Restructuring Credit Event), Spin-off Single Name Cleared Transactions and Resulting Single Name Cleared Transactions or (B) Cleared Transactions in respect of which the Fallback Settlement Method applies to the CDS Type for such Cleared Transaction, as applicable, to which such CDS Seller is a party.

Notwithstanding the above, if the Fallback Settlement Method applies in relation to a Cleared Transaction and a Restructuring Credit Event, the Restructuring Matched Pairs previously created pursuant to Section 5.1

(Creation of Restructuring Matched Pairs) and this Section 8.1 shall be deemed to be Settlement Matched Pairs created in accordance with Section 6.2 (Creation and Notification of Settlement Matched Pairs) and LCH.Clearnet SA shall have no obligation to create Settlement Matched Pairs in respect of such Cleared Transaction.

#### **7.12 Registration of new Cleared Transactions and Removal of original Cleared Transactions**

To the extent that any Cleared Transaction created pursuant to Section 5.2 (Creation of Restructuring Cleared Transactions) or Section 6.3 (Physically Settled Cleared Transactions) is not automatically registered in accordance with the DTCC Rules, LCH.Clearnet SA shall register such new Cleared Transaction in the TIW in accordance with the DTCC Rules prior to 6.00 p.m. on the date on which the RMP Notification Deadline or SMP Notification Deadline (as applicable) falls. In respect of CCMs and CCM Clients only, such registration by LCH.Clearnet shall also result in the automatic registration of any amendments made to the corresponding CCM Client Transactions.

In addition, LCH.Clearnet 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 Cleared Transaction(s) from the TIW prior to 6.00 p.m. on the date on which the RMP Notification Deadline or SMP Notification Deadline (as applicable) falls.

#### **7.13 Matched Buyer Contracts**

In respect of each Matched Buyer Contract which is the subject of a Matched Pair, LCH.Clearnet SA, pursuant to Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions (amended as set out at Section 2.4 (Amendments to 2014 ISDA Credit Derivatives Definitions)), as designator, shall be deemed to have designated Matched Seller in such Matched Pair as its designee:

- (a) 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 (other than notices required to be delivered via a DTCC Notice Facility);

In respect of each Matched Seller Contract which is the subject of a Matched Pair, LCH.Clearnet SA, pursuant to Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions (as amended pursuant to Section 2.4 (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:

- (a) 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 (other than notices required to be delivered via a DTCC Notice Facility);
- (b) other than in respect of any Physical Settlement Amount relating to the settlement of Non-DVP Obligations as referred to in Section 6.6 (Delivery of Non-DVP Obligations), to receive on behalf of LCH.Clearnet SA the applicable Physical Settlement Amount in accordance with the terms of any applicable Physically Settled Cleared Transaction, and to pay to, and to receive from, Matched Seller of the Matched Pair, in each case, on behalf of LCH.Clearnet SA, any other amounts due and payable (including costs and expenses of settlement due under the Matched Seller Contract); and
- (c) to Deliver, on behalf of LCH.Clearnet SA, the relevant Deliverable Obligations to Matched Seller of the Settlement Matched Pair.

The relevant Matched Buyer shall be deemed to have accepted such designation upon notification of the relevant Matched Pair created and notified in accordance with the provisions of this CDS Clearing Supplement.

#### **7.14 Exercise of Rights**

In relation to each Matched Pair:

- (a) the exercise of any rights by Matched Buyer against LCH.Clearnet SA under a Matched Buyer Contract (other than the right to give any notice via DTCC Notice Facility) shall be deemed to constitute the exercise of equal and simultaneous rights by LCH.Clearnet 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.Clearnet SA under a Matched Seller Contract (other than a right to give notice under a DTCC Notice Facility) shall be deemed to constitute the exercise of equal and simultaneous rights by LCH.Clearnet SA against Matched Buyer under the Matched Buyer Contract of the relevant Matched Pair.

#### **7.15 Clearing Member matched with Itself**

##### **(a) Notices**

In the event that:

- (i) Matched Buyer and Matched Seller of a Matched Pair pursuant to this Section 8 (Matched Pair Designations and Notices) is the same Clearing Member; and

(ii) notwithstanding Section 7.3(a) (Credit Event Notices and NEMOs to be given via DTCC), a notice or certification is permitted to be delivered in respect of one of the Cleared Transactions forming part of such Matched Pair by means other than the relevant DTCC Notice Facility pursuant to Section 7 (Delivery of Notices and Fallbacks),

such notice shall be deemed to be given upon such Clearing Member sending a Clearing Member Acknowledgement to LCH.Clearnet SA pursuant to Section 7.7(a) (Duty to deliver Clearing Member Acknowledgements) above in respect of such notice and Section 7.7(b) (Clearing Member Acknowledgement received from both Clearing Members) shall apply.

**(b) Payments and Deliveries**

In the event that:

(iii) Matched Buyer and Matched Seller of a Matched Pair pursuant to this Section 8 (Matched Pair Designations and Notices) is the same Clearing Member; and

(iv) such Clearing Member is required to make a payment or delivery pursuant to the terms of one of the Cleared Transactions forming part of such Matched Pair as designate of LCH.Clearnet SA,

such payment or delivery shall be deemed to have been made upon such Clearing Member giving notice to LCH.Clearnet SA. in accordance with Section 7.1 (General Rules relating to Notices) that such payment or delivery should be deemed to have been made for the purposes of such Cleared Transaction.

**7.16 Notices**

In relation to each Matched Pair:

(a) where Matched Buyer validly delivers or serves any notice to Matched Seller as designee of LCH.Clearnet 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.Clearnet 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.Clearnet 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.Clearnet SA to Matched Buyer for the purposes of the relevant Matched Buyer Contract.

## **8. SELF-REFERENCING TRANSACTIONS**

### **8.1 Occurrence of Self Referencing Transaction**

#### **(a) Duty to notify**

In respect of a Single Name Cleared Transaction, a Clearing Member shall, unless prohibited from so doing by applicable law or its internal policies, notify LCH.Clearnet SA as soon as reasonably practicable if:

- (i) such Clearing Member is or consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, the Reference Entity in relation to such Single Name Cleared Transaction, or enters into any agreement in respect of any of the foregoing;
- (ii) such Clearing Member and the Reference Entity in relation to such Single Name Cleared Transaction are or become Affiliates;  
or
- (iii) in respect of a Restructuring Cleared Transaction, such Clearing Member is or becomes the Reference Entity in relation to such Restructuring Cleared Transaction as a result of the occurrence of the relevant Restructuring Credit Event.

#### **(b) Auction of Affected Transactions**

Following receipt of any such notification, LCH.Clearnet SA will, unless otherwise agreed in consultation with the CDS Default Management Group and the affected Clearing Member, and with the assistance of the CDS Default Management Group, conduct an auction process to liquidate the relevant Single Name Cleared Transaction and enter into an equivalent Single Name Cleared Transaction with a Clearing Member other than the affected Clearing Member.

#### **(c) Alternative Action**

If LCH.Clearnet SA, after consultation with the CDS Default Management Group and the affected Clearing Member, believes that the circumstances are such that an auction may be inappropriate, LCH.Clearnet SA may take such other action in consultation with the Risk Committee as it considers reasonably necessary to achieve its primary aim in these circumstances of addressing the risks resulting from a Clearing Member being party to a Single Name Cleared Transaction where the Reference Entity is that Clearing Member, while endeavouring, as far as is reasonably practicable in the circumstances

without prejudicing the achievement of the primary aim, to avoid materially and adversely affecting the relevant Clearing Member.

**(d) Compression of Affected Transactions prior to Auction**

Prior to determining the Single Name Cleared Transactions to be subject to any auction pursuant to paragraph (b) above, where the affected Clearing Member acts as CDS Buyer and CDS Seller in respect of fungible Single Name Cleared Transactions, LCH.Clearnet SA shall, in consultation with the CDS Default Management Committee as to the transaction sizes of resulting Single Name Cleared Transactions to be auctioned, compress such Single Name Cleared Transactions up to the extent that, following such compression, Single Name Cleared Transactions representing in aggregate the Open Position of the affected Clearing Member in respect of such fungible Single Name Cleared Transactions are recognised.

For these purposes, LCH.Clearnet SA will provide the affected Clearing Member with a report detailing the Single Name Cleared Transactions to be subject to such compression.

The affected Clearing Member will be deemed to have submitted a request to LCH.Clearnet SA prior to 5.00 p.m. on the day on which LCH.Clearnet SA carries out the compression for ad hoc compression of such Single Name Cleared Transactions in accordance with Section 5 of the Procedures and such compression shall be carried out in accordance with Section 5 of the Procedures on the basis of such deemed request for ad hoc compression.

**(e) Auction Terms**

LCH.Clearnet SA shall determine the timing and other particular characteristics of each such auction in consultation with the CDS Default Management Committee, including determining the size of the bid/offer spread and/or of the Single Name Cleared Transactions to be auctioned, whether one or more such auctions are to be held and the timing and structure of such auctions (including the frequency at which firm bid and firm offer quotations will be requested and the transaction size (that is, the Floating Rate Payer Calculation Amount)).

Clearing Members (excluding the affected Clearing Member) may be requested, and will not be required, to submit actionable quotations in such an auction.



**(f) Creation of New Transactions and Termination of Existing Transactions**

LCH.Clearnet SA will enter into Single Name Cleared Transactions with Clearing Members, other than the affected Clearing Member, in the amount and at the prices determined pursuant to such auction.

At the time of entering into such Single Name Cleared Transactions, the corresponding Single Name Cleared Transactions of the affected Clearing Member shall be terminated by reference to the prices at which LCH.Clearnet SA enters into such new Single Name Cleared Transactions.

The affected Clearing Member, LCH.Clearnet SA and the other Clearing Members, as applicable, shall submit such information as is required in accordance with the DTCC Rules so as to reflect the terms of any reduction to, termination of or entry into of any Single Name Cleared Transaction as a result of any such auction(s).

**(g) Costs of LCH.Clearnet SA**

The affected Clearing Member will bear the cost of the associated bid/offer spread and any reasonable out-of-pocket costs and expenses of LCH.Clearnet SA in connection with such auction(s) and its entering into such new Single Name Cleared Transactions.

**(h) LCH.Clearnet SA to determine Amounts Owed and Payable**

Amounts owed by the affected Clearing Member to, or receivable by it from, LCH.Clearnet SA in connection with any such auction shall be determined by LCH.Clearnet SA.

In addition, any amounts payable (and the dates of settlement with respect thereto) relating to any Single Name Cleared Transactions created, reduced or terminated pursuant to any such auction shall be determined by LCH.Clearnet SA.

**8.2 Occurrence of Self Referencing Transactions in respect of Clients**

**(a) Notification**

In respect of a Single Name Cleared Transaction entered into by a CCM which has also entered into a corresponding CCM Client Transaction or an FCM Clearing Member as agent for an FCM Client, the CCM or FCM Clearing Member, as applicable, shall, unless prohibited from so doing by applicable law or its internal policies, notify LCH.Clearnet SA as soon as reasonably practicable if it receives a notice from the CCM Client or FCM Client, as applicable, that:

- (i) the CCM Client or FCM Client, as applicable, is or has consolidated or amalgamated with, or merged into, or has transferred all or substantially all of its assets to, the Reference Entity in relation to such Single Name Cleared Transaction or entered into any agreement in respect of any of the foregoing;
- (ii) the CCM Client or FCM Client, as applicable, and the Reference Entity in relation to such Single Name Cleared Transaction are or have become Affiliates; or
- (iii) in respect of a Restructuring Cleared Transaction, the CCM Client or FCM Client, as applicable, is or has become the Reference Entity in relation to such Restructuring Cleared Transaction as a result of the occurrence of the relevant Restructuring Credit Event.

**(b) Auction Process**

Following the giving of any such notification,

- (i) LCH.Clearnet S.A. will, unless otherwise agreed in consultation with the CDS Default Management Group and the relevant CCM or FCM Clearing Member, as applicable, and in consultation with the CDS Default Management Group and the relevant CCM, conduct an auction process to liquidate the relevant Single Name Cleared Transaction and enter into an equivalent Single Name Cleared Transaction with a CCM or FCM Clearing Member, as applicable; and
- (ii) the provisions of Section 9.1. (*Occurrence of Self Referencing Transaction*) will apply *mutatis mutandis*, provided that:
  - (A) Section 9.1(a) (*Duty to Notify*) and 9.1(b) (*Auction of Affected Transactions*) shall not apply;
  - (B) Section 9.1(c) (*Alternative Action*) is amended by deleting the words "Clearing Member being party to a Single Name Cleared Transaction where the Reference Entity is that Clearing Member" and replacing them with the words "CCM or FCM Clearing Member, as applicable, being a party to a Single Name CCM Client Transaction where the Reference Entity is the CCM Client or FCM Client, as applicable";
  - (C) Section 9.1(d) (*Compression of Affected Transactions prior to Auction*) is amended by deleting the words "to paragraph (b) above" and replacing them with the words "as a result of

Section 9.2 (Occurrence of Self Referencing Transactions in respect of Clients)";

(D) Section 9.1(d) (Compression of Affected Transactions prior to Auction) is amended in the case of CCM Clients only by inserting the words "that have a corresponding CCM Client Transaction with the affected CCM Client" immediately after the words "in respect of fungible Single Name Cleared Transactions";

(E) Section 9.1(e) (Auction Terms) is amended by deleting the words "(excluding the affected Clearing Member)";

(F) Section 9.1(f) (Creation of New Transactions and Termination of Existing Transactions) is amended by deleting the words "other than the affected Clearing Member"; and

(G) Each reference to "affected Clearing Member" in Section 9.1 (Occurrence of Self Referencing Transaction) is deleted and replaced with a reference to "relevant Clearing Member".

## 9. MANDATORY PROVISIONS FOR CCM CLIENT TRANSACTIONS

In Appendix XIII, 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.Clearnet S.A. 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.

## 10. AMENDMENTS

LCH.Clearnet S.A. 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 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.

## **11. FORMS OF NOTICES**

A form of Credit Event Notice, Notice to Exercise Movement Option, Notice of Physical Settlement, NOPS Amendment Notice, Asset Package Notice, notice to exercise alternative delivery procedure pursuant to Section 6.7 (Alternative Delivery Procedure), notice to fallback to Cash Settlement in respect of Non-Deliverable Obligations pursuant to Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations), Physical Settlement Confirmation, No Physical Settlement Confirmation, notice of Clearing Member Communications Failure Event and where no longer subject to a Clearing Member Communications Failure Event, in each case pursuant to Section 7.6 (Clearing Member Communications Failure Event), notice of dispute relating to any Matched Pair as contemplated by Section 7.11 (Dispute as to Notices) and notice relating to Self-Referencing Transactions as contemplated by Section 9 (Self-Referencing Transactions) is set out in Appendix I, II, III, IVA, IVB, V, VI, VII, VIII, IX, X, XI and XII 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.

## **12. 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.Clearnet 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.Clearnet SA against a related Matched Buyer or Matched Seller, as applicable.

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

LCH.Clearnet SA shall have no liability to any person where Restructuring Cleared Transactions are not or are improperly created, Restructuring Cleared Transactions are not or are improperly terminated or the Movement Option process is not or is improperly implemented, in each case for the purposes of the DTCC Rules, because of a third party's fault or a force majeure event. In particular,

LCH.Clearnet 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.Clearnet 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.

**13. 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.

**14. 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 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 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 CREDIT EVENT NOTICE**

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

[To/Copy to:]

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

**CREDIT EVENT NOTICE:**

**Credit Derivative Transaction Details:** As set out in the Schedule hereto<sup>2</sup>.

Reference is made to the Credit Derivative 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.

This letter is our Credit Event Notice to you that a [insert type] 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:

<sup>2</sup> A single Credit Event Notice may be submitted for multiple trades in respect of the same Counterparty

**SCHEDULE**

**Credit Derivative Transaction Details**

<b><u>[Clearing Member]</u></b> <b><u>acting as</u></b> <b><u>Seller/Buyer</u></b>	<b><u>Restructuring Matched Pair ID</u></b>	<b><u>Trade ID</u></b>	<b><u>Reference Entity</u></b>	<b><u>Trade Date</u></b>	<b><u>Effective Date</u></b>	<b><u>Exercise Amount<sup>3</sup></u></b>
[Seller] [Buyer]	[●]	[●]	[●]	[●]	[●]	[●]

<sup>3</sup> Where different to the outstanding Floating Rate Payer Calculation Amount

**APPENDIX II: FORM OF NOTICE TO EXERCISE MOVEMENT OPTION**

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

[To/Copy to:]

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

Dear Sir/Madam

**Notice to Exercise Movement Option**

**Credit Derivative Transaction Details:** As set out in the Schedule hereto<sup>4</sup>.

Reference is made to: (a) the Credit Derivative Transaction[s] described in the Schedule hereto (the **Transaction[s]**) between [ ], as Seller, and [ ], as Buyer; (b) the Credit Event Notice dated insert date], 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 or, if no meaning is specified therein, in the Definitions.

We hereby exercise the Movement Option, confirm that each 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:

<sup>4</sup> A single Notice to Exercise Movement Option may be submitted for multiple trades in respect of the same Counterparty



SCHEDULE

Credit Derivative Transaction Details

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

### **APPENDIX III: FORM OF NOTICE OF PHYSICAL SETTLEMENT**

To: Settlement Matched Pair Matched Seller Address and Contact Information

Copy to:

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

#### **Notice of Physical Settlement**

**Credit Derivative Transaction Details:** As set out in the Schedule hereto<sup>5</sup>.

Reference is made to: (a) the Credit Derivative Transaction[s] described in the Schedule hereto (the **Transaction[s]**) between [\_\_\_\_], as Seller, and [\_\_\_\_], as Buyer. Reference is also made to the Credit Event Notice [and Notice of Publicly Available Information] dated [insert date], previously delivered to you on [insert date].

This letter constitutes a Notice of Physical Settlement. 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 (the **Relevant Confirmation**) or, if no meaning is specified therein, in the 2014 ISDA Credit Derivatives Definitions (the **Definitions**).

We hereby confirm that we will settle the Transaction[s] and require performance by you in accordance with the provisions of the Relevant Confirmation and the Definitions relating to Physical Settlement. Subject to the terms of the relevant Transaction, we will Deliver to you on or before the Physical Settlement Date, an amount of the Deliverable Obligation(s) described in the column entitled "Deliverable Obligation(s)" in the Schedule hereto, corresponding to such Transaction:

Yours faithfully,

[Matched Buyer]

\_\_\_\_\_  
Name:

Title:

<sup>5</sup> A single Notice of Physical Settlement may be submitted for multiple trades in respect of the same Counterparty

|

**SCHEDULE**

**Credit Derivative Transaction Details**

<b><u>Settlement Matched Pair ID</u></b>	<b><u>Trade ID</u></b>	<b><u>Reference Entity</u></b>	<b><u>Trade Date</u></b>	<b><u>Effective Date</u></b>	<b><u>Deliverable Obligation(s)<sup>6</sup></u></b>
[●]	[●]	[●]	[●]	[●]	[Currency][Due and Payable Amount]][●]

<sup>6</sup> describe the Deliverable Obligation(s) to be Delivered, including the currency and outstanding principal balance or Due and Payable Amount for each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor of the Deliverable Obligation).

**APPENDIX IVA: FORM OF NOPS AMENDMENT NOTICE**

To: Settlement Matched Pair Matched Seller Address and Contact Information

Copy to:

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

Settlement Matched Pair ID: [●]

Trade ID: [●]

**NOPS Amendment Notice**

**Credit Derivative Transaction Details: [Trade Date], [Effective Date], [Reference Entity]**

Reference is made to the Credit Derivative Transaction described above (the **Transaction**) between [ ], as Seller, and [ ], as Buyer. Reference is also made to the Notice of Physical Settlement] NOPS Amendment Notice] dated [insert date], previously delivered to you on [insert date] dated [insert date].

This letter constitutes a NOPS Amendment Notice. Any capitalised term not otherwise defined in this letter will have the meaning, if any, assigned to such term in the Confirmation of the Transaction or, if no meaning is specified therein, in the CDS Clearing Supplement.

We hereby notify you that we are replacing the following Deliverable Obligation(s) specified in the Notice of Physical Settlement] NOPS Amendment Notice] specified above with the following Replacement Deliverable Obligation(s):

[describe the Deliverable Obligation(s) to be replaced, including the Replaced Deliverable Obligation Amount for each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor of the Deliverable Obligation) and the Replacement Deliverable Obligation(s) for each Replaced Deliverable Obligation Amount so specified and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor of the Replacement Deliverable Obligation)].

Yours faithfully,

[Matched Buyer]

---

Name:

Title:

**APPENDIX IVB: FORM OF ASSET PACKAGE NOTICE**

To: Settlement Matched Pair Matched Seller Address and Contact Information

Copy to:

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

Settlement Matched Pair ID: [●]

Trade ID: [●]

**Asset Package Notice**

**Credit Derivative Transaction Details: [Trade Date], [Effective Date], [Reference Entity]**

Reference is made to the Credit Derivative Transaction described above (the **Transaction**) between [ ], as Seller, and [ ], as Buyer. Reference is also made to the Notice of Physical Settlement] [NOPS Amendment Notice] dated [insert date], previously delivered to you on [insert date] dated [insert date].

This letter constitutes an Asset Package Notice. Any capitalised term not otherwise defined in this letter will have the meaning, if any, assigned to such term in the Confirmation of the Transaction or, if no meaning is specified therein, in the CDS Clearing Supplement.

We hereby notify you that our obligation to Deliver the following Deliverable Obligation(s) specified in the Notice of Physical Settlement] NOPS Amendment Notice] specified above shall be satisfied by Delivery of the following Asset Package:

[describe the Deliverable Obligation(s) to which the Asset Package relates, including the Deliverable Obligation Amount for each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor of the Deliverable Obligation) and the Assets comprising the Asset Package for each such Deliverable Obligation(s) and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor of the Asset, if applicable)].

Yours faithfully,

[Matched Buyer]

---

Name:

Title:



**APPENDIX V: FORM OF NOTICE TO EXERCISE ALTERNATIVE DELIVERY  
PROCEDURE PURSUANT TO SECTION 6.7 (ALTERNATIVE DELIVERY  
PROCEDURE)**

To:

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

[date]

Dear Sir/Madam

**Notice to Exercise Alternative Delivery Procedure**<sup>7</sup>

Reference is made to: the Settlement Matched Pairs described in the Schedule hereto, being the Settlement Matched Pairs to which this notice relates and Section 6.7 (Alternative Delivery Procedure) of the CDS Clearing Supplement. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

The Settlement Matched Pair Delivery Amount relating to each Settlement Matched Pair is that amount specified in the column entitled "Settlement Matched Pair Delivery Amount" in the Schedule hereto, corresponding to such Settlement Matched Pair.

In respect of each Settlement Matched Pair and in accordance with Section 6.7 (Alternative Delivery Procedure) we hereby elect to exercise our rights against and perform obligations to you in accordance with the alternative delivery procedure in relation to such percentage and amount of the Settlement Matched Pair Delivery Amount as set out in the column entitled "Percentage and Amount of Settlement Matched Pair Delivery Amount" in the Schedule hereto corresponding to such Settlement Matched Pair.

This notice may be executed in any number of counterparts which together shall constitute one notice.

By countersigning this notice, you are deemed to have given your consent to the above in satisfaction of the requirement to obtain your consent contained in Section 6.7 (Alternative Delivery Procedure) of the CDS Clearing Supplement.

---

<sup>7</sup> A single Notice to Exercise Alternative Delivery Procedure may be submitted for multiple trades in respect of the same Counterparty

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:

Countersigned by LCH.Clearnet SA

---

Name:

Title:

SCHEDULE

Credit Derivative Transaction Details

<u>Settlement Matched Pair ID</u>	<u>Trade ID</u>	<u>Reference Entity</u>	<u>Trade Date</u>	<u>Effective Date</u>	<u>Settlement Matched Pair Delivery Amount</u>	<u>Percentage and amount of Settlement Matched Pair Delivery Amount</u>
[●]	[●]	[●]	[●]	[●]	[●]	[●]

**APPENDIX VI: FORM OF NOTICE OF FALLBACK TO CASH SETTLEMENT OF NON-DELIVERABLE OBLIGATIONS PURSUANT TO SECTION 6.12 (FALLBACK TO CASH SETTLEMENT IN RESPECT OF NON-DELIVERABLE OBLIGATIONS)**

To: Settlement Matched Pair Matched Seller Address and Contact Information

To:

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

Settlement Matched Pair ID: [●]

Trade ID: [●]

Dear Sir/Madam

**Notice of fallback to Cash Settlement in respect of Non-Deliverable Obligations pursuant to Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) of the CDS Clearing Supplement**

Reference is made to Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) of the CDS Clearing Supplement and [insert details of the relevant Settlement Matched Pair(s)], being the Settlement Matched Pair[s] to which this notice relates and to the [Notice of Physical Settlement][NOPS Amendment Notice] previously delivered to you on [insert date] dated [insert date]. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 6.12 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) of the CDS Clearing Supplement we hereby notify you we are not permitted to Deliver the Deliverable Obligations specified below (such Deliverable Obligations, the **Non-Deliverable Obligations**) as specified in the [Notice of Physical Settlement][NOPS Amendment Notice] specified above for the following reasons:

[Insert details of the relevant Non-Deliverable Obligations and reasonable detail of the relevant circumstances, as described paragraphs (a)(i) and (a)(ii) of Section 6.12 of the CDS Clearing Supplement].

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]

---

Name:

Title:

**APPENDIX VII: FORM OF PHYSICAL SETTLEMENT CONFIRMATION AS  
CONTEMPLATED BY SECTION 6.19 (MISCELLANEOUS PROVISIONS  
RELATING TO PHYSICAL SETTLEMENT)**

To:

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

[date]

Dear Sir/Madam

**Physical Settlement Confirmation**

Reference is made to Section 6.19(b) (Notification of Completion of Physical Settlement) of the CDS Clearing Supplement and the Settlement Matched Pair[s] described in the Schedule hereto, being the Settlement Matched Pair[s] to which this notice relates. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 6.19(b) (Notification of Completion of Physical Settlement) of the CDS Clearing Supplement, we hereby notify you that we have completed Physical Settlement with respect to such Settlement Matched Pair[s].

This notice is delivered in satisfaction of the requirement in Section 6.19(b) (Notification of Completion of Physical Settlement) of the CDS Clearing Supplement to inform you of such completion.

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:

**SCHEDULE**

**Settlement Matched Pair Details**

<b><u>Settlement Matched Pair ID</u></b>	<b><u>Trade ID</u></b>	<b><u>Reference Entity</u></b>	<b><u>Trade Date</u></b>	<b><u>Effective Date</u></b>
[●]	[●]	[●]	[●]	[●]

**APPENDIX VIII: FORM OF NO PHYSICAL SETTLEMENT CONFIRMATION AS  
CONTEMPLATED BY SECTION 6.19 (MISCELLANEOUS PROVISIONS  
RELATING TO PHYSICAL SETTLEMENT)**

To:

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

[date]

Settlement Matched Pair ID: [●]

Trade ID: [●]

Dear Sir/Madam

**No Physical Settlement Confirmation**

Reference is made to Section 6.19(c) (Notification that Physical Settlement will not occur) of the CDS Clearing Supplement and the Settlement Matched Pair[s] described in the Schedule hereto, being the Settlement Matched Pair[s] to which this notice relates. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 6.19(c) (Notification that Physical Settlement will not occur) of the CDS Clearing Supplement, we hereby notify you that no Notice of Physical Settlement has been delivered within the relevant time period permitted for such delivery in accordance with the terms of the relevant Physically Settled Cleared Transactions and, accordingly, that Physical Settlement will not, under the terms of such Physically Settled Cleared Transactions, occur.

This notice is delivered in satisfaction of the requirement in Section 6.19(c) (Notification that Physical Settlement will not occur) of the CDS Clearing Supplement to inform you of such completion.

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:

**SCHEDULE**

**Settlement Matched Pair Details**

<b><u>Settlement Matched Pair ID</u></b>	<b><u>Trade ID</u></b>	<b><u>Reference Entity</u></b>	<b><u>Trade Date</u></b>	<b><u>Effective Date</u></b>
[●]	[●]	[●]	[●]	[●]

**APPENDIX IX: FORM OF NOTICE OF CLEARING MEMBER COMMUNICATIONS  
FAILURE EVENT PURSUANT TO SECTION 7.6 (CLEARING MEMBER  
COMMUNICATIONS FAILURE EVENT)**

To:

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

[date]

Dear Sir/Madam

**Notice certifying occurrence of a Clearing Member Communications Failure  
Event**

Reference is made to Section 7.6(b) (Clearing Member to notify LCH.Clearnet SA of  
Occurrence of Clearing Member Communications Failure Event) of the CDS  
Clearing Supplement. Defined terms shall have the meanings assigned to them in  
the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 7.6(b) (Clearing Member to notify LCH.Clearnet SA of  
Occurrence of Clearing Member Communications Failure Event) of the CDS  
Clearing Supplement, notice is hereby given that we are affected by a Clearing  
Member Communications Failure Event [insert details of such failure].

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,

[Clearing Member]

---

Name:

Title:

[Signed by a senior officer (such as a managing director or equivalent) on behalf of  
the Clearing Member]

**APPENDIX X: FORM OF NOTICE FOR CEASING TO BE SUBJECT TO A  
CLEARING MEMBER COMMUNICATIONS FAILURE EVENT PURSUANT TO  
SECTION 7.6 (CLEARING MEMBER COMMUNICATIONS FAILURE EVENT)**

To:

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

[date]

Dear Sir/Madam

**Notice that a Clearing Member is no longer subject to Clearing Member  
Communications Failure Event**

Reference is made to Section 7.6(d) (Notification of Resolution of Clearing Member  
Communications Failure Event) of the CDS Clearing Supplement and the notice  
certifying the occurrence of a Clearing Member Communications Failure Event  
delivered by us to LCH.Clearnet SA on [●] (the **Notice of Clearing Member  
Communications Failure Event**). Defined terms shall have the meanings assigned  
to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 7.6(d) (Notification of Resolution of Clearing Member  
Communications Failure Event) of the CDS Clearing Supplement, notice is hereby  
given that we are no longer subject to the relevant Clearing Member  
Communications Failure Event described in the Notice of Clearing Member  
Communications Failure Event.

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,

[Clearing Member]

---

Name:

Title:

**APPENDIX XI: FORM OF NOTICE OF DISPUTE RELATING TO ANY MATCHED PAIR**

To:

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

[date]

[Restructuring][Settlement] Matched Pair ID: [●]

Trade ID: [●]

Dear Sir/Madam

**Notice of dispute relating to [insert details of the relevant Matched Pairs subject to a dispute]**

Reference is made to Section 7.11 (Disputes as to Notices) of the CDS Clearing Supplement. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 7.11 (Disputes as to Notices) of the CDS Clearing Supplement, notice is hereby given of the following dispute(s):

[insert details of 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 XII: FORM OF NOTICE RELATING TO SELF-REFERENCING  
TRANSACTIONS**

To:

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

[date]

Dear Sir/Madam

**Notice relating to Self-Referencing Transactions**

**Credit Derivative Transaction Details:** As set out in the Schedule hereto<sup>8</sup>.

Reference is made to the Credit Derivative Transaction[s] described in the Schedule hereto (the **Transaction[s]**) between [●], as Seller and [●], as Buyer and to Section 9.1(a) (*Duty to notify*) of the CDS Clearing Supplement. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 9.1(a) (*Duty to notify*) of the CDS Clearing Supplement, notice is hereby given of the following: *[insert details of one or more of the relevant events, as set out in paragraphs (i), (ii) and (iii) of Section 9.1(a) (*Duty to notify*) of the CDS Clearing Supplement].*

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,

[Clearing Member]

\_\_\_\_\_

Name:

Title:

<sup>8</sup> A single Credit Event Notice may be submitted for multiple trades in respect of the same Counterparty

**SCHEDULE**

**Credit Derivative Transaction Details**

<b><u>[Restructuring]</u></b>	<b><u>Trade ID</u></b>	<b><u>Reference</u></b>	<b><u>Trade Date</u></b>	<b><u>Effective Date</u></b>
<b><u>Matched Pair</u></b>		<b><u>Entity</u></b>		
<b><u>ID</u></b>				
[●]	[●]	[●]	[●]	[●]

### **APPENDIX XIII: 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 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 the CDS Clearing Supplement. The CDS Clearing Supplement and these Mandatory Provisions have been drafted so as to complement each other.

LCH.Clearnet S.A. 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 XIII.

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.

In this Appendix XIII:

"CCM Client Buyer" means a CCM Client that is party to a CCM Client Transaction as protection buyer;

"CCM Client Seller" means a CCM Client that is party to a CCM Client Transaction as protection seller;

"CCM Buyer/Matched Seller" means a CCM that is party to a CCM Client Transaction as protection buyer and to the corresponding CCM Client Cleared Transaction as protection seller; and

"CCM Seller/Matched Buyer" means a CCM that is party to a CCM Client Transaction as protection seller and to the corresponding CCM Client Cleared Transaction as protection buyer.



## 1. **Defined Terms**

Terms used in the Mandatory Provisions and not otherwise defined herein or in the 2014 ISDA Credit Derivatives Definitions shall have the meanings given to them in the CDS Clearing Supplement.

## 2. **Terms of CCM Client Transactions**

### 2.1 **2014 ISDA Credit Derivatives Definitions**

The definitions and provisions contained in the 2014 ISDA Credit Derivatives Definitions published by the International Swaps and Derivatives Association (the "**2014 ISDA Credit Derivatives Definitions**"), are incorporated into each CCM Client Transaction.

### 2.2 **Single Name CCM Client Transactions - Reference Obligation**

With effect from the date on which the CCM Client Cleared Transaction corresponding to a Single Name CCM Client Transaction is registered in the TIW, such Single Name CCM Client Transaction shall be deemed to reference the Standard Reference Obligation, provided that if there is no Standard Reference Obligation, such Single Name CCM Client Transaction shall be deemed to reference the CDSClear Preferred Reference Obligation.

### 2.3 **Single Name CCM Client Transactions - Updating Physical Settlement Matrix**

With effect from the date on which the CCM Client Cleared Transaction corresponding to a Single Name CCM Client Transaction is registered in the TIW, such Single Name CCM Client Transaction shall be deemed to reference the Relevant Physical Settlement Matrix.

With effect from the close of business on any Matrix Re-versioning Date, any Single Name CCM Client Transaction referencing the Existing Matrix will be deemed to have been amended so as to reference the Revised Matrix.

### 2.4 **Index Client CCM Transactions - Updating Eligible Index Versions**

Upon the occurrence of a DTCC Re-versioning Date, any Index CCM Client Transaction shall be automatically amended so as to reference the portfolio of Reference Entities specified in the revised version of the index published by the Index Publisher and referenced in the TIW with effect from such DTCC Re-versioning Date.

### 2.5 **Initial Payment Date**

Notwithstanding anything to the contrary in the 2014 ISDA Credit Derivatives Definitions, if the Initial Payment Date specified in the CCM Client Transaction Documents in respect of any CCM Client Transaction is a date

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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 Initial Payment Date in respect of such CCM Client Transaction shall be deemed to be the Transaction Business Day immediately following the Clearing Day on which the Cleared Transactions relating to such CCM Client Transaction are created.

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

#### **3.1 Creation of Additional CCM Client Transactions**

Immediately following:

- (a) the creation of Matched Pairs by LCH.Clearnet SA pursuant to Section 8.1 (Creation of Matched Pairs) of the CDS Clearing Supplement; or
- (b) the creation of Resulting Single Name Cleared Transactions pursuant to Section 4.4 (Re-couponsing of Restructuring Cleared Transactions) 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 or Resulting Single Name Cleared Transactions, such CCM Client Transaction shall be split into or terminated and replaced by two or more (as applicable) corresponding CCM Client Transactions. The Floating Rate Payer Calculation Amount and Fixed Rate of each such CCM Client Transaction shall correspond to the Floating Rate Payer Calculation Amount and Fixed Rate specified in TIW for such CCM Client Transaction. In respect of CCM Client Transactions created as a result of the creation of Resulting Single Name Cleared Transactions, the Trade Date of such new CCM Client Transactions shall be the same as the Trade Date of the equivalent Resulting Single Name Cleared Transactions. Otherwise, each new CCM Client Transaction shall have the same terms as the original 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 that led to the creation of the Matched Pairs is reversed such that Section 5.5 (Reversal of DC Credit Event Announcements) of the CDS Clearing Supplement applies, then, subject to Section 11.1(c)(iii)(B) of the 2014 ISDA Credit Derivatives Definitions, any additional CCM Client

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Transactions created pursuant to Mandatory Provision 3.1 (Creation of Additional CCM Client Transactions) above shall be deemed not to have been created and any Credit Event Notices delivered in connection with such CCM Client Transactions 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 Floating Rate Payer Calculation Amount equal to the aggregate Floating Rate Payer Calculation Amounts of the original CCM Client Transactions.

### 3.4 Succession Events and Cleared Transactions

If LCH.Clearnet SA takes any action with respect to a CCM Client Cleared Transaction pursuant to Section 4.5 (Succession Events and Cleared Transactions) of the CDS Clearing Supplement so as to give effect to a Succession Event, such action shall also be deemed to have been taken with respect to the corresponding CCM Client Transaction.

## 4. Notices

### 4.1 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 of Physical Settlement, Notice to Exercise Movement Option or NOPS Amendment Notice) at a time or in a manner in which the CCM would not be permitted to deliver such a notice to LCH.Clearnet (or to a relevant Matched Buyer or Matched Seller as designee of LCH.Clearnet (as applicable)) in respect of the corresponding CCM Client Cleared Transaction pursuant to the terms of the CDS Clearing Supplement shall be deemed not to have been delivered.

### 4.2 Credit Event Notices and NEMOs given via DTCC

#### (a) Credit Event Notices and NEMOs to be given via DTCC

Credit Event Notices and Notices to Exercise Movement Option shall be delivered by way of the relevant DTCC Notice Facility, save if and as expressly stated to the contrary in the Mandatory Provisions or otherwise agreed between the parties to the CCM Client Transaction.

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The deemed time of delivery of any such notices shall be as set out in the DTCC Rules from time to time.

(b) Credit Event Notices and NEMOs delivered in respect of corresponding CCM Client Cleared Transaction

In respect of a CCM Client Transaction, if:

(i) CCM Seller/Matched Buyer or CCM Buyer/Matched Seller delivers a valid Credit Event Notice or Notice to Exercise Movement Option in respect of the corresponding CCM Client Cleared Transaction by way of the relevant DTCC Notice Facility; or

(ii) a Credit Event Notice or Notice to Exercise Movement Option is deemed to have been delivered in respect of the corresponding CCM Client Cleared Transaction pursuant to Section 7.3(b) (Credit Event Notices and NEMOs delivered in respect of CCM Client Transaction) of the CDS Clearing Supplement as a result of the receipt of a valid Credit Event Notice or Notice to Exercise Movement Option (as applicable) by way of the relevant DTCC Notice Facility in respect of the CCM Client Transaction between the other CCM of a Matched Pair and its CCM Client,

and a Credit Event Notice or Notice to Exercise Movement Option (as applicable) has not already been given in respect of such CCM Client Transaction in accordance with Mandatory Provision 4.4 (Communications Failure Event) such notice (or deemed notice) shall be deemed also to be a Credit Event Notice or Notice to Exercise Movement Option (as applicable) for the purposes of such CCM Client Transaction.

4.3 Consequences of DTCC Failure

If a DTCC Failure Event occurs, from (and including) the DTCC Failure Event Time to (but excluding) the DTCC Resolution Time:

(a) Mandatory Provision 4.2(a) (Credit Event Notices and NEMOs to be given via DTCC) shall not apply and accordingly Credit Event Notices and Notices to Exercise Movement Option shall be delivered directly (and not via the relevant DTCC Notice Facility);

(b) any notice delivered via the relevant DTCC Notice Facility prior to the DTCC Failure Event Time will be valid and will not be affected by such DTCC Failure Event; and

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(c) any notice delivered or purported to be delivered via the relevant DTCC Notice Facility at or following the DTCC Failure Event Time but prior to the DTCC Resolution Time will not be valid and effective.

Mandatory Provision 4.2(a) (Credit Event Notices and NEMOs to be given via DTCC) shall apply with effect from the DTCC Resolution Time and, accordingly, any notice thereafter delivered or purported to be delivered directly (and not via the relevant DTCC Notice Facility) will not be valid and effective.

#### 4.4 Communications Failure Event

##### (a) Right to deliver Notices manually following Communications Failure Event

If a party is affected by a significant communications or information technology failure resulting in it being impossible or impractical for such party to deliver any Credit Event Notice in relation to a Restructuring Credit Event or any Notice to Exercise Movement Option via a relevant DTCC Notice Facility (a "**Communications Failure Event**") it may, notwithstanding Mandatory Provision 4.2(a) (Credit Event Notices and NEMOs to be given via DTCC), deliver Credit Event Notices and Notices to Exercise Movement Option directly (and not via the relevant DTCC Notice Facility).

Such party shall deliver, together with any Credit Event Notice or Notice to Exercise Movement Option delivered by it directly, a notice signed by a senior officer (such as a managing director or equivalent) of such party certifying that it is affected by a Communications Failure Event (or, if such party is unable to deliver such notice in writing, orally by telephone).

##### (b) Notices to party affected by Communications Failure Event

For the avoidance of doubt, Mandatory Provision 4.2(a) (Credit Event Notices and NEMOs to be given via DTCC) shall continue to apply in respect of notices given by the party not affected by the Communications Failure Event to the party affected by the Communications Failure Event.

##### (c) Notification of Resolution of Communications Failure Event

As soon as reasonably practicable upon a party ceasing to be subject to a Communications Failure Event, it shall notify the other party accordingly and thereupon Mandatory Provision 4.2(a) (Credit Event Notices and NEMOs to be given via DTCC) shall apply and, accordingly, any notice thereafter delivered or purported to be delivered

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directly (and not via the relevant DTCC Notice Facility) will not be valid and effective.

(d) Duty to Mitigate

A party which is subject to a Communications Failure Event shall use reasonable endeavours to mitigate the operational impact on the other party of any Communications Failure Event, to cure such Communications Failure Event as soon as possible and to ensure that the circumstances giving rise to the relevant Communications Failure Event do not recur.

(e) Breach does not Invalidate Valid Notices

Without prejudice to any other rights or remedies of the parties, any breach by a party of the provisions of this Mandatory Provision 4.4 shall not cause any Credit Event Notice or Notice to Exercise Movement Option delivered otherwise than in accordance with the terms of the relevant CCM Client Transaction, which would otherwise be valid and effective, to be invalid or ineffective.

4.5 Uncertain Delivery

(a) Manual Notice permitted if Delivery of Notice in DTCC uncertain

Notwithstanding Mandatory Provision 4.2(a) (Credit Event Notices and NEMOs to be given via DTCC), where such notices are permitted to be delivered by means other than the relevant DTCC Notice Facility pursuant to this Mandatory Provision 4 (Notices), and a party is uncertain as to whether or not a Credit Event Notice or Notice to Exercise Movement Option (as applicable) it attempted to deliver via a DTCC Notice Facility has:

- (i) actually been delivered; or
- (ii) was delivered prior to the DTCC Failure Time,

that party shall be entitled to deliver such a notice directly to the other party specifying that such notice is only to be effective to the extent that the other purported notice is not effective.

(b) Details to be provided of Uncertain Notice

If a party delivers a manual notice pursuant to Mandatory Provision 4.5(a) (Manual Notice permitted if Delivery of Notice in DTCC uncertain) above, such party shall be required to provide (together with such notice) sufficient details of the notice attempted to be given by

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way of the relevant DTCC Notice Facility so as to allow the other party to identify the communication concerned.

(c) DTCC Notice delivered successfully

If the first Credit Event Notice or Notice to Exercise Movement Option (as applicable) to which the manual notice delivered pursuant to Mandatory Provision 4.5(a) (Manual Notice permitted if Delivery of Notice in DTCC uncertain) above related was actually delivered successfully, any subsequent Credit Event Notice or Notice to Exercise Movement Option delivered 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 Restructuring CCM Client Transaction (including the Mandatory Provisions) and, where applicable, the DTCC Rules).

**6. Timings for the Delivery of Manual Notices**

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

**6.1 Delivery of Manual Notices by CCM Client Buyer**

For the purposes of the delivery by CCM Client Buyer of any notice in respect of a CCM Client Transaction which is permitted pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions) to be delivered manually (rather than via the relevant DTCC Notice Facility), 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 manual 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.

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A manual notice (including, without limitation, a Credit Event Notice or a Notice to Exercise Movement Option) delivered 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 Certain Notices by CCM Seller/Matched Buyer to Matched Seller

Any Credit Event Notice, Notice to Exercise Movement Option, Physical Settlement Notice, NOPS Amendment Notice, any notice given pursuant to Section 8.2 (Notice of Physical Settlement) of the 2014 ISDA Credit Derivatives Definitions in respect of any Asset or Asset Package, any notice given pursuant to Section 9.7 (Buy-in of Bonds Not Delivered) of the 2014 ISDA Credit Derivatives Definitions or any notice given pursuant to Section 9.8 (Alternative Procedures Relating to Loans Not Delivered) of the 2014 ISDA Credit Derivatives Definitions which is permitted to be and is delivered manually by CCM Client Buyer to CCM Seller/Matched Buyer in respect of and pursuant to the terms of a CCM Client Transaction (including the Mandatory Provisions) shall not be effective unless and until 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 Restructuring Cleared Transaction or Physically Settled Cleared Transaction, as applicable.

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 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 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 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.

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

**6.3 Receipt of Certain Notices by CCM Buyer/Matched Seller deemed to be Receipt by CCM Client Seller**

Any Credit Event Notice, Notice to Exercise Movement Option, Physical Settlement Notice NOPS Amendment Notice, any notice given pursuant to Section 8.2 (Notice of Physical Settlement) of the 2014 ISDA Credit Derivatives Definitions in respect of any Asset or Asset Package, any notice given pursuant to Section 9.7 (Buy-in of Bonds Not Delivered) of the 2014 ISDA Credit Derivatives Definitions or any notice given pursuant to Section 9.8 (Alternative Procedures Relating to Loans Not Delivered) of the 2014 ISDA Credit Derivatives Definitions which is permitted to be and is delivered manually by the relevant Matched Buyer to CCM Buyer/Matched Seller in respect of and pursuant to the terms of a Restructuring Cleared Transaction or Physically Settled Cleared Transaction (as applicable) relating to a CCM Client Transaction between such CCM Buyer/Matched Seller and CCM Client shall be deemed to constitute simultaneous delivery by CCM Buyer/Matched Seller to CCM Client Seller of such notice in respect of such CCM Client Transaction.

CCM Buyer/Matched Seller undertakes to deliver such a notice to 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 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 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. Physical Settlement**

**7.1 Fallback to Cash Settlement resulting from corresponding CCM Client Cleared Transaction**

If a CCM notifies its CCM Client that the Physically Settled Cleared Transaction corresponding to their CCM Client Transaction is to be settled (in whole or in part) by Cash Settlement pursuant to Section 6 (Physical

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Settlement) of the CDS Clearing Supplement and such CCM Client Transaction has not already been settled by Physical Settlement, such CCM Client Transaction shall also be settled (in whole or in part, as applicable) by Cash Settlement and the Cash Settlement Amount and the Cash Settlement Date shall be the same as the Cash Settlement Amount and the Cash Settlement Date determined in respect of the corresponding Physically Settled Cleared Transaction.

In respect of the CCM Client Transaction between CCM Client Buyer and CCM Seller/Matched Buyer, if CCM Client Buyer has already Delivered the Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer in whole (if Cash Settlement applies) or in part (if Partial Cash Settlement applies in which case CCM Seller/Matched Buyer shall retain a proportion of the Deliverable Obligations equal to the proportion of the Transaction to be settled by Physical Settlement).

#### 7.2 Fallback to Cash Settlement in respect of Non-Deliverable Obligations

If, in respect of a CCM Client Transaction, Buyer is not permitted to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the Non-Deliverable Obligations) specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice to Seller because:

- (i) the amount of such Deliverable Obligation is less than the relevant minimum denomination of such Deliverable Obligation;  
or
- (ii) Seller is not a permitted transferee under such Deliverable Obligation (and, in the case of this sub-section (ii), such circumstance would not constitute an illegality or impossibility outside the control of a relevant party for the purposes of Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions),

then it shall notify Seller accordingly describing in reasonable detail the relevant circumstances.

With effect from such notification, such occurrence shall be treated, in relation to such CCM Client Transaction, as an illegality or impossibility outside the control of a relevant party for the purpose of Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions and "Cash Settlement" pursuant to the Partial Cash Settlement Terms shall be deemed to apply to such CCM Client Transaction with respect to the Non-Deliverable Obligations as though the Non-Deliverable Obligations were Undeliverable Obligations and the provisions

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set out in Mandatory Provision 7.3 (Consequences of Cash Settlement) below shall apply.

### 7.3 Consequences of Cash Settlement

If the circumstances set out in either Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) apply to a CCM Client Transaction, then:

- (a) the Latest Permissible Physical Settlement Date in respect of such CCM Client Transaction will be deemed to be the first date on which the relevant Buyer or Seller effectively gave the relevant notice to the other pursuant to either Section 9.1 (Partial Cash Settlement Due to Impossibility or Illegality) of the 2014 ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) above, as applicable, (and for these purposes, Section 9.5 (Latest Permissible Physical Settlement Date) of the 2014 ISDA Credit Derivatives Definitions shall not apply); and
- (b) where sub-paragraph (ii) of Mandatory Provision 7.2 (Fallback to Cash Settlement in respect of Non-Deliverable Obligations) applies, Indicative Quotations shall not be applicable.

#### 7.4 Asset Package Delivery

If Asset Package Delivery is applicable in respect of a Physically Settled Cleared Transaction and an Asset to be delivered is a Non-Transferable Instrument or Non-Financial Instrument, then the Asset shall be deemed to be an amount of cash equal to the value determined by the CDSClear Product Committee (which, notwithstanding anything to the contrary shall be the "Calculation Agent" for the purposes of Section 8.15 (Asset Market Value) of the 2014 ISDA Credit Derivatives Definitions).

If a CCM notifies its CCM Client that Asset Package Delivery is applicable in respect of the Physically Settled Cleared Transaction corresponding to their CCM Client Transaction and such CCM Client Transaction has not already been settled by Physical Settlement and the relevant Asset Package comprises Assets in the form of cash in the Settlement Currency (whether pursuant to Section 8.12(b)(v) of the 2014 ISDA Credit Derivatives Definitions or otherwise) then Asset Package Delivery shall also apply in respect of such CCM Client Transaction and

- (i) the Physical Settlement Amount in respect of such CCM Client Transaction shall be an amount equal to the Physical Settlement Amount minus the Asset Package Cash Settlement Amount determined in respect of the corresponding Physically Settled Cleared Transaction; and
- (ii) the only Assets to be Delivered in respect of such CCM Client Transaction shall be such Assets as are Delivered in respect of the corresponding Physically Settled Cleared Transaction.

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

#### 7.5 Delivery of Deliverable Obligations by CCM Client Buyer to CCM Seller/Matched Buyer

**This Mandatory Provision 7.5 shall be applicable unless the CCM Client Buyer and CCM Seller/Matched Buyer agree that it shall not apply in respect of a specific CCM Client Transaction.**

In respect of a CCM Client Transaction, the Delivery of any Deliverable Obligations (or if Asset Package Delivery is applicable, the Assets) to be Delivered by CCM Client Buyer to CCM Seller/Matched Buyer shall be deemed not to have occurred for the purposes of such CCM Client Transaction unless and until CCM Seller/Matched Buyer Delivers equivalent Deliverable Obligations or Assets to Matched Seller pursuant to the Physical Settlement of the corresponding Physically Settled Cleared Transaction.

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Unless in respect of the corresponding Physically Settled Cleared Transactions:

- (a) Cash Settlement is applicable (in whole or in part);
- (b) a Buy-in Period is applicable or Buy-in Price has been determined pursuant to Section 9.7 (*Buy-in of Bonds Not Delivered*) of the 2014 ISDA Credit Derivatives Definitions;
- (c) a Deemed Buy-in Period is applicable pursuant to Section 6.8(b)(i) of the CDS Clearing Supplement or Section 6.8(b)(ii) of the CDS Clearing Supplement is applicable;
- (d) Section 9.8(i) of the 2014 ISDA Credit Derivatives Definitions is applicable or Matched Seller has required Matched Buyer to Deliver a Bond or Loan pursuant to Section 9.8(ii) of the 2014 ISDA Credit Derivatives Definitions; or
- (e) Matched Seller has required Matched Buyer to Deliver a Deliverable Obligation pursuant to Section 9.9 (*Alternative Procedures Relating to Assets Not Delivered*) of the 2014 ISDA Credit Derivatives Definitions,

(each such event, a "Non-delivery Event"), CCM Seller/Matched Buyer undertakes to Deliver the Deliverable Obligations (or such portion of the Deliverable Obligations not affected by a Non-delivery Event) or, if Asset Package Delivery is applicable, the Assets, to Matched Seller not later than the first Business Day after the day on which a trade in such Deliverable Obligation(s) or Assets would, if effected on the day on which CCM Seller/Matched Buyer received the Deliverable Obligations or Assets from CCM Client Buyer or on which the relevant Non-delivery Event ceased to apply, as applicable, (or if such day is not a Business Day, the following Business Day), be settled in accordance with then current market practice of such Deliverable Obligations or Assets, as the case may be, as determined by the Calculation Agent after consultation with the parties.

For the purposes of Article VIII (*Terms relating to Physical Settlement*) of the 2014 ISDA Credit Derivatives Definitions, the Physical Settlement Amount shall not be payable by CCM Seller/Matched Buyer to CCM Client Buyer in respect of the CCM Client Transaction until the Physical Settlement of the corresponding Physically Settled Cleared Transaction has occurred.

#### 7.6 Buy-in of Bonds not Applicable

Section 9.7 (*Buy-in of Bonds Not Delivered*) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

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### 7.7 Buyer's Right to Deliver suspended during Buy-in Period

If CCM Seller/Matched Buyer notifies CCM Client Buyer in respect of a CCM Client Transaction that (i) it has received a Buy-in Notice from Matched Seller in respect of the Matched Contracts of the related Settlement Matched Pair or (ii) it has been notified by Matched Seller in respect of the Matched Contracts of the related Settlement Matched Pair pursuant to Section 6.8(b) (Deemed Buy-in of Bonds resulting from CCM Client Transaction of Matched Seller) of the CDS Clearing Supplement that such Matched Seller has received a Buy-in Notice from its CCM Client in respect of the CCM Client Transaction between such Matched Seller and its CCM Client, such notice from CCM Seller/Matched Buyer specifying:

- i) the Buy-in Date;
- ii) the Relevant Bonds; and
- iii) the outstanding principal balance thereof sought to be bought-in,

then CCM Client Buyer's right to Deliver the specified Relevant Bonds shall be suspended until the fourth Business Day (inclusive) following such Buy-in Date.

### 7.8 Buy-in of Bonds in respect of Matched Contracts of the Settlement Matched Pair

Provided that Physical Settlement has not already occurred in respect of a CCM Client Transaction, if CCM Seller/Matched Buyer notifies CCM Client Buyer that a Buy-in Price has been (i) determined or (ii) deemed to be determined pursuant to Section 6.8(b) (Deemed Buy-in of Bonds resulting from CCM Client Transaction of Matched Seller) of the CDS Clearing Supplement, in respect of Relevant Bonds for the purposes of the Matched Contracts of the related Settlement Matched Pair, then on the Buy-in Effective Date:

- i) CCM Client Buyer will be deemed to have Delivered to CCM Seller/Matched Buyer an outstanding principal balance of the Deliverable Obligations equal to the outstanding principal balance of the Deliverable Obligations Delivered or deemed to be Delivered by CCM Seller/Matched Buyer to Matched Seller in respect of the Matched Contracts; and
- ii) the Physical Settlement Amount to be paid by CCM Seller/Matched Buyer to CCM Client Buyer in respect of this CCM Client Transaction shall be reduced (but not below zero) by an amount equal to the amount by which the Physical Settlement Amount to be paid to CCM

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Seller/Matched Buyer by Matched Seller in respect of the Matched Contracts is to be reduced.

CCM Seller/Matched Buyer shall notify CCM Client Buyer of such outstanding principal balance of the Deliverable Obligations and such Physical Settlement Amount reduction for the purposes of i) and ii) above and of the Buy-in Effective Date.

If CCM Client Buyer has already Delivered Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer and such equivalent Deliverable Obligations shall have an outstanding principal balance equal to the outstanding principal balance of the Deliverable Obligation(s) specified by CCM Seller/Matched Buyer in the above notice and deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer pursuant to this Mandatory Provision 7.8.

7.9 Alternative Procedures relating to Loans – Seller Right to Select

Section 9.8(ii) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

7.10 Alternative Procedures relating to Loans – Seller designates alternative Loan or Bond

In respect of a CCM Client Transaction, CCM Seller/Matched Buyer shall notify CCM Client Buyer if it has purchased Bond(s) and/or Loan(s) pursuant to Section 9.8(ii) of the 2014 ISDA Credit Derivatives Definitions on the instructions of the Matched Seller in respect of the corresponding CCM Client Cleared Transaction.

Following such notification, such Bond(s) and/or Loan(s) shall be deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer in Physical Settlement of the CCM Client Transaction and the Physical Settlement Amount payable by CCM Seller/Matched Buyer to CCM Client Buyer shall be reduced (but not below zero) by an amount equal to the price at which such Bond(s) and or Loan(s) were purchased.

CCM Seller/Matched Buyer shall provide CCM Client Buyer with details of such Bond(s) and/or Loan(s) and the related purchase price(s) in such notice.

If CCM Client Buyer has already Delivered Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer and such equivalent Deliverable Obligations shall have an outstanding principal balance equal to the outstanding principal balance of the Bond(s) and/or Loan(s) specified by CCM Seller/Matched Buyer in the above notice and deemed to have been

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Delivered by CCM Client Buyer to CCM Seller/Matched Buyer pursuant to this Mandatory Provision 7.10.

7.11 Alternative Procedures relating to Assets Not Delivered

Section 9.9 (Alternative Procedures Relating to Assets Not Delivered) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

7.12 Alternative Procedures relating to Assets Not Delivered – Seller designates alternative Deliverable Obligation(s)

In respect of a CCM Client Transaction, CCM Seller/Matched Buyer shall notify CCM Client Buyer if it has purchased one or more Deliverable Obligations pursuant to Section 9.9 (Alternative Procedures Relating to Assets Not Delivered) of the 2014 ISDA Credit Derivatives on the instructions of the Matched Seller in respect of the corresponding CCM Client Cleared Transaction.

Following such notification, such Deliverable Obligations shall be deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer in Physical Settlement of the CCM Client Transaction and the Physical Settlement Amount payable by CCM Seller/Matched Buyer to CCM Client Buyer shall be reduced (but not below zero) by an amount equal to the price at which such Deliverable Obligations were purchased.

CCM Seller/Matched Buyer shall provide CCM Client Buyer with details of such Deliverable Obligation(s) and the related purchase price(s) in such notice.

If CCM Client Buyer has already Delivered Deliverable Obligations to CCM Seller/Matched Buyer, CCM Seller/Matched Buyer shall redeliver equivalent Deliverable Obligations to CCM Client Buyer and such equivalent Deliverable Obligations shall have an outstanding principal balance equal to the outstanding principal balance of the Deliverable Obligation(s) specified by CCM Seller/Matched Buyer in the above notice and deemed to have been Delivered by CCM Client Buyer to CCM Seller/Matched Buyer pursuant to this Mandatory Provision 7.12.



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

**7.13 Delivery of Deliverable Obligations to CCM Client Seller**

**This Mandatory Provision 7.13 shall be applicable unless the CCM Client Seller and CCM Buyer/Matched Seller agree that it shall not apply in respect of a specific CCM Client Transaction.**

Subject to the proviso below, in respect of a CCM Client Transaction, the Delivery of any Deliverable Obligations (or if Asset Package Delivery is applicable, the Assets) to be Delivered by CCM Buyer/Matched Seller to CCM Client Seller shall be deemed to have occurred for the purposes of such CCM Client Transaction upon receipt by CCM Buyer/Matched Seller of the Deliverable Obligations or Assets in respect of the Physical Settlement of the related Physically Settled Cleared Transaction; *provided, however, that* if the CCM Client Transaction is to be settled by Cash Settlement (in whole or in part) pursuant to Section 9.1 (*Partial Cash Settlement Due to Impossibility or Illegality*) of the 2014 ISDA Credit Derivatives Definitions or Mandatory Provision 7.2 (*Fallback to Cash Settlement in respect of Non-Deliverable Obligations*) then such portion of the CCM Client Transaction which is to be settled by Cash Settlement shall not be deemed to be settled until such Cash Settlement occurs.

Provided that Cash Settlement is not applicable, CCM Buyer/Matched Seller undertakes to Deliver the Deliverable Obligations or Assets to CCM Client Seller not later than the first Business Day after the day on which a trade in such Deliverable Obligations or Assets would, if effected on the day on which CCM Buyer/Matched Seller received the Deliverable Obligations or Assets from Matched Buyer (or if such day is not a Business Day, the following Business Day), be settled in accordance with then current market practice of such Deliverable Obligations or Assets, as the case may be, as determined by the Calculation Agent after consultation with the parties.

**7.14 Alternative Procedures relating to Loans – Seller Right to Select**

Section 9.8(ii) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

**7.15 Alternative Procedures relating to Loans in respect of Matched Contracts**

In respect of a CCM Client Transaction, if CCM Buyer/Matched Seller notifies CCM Client Seller that a Bond or Loan has been deemed specified in a NOPS Amendment Notice in respect of the Matched Contracts of the Settlement Matched Pair that corresponds to such CCM Client Transaction pursuant to (i) Sections 9.8(i) or (ii) or (b) of the 2014 ISDA Credit Derivatives Definitions or (ii) Section 6.9 (*Alternative Procedures Relating to Loans Not*

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Delivered – Buyer Right to Deliver) of the CDS Clearing Supplement, then then for the purposes of the Matched Contracts of the related Settlement Matched Pair such Bond or Loan shall be deemed to have been specified in a NOPS Amendment Notice in respect of such CCM Client Transaction and such NOPS Amendment Notice will be effective notwithstanding the fact that it is deemed specified after the Physical Settlement Date.

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#### 7.16 Alternative Procedures relating to Assets Not Delivered

Section 9.9 (Alternative Procedures relating to Assets Not Delivered) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

#### 7.17 Alternative Procedures relating to Assets Not Delivered

In respect of a CCM Client Transaction, if CCM Buyer / Matched Seller notifies CCM Client Seller that a Deliverable Obligation has been deemed specified in a NOPS Amendment Notice in respect of the Material Contracts of the Settlement Pair that corresponds to such CCM Client Transaction pursuant to Section 9.9 (Alternative Procedures Relating to Assets Not Delivered) of the 2014 ISDA Credit Derivatives Definitions then for the purposes of the Matched Contracts of the related Settlement Matched Pair such Deliverable Obligation shall be deemed to have been specified in a NOPS Amendment Notice in respect of such CCM Client Transaction and such NOPS Amendment Notice will be effective notwithstanding the fact that it is deemed specified after the Physical Settlement Date.

### 8. Self Referencing Transactions

#### 8.1 Section 11.4 (Merger of Reference Entity and Seller) of the 2014 ISDA Credit Derivatives Definitions

Section 11.4 (Merger of Reference Entity and Seller) of the 2014 ISDA Credit Derivatives Definitions shall not apply.

#### 8.2 Notification of Self Referencing Transactions

In respect of any Single Name CCM Client Transaction, the CCM Client shall, unless prohibited from so doing by applicable law, notify the CCM as soon as reasonably practicable if:

- iv) the CCM Client is or consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, the Reference Entity in relation to such Single Name CCM Client Transaction or enters into any agreement in respect of any of the foregoing;

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- v) the CCM Client and the Reference Entity in relation to such Single Name CCM Client Transaction are or become Affiliates; or
- vi) in respect of a Restructuring CCM Client Transaction, the CCM Client is or becomes the Reference Entity in relation to such Restructuring CCM Client Transaction as a result of the occurrence of the relevant Restructuring Credit Event.

### 8.3 Termination of Self Referencing Transactions

A CCM Client Transaction shall be terminated (unless it has already been terminated) at the same time as the termination of the corresponding Single Name Cleared Transaction pursuant to Section 9.1 (Occurrence of Self Referencing Transaction) or Section 9.2 (Occurrence of Self Referencing Transactions in respect of Clients) of the CDS Clearing Supplement and by reference to the price at which such Single Name Cleared Transaction is terminated and an amount will be payable:

- (a) if the CCM receives an amount from LCH.Clearnet SA in relation to such Single Name Cleared Transaction pursuant to Section 9.1 (Occurrence of Self Referencing Transaction) or Section 9.2 (Occurrence of Self Referencing Transactions in respect of Clients), by the CCM to the CCM Client equal to such amount and on the Business Day following receipt by the CCM of such amount from LCH.Clearnet SA; and
- (b) if the CCM is obliged to pay an amount to LCH.Clearnet SA in relation to such Single Name Cleared Transaction pursuant to Section 9.1 (Occurrence of Self Referencing Transaction) or Section 9.2 (Occurrence of Self Referencing Transactions in respect of Clients), by the CCM Client to the CCM equal to such amount and on the later of (I) the Business Day prior to the day on which the CCM is obliged to pay such amount to LCH.Clearnet SA and (II) the Business Day following the Business Day on which the CCM gives notices to the CCM Client of the relevant amount.

### 8.4 Costs of Terminating Self Referencing Transactions

Without prejudice to any other indemnity agreed between the CCM and the CCM Client in relation to CCM Client Transactions, the CCM Client agrees to indemnify and hold harmless the CCM from and against all costs and expenses that the CCM is obliged to bear pursuant to Section 9.1 (Occurrence of Self Referencing Transaction) or Section 9.2 (Occurrence of Self Referencing Transactions in respect of Clients) of the CDS Clearing Supplement.

## 8.5 Compression of Self Referencing Transactions

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Where the CCM acts as Matched Buyer and Matched Seller in respect of fungible Single Name Cleared Transactions that have a corresponding CCM Client Transaction in respect of which CCM has given notice to LCH.Clearnet SA pursuant to Section 9.1 (Occurrence of Self Referencing Transaction) of the CDS Clearing Supplement or in respect of which CCM Client has given notice to CCM pursuant to Mandatory Provision 8.2 (Notification of Self Referencing Transactions) and the relevant Single Name Cleared Transactions are compressed pursuant to Section 9.1 (Occurrence of Self Referencing Transaction) or Section 9.2 (Occurrence of Self Referencing Transactions in respect of Clients) of the CDS Clearing Supplement, the CCM Client will be deemed to have submitted to CCM a request to compress the corresponding CCM Client Transactions.

## 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 (including, without limitation, any determination of any Cash Settlement Amount payable in respect of the CCM Client Transaction).

## 10. Amendments

The Mandatory Provisions may be amended from time to time pursuant to Section 11 (Amendments) of the CDS Clearing Supplement. The parties agree that any amendments made to the Mandatory Provisions in accordance with Section 11 (Amendments) 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.

Mis en forme : Police :12 pt

Tableau mis en forme

Mis en forme : Police :7 pt



**LCH.Clearnet SA**  
**CDS Clearing Procedures**  
**Section 1 – Membership**  
**23.12.2013**



## 1.1 APPLICATION PROCEDURE

- (a) Indicative timeline for an application
- (b) Initial review

An Applicant shall first submit an initial query to LCH.Clearnet SA's membership department or CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department, which, in turn, will request such Applicant to provide the following:

- (i) the most recent annual financial statements along with any interim statements of such Applicant; and
- (ii) details of any implicit or explicit support available from group or external entities.

Following receipt of the information and documents listed in sub-paragraphs (i) and (ii) above, LCH.Clearnet SA will carry out an initial review to assess the credit risk of the Applicant. LCH.Clearnet SA shall endeavour to review the information and documents within 5 Business Days from receipt by LCH.Clearnet SA but owes no duty or obligation to the Applicant to do so.

Following completion of the initial review, LCH.Clearnet SA will:

- (x) either confirm that the Applicant may submit the LCH.Clearnet SA's admission form relating to the CDS Clearing Service which is available on the Website (the "**CDSClear Admission Form**"). In such a case, the next steps of the application process as set out in sub-paragraphs (c) to (j) below will apply; or
- (y) refuses admission of the Applicant.

The decision of LCH.Clearnet SA shall be communicated to the Applicant by registered mail. Where an Applicant was refused admission, the decision of LCH.Clearnet SA will indicate the reasons why membership was refused.

- (c) Application process
- (d) CDSClear Admission Form

An Applicant shall complete the CDSClear Admission Form. The Applicant must complete all sections of the CDSClear Admission Form and provide all documents required to be submitted with the CDSClear Admission Form. For further information please contact the CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department by email at [cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com) or on +33 1 70376776.

LCH.Clearnet SA has the right, at its sole discretion, to amend the CDSClear Admission Form.

If an Applicant is an existing clearing member of another clearing service provided by the LCH.Clearnet Group, then LCH.Clearnet SA may waive the requirement to provide certain documents on the basis that LCH.Clearnet SA

already holds the relevant information. The CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department will notify an Applicant that is an existing clearing member as to the documents it will be required to provide.

Application fees are displayed on the Website.

(e) Due diligence and review process

An Applicant must accept that during the review process LCH.Clearnet 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.Clearnet 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.Clearnet SA by email to the CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department at [cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com) of changes to the:

- (i) information and any other documentation supplied (at any stage) to LCH.Clearnet 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.Clearnet SA shall endeavour to review the information and documents in the application within one month or two months if a legal opinion is required to be issued, if applicable, from receipt by LCH.Clearnet SA (including any additional information or documents requested by LCH.Clearnet 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.Clearnet SA

representatives (which may include any of LCH.Clearnet SA's third party advisers). LCH.Clearnet SA will give an Applicant reasonable advance notice of any proposed visit. An Applicant may refuse access to any or all LCH.Clearnet SA representatives or third party advisers but any such refusal of access may result in the application process being delayed and/or LCH.Clearnet SA being unable to process the Applicant's application. During this visit the Applicant should be able to show the LCH.Clearnet SA representatives the following:

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

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

LCH.Clearnet 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.

Where an Applicant was refused admission the decision of LCH.Clearnet SA will indicate the reasons why membership was refused.

- (f) Fulfilment of any conditions attached to approval
- (g) The provision of CDS Client Clearing Services by a Clearing Member

Pursuant to Article 5.1.1.1 of the CDS Clearing Rule Book, a Clearing Member must, in respect of each prospective Client, provide LCH.Clearnet SA with:

- (i) a form relating to the provision of CDS Client Clearing Services (the "**Client Clearing Form**") which is available upon request to LCH.Clearnet SA's CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department ([cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com), +33 1 70376776); and
- (ii) all documents required to be submitted with the Client Clearing Form.

LCH.Clearnet SA shall:

- (i) review the Client Clearing Form and the related supporting documents; and
- (ii) endeavour to confirm, within 10 Business Days from the date of their receipt, that the Client Clearing Form and the related supporting documents have been duly filled and submitted (the "**Confirmation Notice**").



The Confirmation Notice takes the form of an email sent to the person designated as the relevant contact in the Client Clearing Form.

The Clearing Member may start providing CDS Client Clearing Services to the relevant Client 5 Business Days from the receipt of the Confirmation Notice.

In respect of a Clearing Member which submits its first Client Clearing Form, the above-mentioned timeline is subject to:

- (i) the successful completion of the operational tests requested by LCH.Clearnet SA to ensure that the Clearing Member is operationally capable of using the LCH.Clearnet SA's client clearing platform; and
- (ii) the putting in place of a Power of Attorney in respect of one of its TARGET2 Accounts for the purposes of posting Collateral in respect of its Client Margin Accounts in accordance with Article 2.2.7.5 of the CDS Clearing Rule Book and Section 3 of the Procedures.

Where CDS Client Clearing Services are provided by a CCM to a CCM Individual Segregated Account Client which is, in turn, providing indirect clearing services to its CCM Indirect Clients, the CCM will request LCH.Clearnet SA to open a CCM Indirect Client Segregated Account Structure in respect of all the CCM Indirect Clients of such CCM Individual Segregated Account Structure by submitting a form which is available upon request to LCH.Clearnet SA's CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department ([cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com), +33 1 70376776).

LCH.Clearnet SA will confirm, within 2 Business Days from the date of their receipt, that the form has been duly filled and submitted, by sending an email to the person designated as the relevant contact in the submitted form.

The CCM Indirect Client Segregated Account Structure will be opened by LCH.Clearnet SA 5 Business Days from the receipt of the e-mail referred to in the previous paragraph.

### **Branches**

- (a) Each branch of a Clearing Member that wishes to use the CDS Clearing Service must complete a reduced CDSClear Admission Form and be approved by LCH.Clearnet SA at its sole discretion. Further details relating to the CDSClear Admission Form or the application process for branches can be obtained from the CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department by email at [cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com) or on +33 1 70376776.
- (b) Clearing codes
- (c) Participation in the CDS Clearing Service

## **1.2 SETTLEMENT FINALITY DIRECTIVE**

CDS Clear

LCH.Clearnet SA  
CDS Clearing Procedures  
Section 4 – Eligibility Requirements,  
Eligible Index Versions and  
Eligible Reference Entities

23.12.2013[.]



**CONTENTS**

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

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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, as such terms are defined in the document entitled "CDS Clearing Rule Book" published by LCH.Clearnet SA, as amended from time to time.

#### 4.1 ELIGIBILITY REQUIREMENTS

- (a) LCH.Clearnet 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.Clearnet 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.Clearnet SA in accordance with Section 2.2.4 of the CDS Clearing Rule Book;
  - (ii) LCH.Clearnet 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 paragraph 4.2 below, a CDS referencing ~~a portfolio of Reference Entities specified in one of the following credit default swap indices~~ an Index Version provided that the following requirements, as set out in the Eligible Index Versions List (as such term is defined in paragraph 4.2(c) below) are met:
      - ~~(1) iTraxx Europe, Series 5 and above, and any new version thereof published on the website of the Index Publisher ([www.markit.com](http://www.markit.com)), with terms of 3, 5, 7 or 10 years;~~
      - ~~(2) iTraxx Europe HiVol, Series 5 and above, and any new version thereof published on the website of the Index Publisher ([www.markit.com](http://www.markit.com)), with terms of 3, 5, 7 or 10 years; or~~

~~(3) iTraxx Europe Crossover, Series 5 and above, and any new version thereof published on the website of the Index Publisher ([www.markit.com](http://www.markit.com)), with terms of 3, 5, 7 or 10 years; or~~

(1) the Index Version is an Eligible Index Version; and

(2) the term is an Eligible Term (as such term is defined in paragraph 4.2(b) below); or

(B) subject to paragraph 4.3 below, a CDS referencing a single Reference Entity, provided that the following requirements are met:

(1) the Reference Entity is an Eligible Reference Entity 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) ~~(iii)~~(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 "Standard European Corporate;" (as such term is defined in the Credit Derivatives Physical Settlement Matrix);

(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 a Standard European Corporate (as such term is defined in the Credit Derivatives Physical Settlement Matrix);

~~(4)~~(5) the currency of denomination of the Floating Rate Payer Calculation Amount is Euros;

~~(5)~~(6) the Fixed Rate is an Eligible Fixed Rate for such Reference Entity (as such term is defined in paragraph 4.3 (b) ~~(i)~~(i) below);

~~(6)~~(7) the Fixed Rate Payer Payment Dates are 20 March, 20 June, 20 September and 20 December (each such date, a "Standard Payment Date");

~~(7)~~(8) the Scheduled Termination Date is (x) on a day that is a Standard Payment Date; and (y) no later than the first Standard Payment Date after the day that is 10 years after the Clearing Day on which the Original Transaction was received by LCH.Clearnet SA; and

~~(8)~~(9) the Reference Entity is neither the relevant Clearing Member, an Affiliate of the relevant Clearing Member nor, where the relevant Clearing Member has also entered into a Client Transaction corresponding to such Original Transaction, the relevant Client;

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

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 Matching Provider or DTCC, as applicable. LCH.Clearnet SA is not aware of, and does not check, the actual terms of the confirmation of the Original Transactions.

- (iv) the Original Transaction references an Eligible Index Version or an Eligible Reference Entity 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.Clearnet SA and a Novation Cut-off Date that has not occurred on or prior to such Clearing Day;
  - (v) in respect of ~~an Original Transaction which is~~ an Intraday Transaction, the trade reference for each of the protection buyer and protection seller, in respect of such Original Transaction, to be used when booking the trade in DTCC has been included together with the Transaction Data; and
  - (vi) in respect of ~~an Original Transaction which is~~ a Daily Backloading Transaction, the Daily Backloading Novation Day does not fall on the day ~~preceeding~~preceding a Standard Payment Date; and
  - ~~(vii) the clearing of the Original Transaction by LCH.Clearnet SA will not result in a breach by a Clearing Member of its obligations under any Applicable Law.~~
- (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.Clearnet 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

- (a) ~~LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, establish a list of Eligible identify the~~ Index Versions which shall be considered as “Eligible Index Versions”.
- (b) ~~With respect to each Eligible Index Version, LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, determine, without limitation, each term which is eligible for clearing (an “Eligible Term”).~~
- (a)(c) ~~The Eligible Index Versions identified in accordance with paragraph 4.2(a) as well as the Eligible Terms shall be set out in a table published by way of a Clearing Notice on the Website (the “Eligible Index Versions List”).~~
- (d) LCH.Clearnet SA may, in consultation with the CDSClear Product Committee, amend the ~~list of~~ Eligible Index Versions ~~in respect of which LCH.Clearnet SA provides CDS Clearing Services List~~ by issuing a Clearing Notice. Any such Clearing Notice shall specify ~~(:~~
- (i) ~~in the case of an addition of an Eligible Index Version to such list,~~ the relevant First Novation Date ~~and (;~~ or
- (ii) ~~in the case of a deletion of an Eligible Index Version from such list,~~ the relevant Novation Cut-off Date.
- (b)(e) Notwithstanding the above:
- (i) a Novation Cut-off Date or a First Novation Date arising as a result of the occurrence of a Credit Event or a Succession 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 Requirements set out in paragraph 4.1(c)(iv) pursuant to the CDS Clearing Documentation if such Original Transaction is a risk reducing transaction (as determined by LCH.Clearnet SA) in respect of the relevant Margin Account and it is not unlawful or illegal for LCH.Clearnet SA to accept such Original Transaction for clearing.

#### 4.3 ELIGIBLE REFERENCE ENTITIES

- (a) LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, ~~establish a list of identify the Reference Entities which shall be considered as “Eligible Reference Entities” under each of the 2003 ISDA Credit Derivatives Definitions and their characteristics, which shall be published by way of a Clearing Notice the 2014 ISDA Credit Derivatives Definitions.~~
- (b) With respect to each Eligible Reference Entity ~~under the 2003 ISDA Credit Derivatives Definitions and/or the 2014 ISDA Credit Derivatives Definitions,~~ LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, determine, without limitation, the following characteristics:
- (i) ~~the Reference Entity Database code (the “RED Code”), as published by Markit Group Limited or any successor thereto, if available;~~

- ~~(ii)~~(i) each Fixed Rate that is eligible for clearing (an “**Eligible Fixed Rate**”);
- ~~(iii)~~(ii) each Reference Obligation that is eligible for clearing (an “**Eligible Reference Obligation**”), ~~and if available the corresponding Red Codes;~~);
- ~~(iv)~~(iii) the Reference Obligation under which the Cleared Transaction(s) on the Eligible Reference Entity will be registered (the “**CDSClear Preferred Reference Obligation**”), ~~and if available the corresponding Red Code”) where no Standard Reference Obligation is published for this Eligible Reference Entity;~~ and
- ~~(v)~~(iv) the date of publication of the Credit Derivatives Physical Settlement Matrix which the Cleared Transaction(s) on the Eligible Reference Entity will reference (the “**Relevant Physical Settlement Matrix**”).

(c) The Eligible Reference Entities identified in accordance with paragraph 4.3(a) above as well as the characteristics mentioned in paragraph 4.3(b) above shall be set out in a table published on the Website (the “**Eligible Reference Entities List**”).

~~(e)~~(d) LCH.Clearnet SA may, in consultation with the CDSClear Product Committee, amend the ~~list of Eligible Reference Entities and any of their characteristics (including, but not limited to, the characteristics listed in paragraph 4.3 (b) above)~~List by issuing a Clearing Notice. Any such Clearing Notice shall specify:

- (i) in the case of an addition of an Eligible Reference Entity to such list, the relevant First Novation Date;
- (ii) in the case of a deletion of an Eligible Reference Entity from such list, the relevant Novation Cut-off Date; or
- (iii) in the case of an amendment to the characteristics of any Eligible Reference Entity, the Clearing Day on which such amendment shall take effect in accordance with Article 1.2.2.8 of the CDS Clearing Rule Book.

~~(d)~~(e) Notwithstanding the above:

- (i) a Novation Cut-off Date or a First Novation Date arising as a result of the occurrence of a Credit Event, a Succession Event or a Rename 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 Requirements set out in paragraph 4.1(c)(iv) pursuant to the CDS Clearing Documentation if such Original Transaction is a risk reducing transaction (as determined by LCH.Clearnet SA) in respect of the relevant Margin Account and it is not unlawful or illegal for LCH.Clearnet SA to accept such Original Transaction for clearing.





**LCH.Clearnet SA  
CDS Clearing Procedures  
Section 5 - CDS Clearing Operations  
~~24 March~~ [●].2014**



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**DRAFT FOR DISCUSSION PURPOSES**

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**25.07.2014**

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Capitalised terms used in this CDS Clearing Operations Procedure and not otherwise defined herein shall have the meaning given pursuant to the remainder of the CDS Clearing Documentation, as such term is defined in the document entitled "CDS Clearing Rule Book" published by LCH.Clearnet SA, as amended from time to time.

**DRAFT FOR DISCUSSION PURPOSES****25.07.2014****5.1 THE CDS CLEARING SERVICE****5.2 BACKLOADING TRANSACTIONS**

- (a) **Backloading Failure**
- (b) **Weekly Backloading Cycle**

Pursuant to Section 3.1.1 of the CDS Clearing Rule Book, LCH.Clearnet SA operates a Weekly Backloading Cycle in accordance with the timetable set out below. For the avoidance of doubt, only CDS with two House Trade Legs can be submitted for clearing through the Weekly Backloading Cycle.

<b>PROCESSING SCHEDULE OF THE WEEKLY BACKLOADING CYCLE</b>		
<b>No.</b>	<b>Time</b> (all references below are to Continental European Time)	<b>Action</b>
Day 1	Monday (the Weekly Backloading Start Day):  By 02:00	LCH.Clearnet SA receives the Gold Records File from DTCC.
	Monday:  By:09:30	On the basis of the Gold Records File, LCH.Clearnet SA prepares the Clearing Eligibility Report which it makes available to each Clearing Member via eCCW.  The Clearing Eligibility Report contains, in respect of each Clearing Member, the Weekly Backloading Transactions which have successfully passed the Eligibility Controls.

**DRAFT FOR DISCUSSION PURPOSES****25.07.2014**

Day 2	Tuesday:  By 17:00	<p>Each Clearing Member shall upload on eCCW an updated Clearing Eligibility Report containing only the Weekly Backloading Transactions that such Clearing Member wishes to submit for clearing to LCH.Clearnet SA (the “<b>CM Clearing Eligibility Report</b>”). A Clearing Member may provide an amended CM Clearing Eligibility Report which will replace the previous CM Clearing Eligibility Report upon receipt by LCH.Clearnet SA.</p> <p>If a Clearing Member does not return any CM Clearing Eligibility Report by 17:00, none of its Weekly Backloading Transactions will be included in the Weekly Backloading Cycle.</p>
Day 3	Wednesday:  By 08:00	<p>LCH.Clearnet SA shall carry out the following actions:</p> <ul style="list-style-type: none"> <li>(i) reconcile the CM Clearing Eligibility Reports received from all Clearing Members in order to determine the Weekly Backloading Transactions for which both relevant Clearing Members have designated for clearing in their respective CM Clearing Eligibility Reports. Such matching Weekly Backloading Transactions will constitute the Eligible Weekly Backloading Transactions,</li> <li>(ii) reconcile the Eligible Weekly Backloading Transactions with the latest Gold Records File to ensure that such Eligible Weekly Backloading Transactions have not been removed from the TIW,</li> <li>(iii) provide, on the basis of the results of the reconciliations set out in (i) and (ii) above, each Clearing Member with a DTCC Matching and Eligibility Report containing those of their Eligible Weekly Backloading Transactions which have not been removed from the TIW, and</li> <li>(iv) provide each Clearing Member with the Simulation Margin Requirements Result File which is (x) prepared on the basis of the End of Day Contributed Prices provided to LCH.Clearnet SA on Tuesday in accordance with paragraph 5.15 below and (y) contains an estimate of the House Margin Requirement that would be required if the Eligible Weekly Backloading Transactions contained in the DTCC Matching and Eligibility Report were registered as Cleared Transactions in the Clearing Member’s House Account Structure at the time of such estimate.</li> </ul>
Day <u>43</u>	Wednesday:  By 11:00	<p>An Eligible Weekly Backloading Transaction may be removed from the Weekly Backloading Cycle provided that (i) both relevant Clearing Members agree to such removal and (ii) each relevant Clearing Member sends an email to LCH.Clearnet SA which specifies the Transaction Data of the Eligible Weekly Backloading Transaction which should be removed from the Weekly Backloading</p>

**DRAFT FOR DISCUSSION PURPOSES****25.07.2014**

		Cycle.
	Wednesday: By 11:00	If it appears that an error has been made by LCH.Clearnet SA in a DTCC Matching and Eligibility Report and the Eligible Weekly Backloading Transactions included in such report are not the same as the Weekly Backloading Transactions of the relevant Clearing Members (save where there is a discrepancy owing to particular Weekly Backloading Transactions having been removed from the TIW between 19:30 on Tuesday and the issuance of the DTCC Matching and Eligibility Report), the relevant Clearing Member shall notify this error by email to LCH.Clearnet SA.
	Wednesday: By 12:00	If LCH.Clearnet SA confirms that an error has been made in a DTCC Matching and Eligibility Report, the Weekly Backloading Cycle will be cancelled and LCH.Clearnet SA shall inform each Clearing Member of such cancellation by 12:00.
	Wednesday: By 12:00	LCH.Clearnet SA will confirm to each Clearing Member whether the Weekly Backloading Cycle will proceed or not. Upon such confirmation, all Eligible Weekly Backloading Transactions (excluding any Weekly Backloading Transactions that have become Rejected Transactions) shall become Irrevocable Weekly Backloading Transactions.
Day <u>54</u>	Thursday: (the Weekly Backloading Novation Day)  02:00 – 04:00	Irrevocable Weekly Backloading Transactions will be pre-registered in the House Account Structure of each relevant Clearing Member save:  (i) Irrevocable Weekly Backloading Transactions which have been removed from the TIW, if any, and/or  (ii) Irrevocable Weekly Backloading Transactions which no longer meet all the Eligibility Requirements, if any.  Where an Irrevocable Weekly Backloading Transaction is not pre-registered in a Clearing Member's House Account Structure in accordance with this Section 5 of the Procedures, such Irrevocable Weekly Backloading Transaction shall become a Rejected Transaction.
	Thursday: (the Weekly Backloading Novation Day)  As soon as technologically practicable after	Novation of the pre-registered Irrevocable Weekly Backloading Transactions which have not become Rejected Transactions will be undertaken by LCH.Clearnet SA.

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**DRAFT FOR DISCUSSION PURPOSES**

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**25.07.2014**

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	the Morning Call	
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(c) **Daily Backloading Cycle**

- 5.3 **CLEARING OF CLIENT TRADE LEGS**
- 5.4 **CDS CLEARING MEMBER REPORTING**
- 5.5 **TRADE COMPRESSION**
- 5.6 **PRE-DEFAULT PORTABILITY**
- 5.7 **EARLY TERMINATION**
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- 5.9 **REGISTRATION OF SINGLE NAME CLEARED TRANSACTIONS**
- 5.10 **DIFFERENCES IN RECORDS**
- 5.11 **NOTIFICATION OF REGISTRATION**
- 5.12 **HEDGING TRANSACTIONS**
- 5.13 **REVERSING OF TRADES**
- 5.14 **MAXIMUM NOTIONAL AMOUNT**
- 5.15 **RECOUPONING**
- 5.16 **REPORTS**

(a) **Backloading Transaction Reports**

(i) **Trade management reports**

(l) **Event Managements Reports**

"Event Reports" means the reports described in this paragraph.

Description: The event reports cover the following reports made to Clearing Members: "Restructuring Credit Event report", "Bankruptcy/Failure to Pay/Governmental Intervention Credit Event Report", "Rename Event Report" and "Succession Event Report". In respect of the DC Credit Event Announcements relating to Restructuring, Bankruptcy, Failure to Pay, Governmental Intervention and Succession Events, or of the market decisions for Rename Events, these reports will provide Clearing Members with the description of the ongoing events.

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Timing: published by LCH.Clearnet SA 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 Event reports will be published.

(b) **Intraday Call Reports**

(c) **Other daily reports**

(iv) **Variation Margin Report**

Description: the Variation Margin Report is generated for each Clearing Member and sets out the detailed components of the calculation relating to the Variation Margin Requirement. The file specifies:

- with respect to each Cleared Transaction registered in the Account Structure of the relevant Clearing Member, the Variation Margin which shall be paid to LCH.Clearnet SA or, as applicable, received from LCH.Clearnet SA at the same time as the following Morning Call; and
- with respect to each Irrevocable Backloading Transaction pre-registered in the Account Structure of the relevant Clearing Member, the Variation Margin which shall be paid to LCH.Clearnet SA or, as applicable, received from LCH.Clearnet SA at the same time as the following First Intraday Call, provided that such Irrevocable Backloading Transaction is novated following the Morning Call on the relevant Clearing Day.

Timing: published by LCH.Clearnet SA between 02:00 CET and 04:00 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 Variation Margin Report will be published.

(d) **Monthly reports**

(e) **Collateral Holding Report**

(f) **Compression Results File**

5.17 **REGULATORY REPORTING**

5.18 **END OF DAY PRICE CONTRIBUTION**

5.18.1 **Market Data submission obligation**

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

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

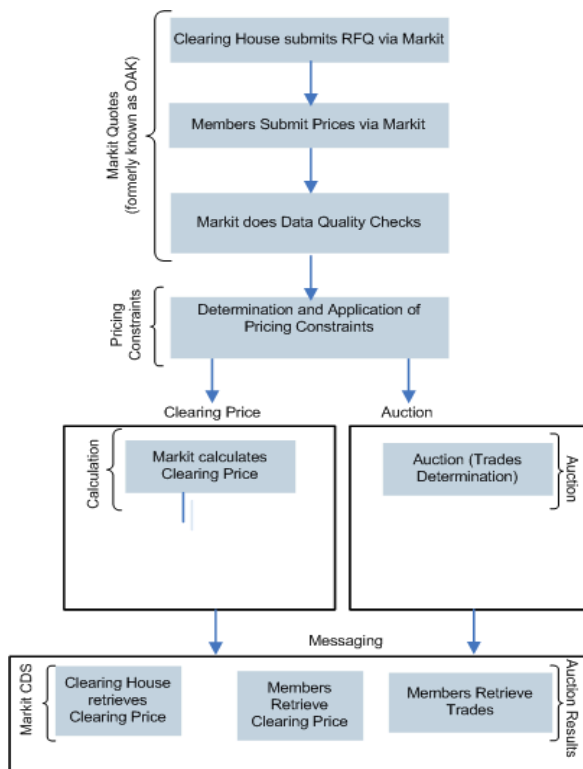
Clearing Members/Price Contribution Participants are required to submit Market Data between 16.30 and 16.35 on each Clearing Day.

**5.18.2 Calculation of End of Day Contributed Prices**

If a Clearing Member wishes to appoint a Price Contribution Delegate, it shall first obtain the prior approval of LCH.Clearnet SA. For that purpose, the relevant Clearing Member shall contact LCH.Clearnet SA's CDSClear Client Services & Relationship Management department (cdsclear\_clientservices@lchclearnet.com, +33 1 70376776) and shall provide such information as may be required by LCH.Clearnet SA. For the avoidance of doubt, LCH.Clearnet SA has full discretion as to the approval of a Price Contribution Delegate for any Clearing Member.

**5.18.2 Calculation of End of Day Contributed Prices**

The following diagram illustrates the procedures and flows for the calculation of the End of Day Contributed Prices.



At a high level, for the Index Publisher, there are effectively 5 steps in the proposed process.

- (a) Receipt of Clearing Members' Price Contribution Participants' Market Data



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- (b) Application of bid/ask constraint
- Selection of Benchmark Instruments
    - Index: iTraxx Main, HiVol and Cross Over “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.Clearnet SA ~~Clearing Members~~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.
- (c) Determination of clearing price
- (d) Determination of any trades (potential)
- (e) Communication of clearing price

### 5.18.3 Price submission procedure

~~Clearing Members~~Price Contribution Participants should submit Market Data in accordance with the following procedure:

- LCH.Clearnet SA will transmit to the Index Publisher, on a daily basis, the Market Data for Clearing Members with Open Positions in Cleared Transactions;
- ~~Clearing Members~~Price Contribution Participants will receive price requirement files listing the Open Positions in respect of which they are required to submit Market Data.;

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- The price requirement files will be available from the Index Publisher's website for download daily between 14.30 and 15.00;
- ~~Clearing Members~~Price Contribution Participants upload Market Data submissions to the Index Publisher for the Cleared Transactions listed in the price requirement file between 16.00 and 16.35;
- Market Data can be re-submitted during this time; where a ~~Clearing Member does~~Price Contribution Participant does this the latest submitted Market Data will be taken into account by the Index Publisher;
- Market Data should be supplied via a Markit spreadsheet or a Markit API;
- ~~Clearing Members'~~Price Contribution Participants' Market Data submission can either be Bid/Ask pairs or Mids;
- The Index Publisher carries out real time checks on the data submitted to take account of fat-fingering, invalid reference data, etc. A validation log will be available to ~~Clearing Members~~Price Contribution Participants for erroneous submissions/warnings.

**5.18.4 Use of composite spreads/prices**

To the extent LCH.Clearnet SA has not received End of Day Contributed Prices 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;

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 ~~Clearing Members~~Price Contribution Participants in accordance with this Paragraph 5.18, LCH.Clearnet SA shall require ~~Clearing Members~~Price Contribution Participants to undertake trade crossing in accordance with Article 4.2.7.7 of the CDS Clearing Rule Book.

**(a) Firm Days**

LCH.Clearnet 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.Clearnet SA's sole discretion, and shall communicate such Firm Days to ~~Clearing Members~~Price Contribution Participants promptly after the closure of the submission window at 16:35 on each such Firm Day.

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## (b) Determination of cross trades

The Index Publisher will inform LCH.Clearnet SA on each Business Day where prices submitted by ~~Clearing Members~~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, ~~Clearing Members~~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 ~~Clearing Member~~Price Contribution Participant on pre-determined terms, as set out in Paragraph 5.18.5(c) below. CDS must be executed by a ~~Clearing Member~~Price Contribution Participant prior to End of Day on the Clearing Day following the relevant Firm Day.

## (c) Terms of cross trades

LCH.Clearnet SA shall notify the relevant ~~Clearing Member~~Price Contribution Participant of the following required CDS terms by issuing a Cross Trade Report in accordance with Paragraph 5.16(c)(iii) above:

- trade reference identifier;
- CDS Type;
- Notional Amount;
- Initial Payment Amount;
- transaction date; and
- ~~Clearing Member~~Price Contribution Participant counterparty.

## (d) Notification of execution

~~Clearing Members~~Price Contribution Participants required to execute cross trades in accordance with this Paragraph 5.18.5 must provide LCH.Clearnet SA with the DTCC trade reference identifier (TRI) before End of Day on the Clearing Day following the relevant Firm Day by emailing this to LCH.Clearnet SA's Operations department at lchclearnetsa\_do\_cds@lchclearnet.com.

**5.18.6 Failure to submit prices**

In the event that a ~~Clearing Member~~Price Contribution Participant does not submit prices to the Index Publisher in accordance with Section 5.18.3, or execute cross trades in accordance with Section 5.18.5, of these Procedures, LCH.Clearnet SA shall be permitted to invoke Disciplinary Proceedings in respect of the Price Contribution Participant, and as the case may be, the affiliated Clearing Member for which such Price Contribution Participant acts, in accordance with Section 8 of these Procedures.

In circumstances where a failure to provide prices or execute cross trades in accordance with Section 5.18 of these Procedures is the only breach by that ~~Clearing Member~~Price Contribution Participant, and as the case may be, the affiliated Clearing

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Member for which such Price Contribution Participant acts, of its obligations under the CDS Clearing Documentation, LCH.Clearnet SA shall not be permitted to declare an Event of Default in respect of that ~~Clearing Member~~Price Contribution Participant, and as the case may be, the affiliated Clearing Member for which such Price Contribution Participant acts, pursuant to Article 4.3.1.2 of the CDS Clearing Rule Book.

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**APPENDIX 1**

**CLIENT – PARTIAL TRANSFER FORM**

**APPENDIX 2**

**PART A: CCM INDIVIDUAL SEGREGATED ACCOUNT CLIENT – FULL TRANSFER FORM**

**PART B: CCM OMNIBUS SEGREGATED ACCOUNT CLIENT – FULL TRANSFER FORM**

**PART C : FCM CLIENT- FULL TRANSFER FORM**

**APPENDIX 3**

**CCM CLIENT TRANSFER – CARRYING CLEARING MEMBER RESPONSE FORM**

**APPENDIX 4**

**FCM CLIENT TRANSFER – CARRYING CLEARING MEMBER RESPONSE FORM**