

Via CFTC Portal

9th March 2016

Mrs. Parisa Abadi
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mrs. Abadi,

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet SA (“**LCH.Clearnet**”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification some amendments to the CDS Clearing Rules (the “**Rules**”) related to extension of the CDS clearing service to the clearing of CDX Investment Grade indices and related US Single Names.

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

Part I: Explanation and Analysis

LCH.Clearnet intends to add to the list of eligible instruments CDX.NA.IG indices and related US Single Names. The clearing of these US products will be made during the existing European business hours.

Collateral calls will be made in Euro but all product cash flows, variation margin and price alignment interest will be paid in the product native currency *i.e.* US Dollar, via Bank of New York Mellon. Relevant treasury reports provided to clearing members will be updated to include amounts in US Dollar where appropriate.

LCH.Clearnet will be entitled to convert any US Dollar amount in Euro in any circumstance preventing the cash payments from being performed in US Dollar (*i.e.* in case of potential liquidity shortage in US Dollar).

The contribution to end of day prices in respect of these new products will be only requested on business days applicable to those products.

Finally, LCH.Clearnet will have the possibility to make an additional collateral call in US Dollar to ensure that LCH.Clearnet would be fully covered on any day where New York is open. A new margin has been also created (extraordinary margin) to cover the risk of any price/spread fluctuations and the contingency variation margin can be called on a business day that is also a holiday in the New York calendar.

Part II: Description of Rule Changes

The following Rules have been modified to take into account the impact of this service extension:

- CDS Clearing Rule Book : section 1.1.1, articles 2.2.1.1, 2.2.3.1, section 2.2.7, articles 4.2.3.1, 4.2.3.2, section 4.2.4, articles 4.2.5.2 and 4.2.7.7
- CDS Clearing Supplement: Sections 1.2, 2.2, 2.4 and 3.2 of Parts A and B and Section 2.1 and 2.3 of Part B
- Section 2 of the Procedures: paragraphs 2.2, 2.12, 2.13, 2.14 and 2.16
- Section 3 of the Procedures: paragraphs 3.7 (b) and 3.18
- Section 4 of the Procedures: paragraphs 4.1 (c) (iii) , 4.2 (c) and 4.3 (b)
- Section 5 of the Procedures: paragraphs 5.16 (a) (iii) (A) and (B) and 5.18

Part III: Core Principle Compliance

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

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certifications 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.

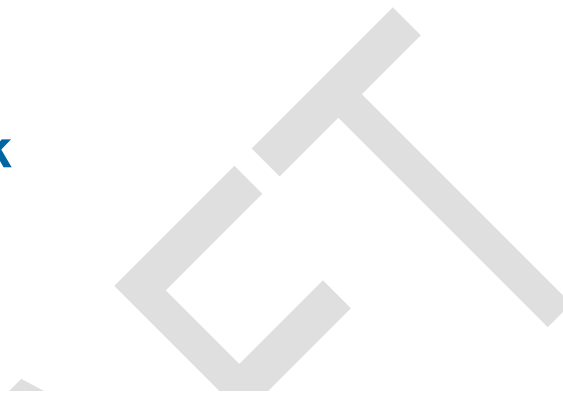


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APPENDICES

CDS Clear

LCH.Clearnet SA
CDS Clearing Rule Book
[•] 2016



TITLE I

GENERAL PROVISIONS
&
LEGAL FRAMEWORK

[Not amended]

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:

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

- (i) cash amounts due upon the occurrence of Credit Events;
- (ii) Price Alignment Interest;
- (iii) Fixed Amounts;
- (iv) Variation Margin;
- (v) Initial Payment Amount;
- (vi) any fees due to LCH.Clearnet SA;
- (vii) cash amounts due in connection with an MTM Change; or
- (viii) any other cash amounts (other than Cash Collateral).

~~Such payments shall be made in Euro, except as otherwise provided for in the Procedures.~~

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

- (i) in Euro: a Business Day; or
- (ii) in US Dollar:
 - (a) a Business Day that is a day on which commercial banks in New York City are open for business; or
 - (b) with respect to cash amounts due upon the occurrence of Credit Events only as referred to in the definition of Cash Payment, any day that is a day on which commercial banks in New York City are open for business.

End of Day: 19.30 on each Clearing-Price Contribution Day.

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

Index Publisher: For the iTraxx® Europe Indices and Markit CDX™ Indices, Markit Group Limited or any successor thereto or any replacement then appointed by the Index Sponsor for purposes of officially publishing the relevant index.

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

Margin: Any margin, including Initial Margin, Additional Margin, Short Charge Margin, Self-Referencing Protection Margin, Recovery Risk Margin, Interest Rate Risk Margin, Wrong Way Risk Margin, Accrued Fixed Amount Liquidation Risk Margin, Credit Event Margin, Variation Margin, Credit Quality Margin, Extraordinary Margin, Concentration Risk Margin and Contingency Variation

Margin that LCH.Clearnet SA calculates to be payable by a Clearing Member in accordance with the terms of this CDS Clearing Rule Book and the Procedures.

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

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

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

- (i) any or all Price Alignment Interest, Initial Payment Amount, Fixed Amounts, cash amounts due upon the occurrence of a Credit Event, securities, deliverable obligations or assets owed to LCH.Clearnet SA or to another Clearing Member in respect of Cleared Transactions registered in the name of the Defaulting Clearing Member with LCH.Clearnet SA;
- (i) subject to Article 4.2.3.3(iii) Collateral to satisfy its Margin Requirements (including but limited to Initial Margin, Additional Margin, Short Charge Margin, Self-Referencing Protection Margin, Recovery Risk Margin, Interest Rate Risk Margin, Wrong Way Risk Margin, Accrued Fixed Amount Liquidation Risk Margin, Credit Event Margin, Concentration Risk Margin, Credit Quality Margin, Extraordinary Margin, Contingency Variation Margin or any additional Margin imposed by LCH.Clearnet SA pursuant to **Erreur ! Source du renvoi introuvable.**);
- (ii) Collateral to satisfy its Contribution Requirement; and
- (iii) Cash Payment to satisfy its Variation Margin Requirement.

Price Contribution Day: With respect to a Cleared Transaction with a CDS Contractual Currency:

- (i) in Euro: a Clearing Day; or
- ~~(+)(ii)~~ in US Dollar: a Clearing Day that is a day on which commercial banks in New York City are open for business.

~~**TARGET2 Payment Agent:** A third party which holds a cash account with a central bank and/or a Credit Institution designated by LCH.Clearnet SA, and which a Clearing Member can use to fulfil some or all of its payment or Margin obligations towards LCH.Clearnet SA in accordance with the CDS Clearing Documentation.~~

US Dollar: The United States Dollar.

Section 1.1.2 Incorporation of defined terms

[Not amended]

Section 1.1.3 Interpretation and references

[Not amended]

CHAPTER 2 - GENERAL PROVISIONS

Section 1.2.1 General

[Not amended]

Section 1.2.2 Modification

[Not amended]

Section 1.2.3 Publication

[Not amended]

Section 1.2.4 Extension or waiver

[Not amended]

Section 1.2.5 Notices - Communications

[Not amended]

Section 1.2.6 Fees

[Not amended]

Section 1.2.7 Currency

[Not amended]

Section 1.2.8 Time reference

[Not amended]

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

[Not amended]

Section 1.2.10 Liability

[Not amended]

Section 1.2.11 Force Majeure Events

[Not amended]

Section 1.2.12 Confidentiality

[Not amended]

Section 1.2.13 Data protection

[Not amended]

Section 1.2.14 Governing law

[Not amended]

Section 1.2.15 Dispute resolution

[Not amended]

Section 1.2.16 Default Interest

[Not amended]

Section 1.2.17 Tax

[Not amended]

CHAPTER 3 - LCH DEFAULT

Section 1.3.1

[Not amended]

TITLE II

MEMBERSHIP

CHAPTER 1 - GENERAL PROVISIONS

Section 2.1.1 Participants

[Not amended]

CHAPTER 2 - LEGAL OBLIGATIONS

[Not amended]

Section 2.2.1 Membership requirements

Article 2.2.1.1

Any Applicant wishing to be admitted as a Clearing Member by LCH.Clearnet SA should satisfy the following conditions:

- (i) be validly incorporated and existing under the laws of its jurisdiction of incorporation and (if relevant in such jurisdiction) be in good standing;
- (i) be the subject of supervision by its Competent Authorities;
- (ii) undertake to accept and comply with the CDS Clearing Documentation by executing the CDS Admission Agreement;
- (iii) have a CDS Client Clearing Agreement, meeting the requirements **Erreur ! Source du renvoi introuvable.** (i) (in the case of a CCM) or **Erreur ! Source du renvoi introuvable.** (in the case of an FCM Clearing Member), in place with each of its Clients;
- (iv) provide LCH.Clearnet SA with updated documentation and information required pursuant to Section 1 of the Procedures, in respect of each of its Clients;
- (v) to accept to comply with all Applicable Law relating to its status as a Clearing Member and the performance of its obligations pursuant to the CDS Clearing Documentation;
- (vi) not be subject to Insolvency Proceedings;
- (vii) meet the Capital requirements as specified in Section 2.2.3, and any further liquidity and/or solvency requirements as may be set by LCH.Clearnet SA from time to time in accordance with this CDS Clearing Rule Book, taking into account notably the indicators mentioned in Section 2.3.2;
- (viii) satisfy a minimum internal credit score which is determined by LCH.Clearnet SA as set out in Section 2.2.4 below;
- (ix) satisfy LCH.Clearnet SA that it has sufficient expertise in relation to clearing activities, that its Systems and Operations are operationally reliable and capable of supporting the proper performance of its business as a Clearing Member and that its risk management policy is adequate;
- (x) participate, or demonstrate that it has: (A) an affiliated Clearing Member or, alternatively, a non-clearing member Affiliate that clears through the Clearing Member, that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the implementation of the CDS Default Management Process, and participate in (and satisfy LCH.Clearnet SA's requirements with respect to the carrying out

- of) regular fire drills run by LCH.Clearnet SA from time to time, in accordance with this CDS Clearing Rule Book;
- (xi) have nominated and notified to LCH.Clearnet SA:
 - (a) a Person, having director, general partner, trustee or officer status at the Clearing Member (or a Person occupying a similar status or performing similar functions) who is both responsible for the clearing operations of the Clearing Member and authorised to act on behalf of the Clearing Member in respect of all transactions with or involving LCH.Clearnet SA; and
 - (b) an alternate Person that satisfies the requirements set out in sub-paragraph (a) above and who is authorised to act on behalf of the Clearing Member in the event that the first Person is incapable or unable to act;
 - (xii) pay all fees and other amounts required by LCH.Clearnet SA in accordance with the CDS Clearing Documentation, including, without limitation, satisfying its Margin Requirement, its Contribution Requirement and its Cash Payment obligations;
 - (xiii) be in a position to provide Collateral in satisfaction of its Margin Requirements and its Contribution Requirement, and to perform Cash Payment obligations, including:
 - (a) submitting evidence and details of duly existing cash account(s) (including, at least, one TARGET2 Account and one cash account in US Dollar) for the purposes of payment of cash amounts, as well as evidence that a Power of Attorney has been issued in favour of LCH.Clearnet SA to allow the debiting or crediting of such cash account(s) for the performance of Cash Payment obligations and the provision of Cash Collateral; and
 - (b) having in place all appropriate settlement solutions (direct access or indirect access to at least one settlement system) in case of Physical Settlement;
 - (xiv) have at its disposal the technical environment, including facilities, equipment, operational capability, personnel, hardware and software systems as may be required to support the proper performance of its business as a Clearing Member, including such IT links as may be necessary for it to be connected to the CDS Clearing System managed by LCH.Clearnet SA;
 - (xv) have operational competence in CDS substantially similar to Original Transactions eligible for clearing by LCH.Clearnet SA;
 - (xvi) be a TIW Participant for the purposes of maintaining Original Transactions and Cleared Transactions in the TIW;
 - (xvii) be an ATSS Participant for the purpose of submitting Original Transactions for clearing;
 - (xviii) have access to one of the means of access and reporting mechanism as specified in a Clearing Notice to obtain CDS Clearing System reports;
 - (xix) be party to any required documentation with DTCC allowing LCH.Clearnet SA as "Service Provider" to :
 - (a) arrange for the removal of Backloading Transactions or if applicable, Intraday Transactions, from the TIW in accordance with Section 3.1.10;

- (b) arrange for the registration of Cleared Transactions in the TIW in accordance with Section 3.1.10; and
- (c) send to DTCC messages by which Cleared Transactions would be adhered to Credit Events;
- (xx) if it is incorporated or registered in the United States of America, be an eligible contract participant, as defined in Section 1a(12) of the Commodity Exchange Act (other than paragraph (C) thereof);
- (xxi) satisfy any additional membership requirements as set out in Section 1 of the Procedures, including without limitation any caps on the aggregate amount of Initial Margin it may have on deposit at any given time with LCH.Clearnet SA.;
- (xxii) accept to comply with the performance of its obligations pursuant to the Pledge Agreement;
- (xxiii) in respect of any Applicant that is an FCM, be registered with the CFTC as an FCM and a member in good standing with NFA; and
- (xxiv) in respect of any Applicant that is an FCM wishing to be admitted as a CCM, provide LCH.Clearnet SA with an opinion of counsel letter confirming that its performance of the obligations of a CCM would not be contrary to Applicable Law relating to such status, in form and content acceptable to LCH.Clearnet SA.

Article 2.2.1.2

[Not amended]

Article 2.2.1.3

[Not amended]

Section 2.2.2 Continuing obligations

[Not amended]

Section 2.2.3 Capital requirements

Article 2.2.3.1

A Clearing Member must maintain a minimum net capital of at least EUR 37,000,000 in respect of a Clearing Member which is a CCM (other than a CCM that is an FCM) or \$50,000,000 (fifty million ~~United States~~ Dollars) in respect of a Clearing Member which is an FCM. Such net capital shall be calculated as follows:

- (i) the net capital of an FCM means its adjusted net capital, as defined in CFTC Regulation 1.17; and
- (ii) the net capital of a CCM (other than a CCM that is an FCM) means its own original funds as defined in the Capital Requirements Directive;

provided that LCH.Clearnet SA shall be permitted (in its sole and reasonable discretion), to scale (A) a Clearing Member's required level of net capital in accordance with the level of risk introduced to LCH.Clearnet SA by such Clearing Member; and (B) a Clearing Member's level of risk introduced to LCH.Clearnet SA by such Clearing Member in accordance with its level of net capital

(and regardless of whether such Clearing Member has a minimum net capital exceeding EUR 37,000,000 or \$50,000,000, as applicable);

provided, further, that each Clearing Member or Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it (including in the case of an FCM Clearing Member or CCM that is an FCM, compliance with the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations.

Section 2.2.4 Internal credit scoring

[Not amended]

Section 2.2.5 Corporate organisation

[Not amended]

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

[Not amended]

Section 2.2.7 Third party contractual obligations

Article 2.2.7.1

[Not amended]

Relationship with Securities Settlement Agents and ~~TARGET2~~ Payment Agents

Article 2.2.7.2

A Clearing Member that wishes to use a Securities Settlement Agent and/or a ~~TARGET2~~ Payment Agent to:

- (i) deliver Eligible Collateral;
- (ii) provide Cash Collateral; or
- (iii) perform Cash Payment obligations

in accordance with the CDS Clearing Documentation, must enter into an agreement with a Securities Settlement Agent and/or a ~~TARGET2~~ Payment Agent, on such terms as allow the Clearing Member to perform its obligations under the CDS Clearing Documentation as required by LCH.Clearnet SA.

Article 2.2.7.3

Notwithstanding the provisions of Article 2.2.7.2 above, the use of a Securities Settlement Agent and a ~~TARGET2~~ Payment Agent shall not relieve the Clearing Member of its obligations under the CDS Clearing Documentation.

Provisions related to ~~TARGET2~~ Payment Agents

Article 2.2.7.4

Clearing Members must ensure that they are able to comply with their Cash Payment obligations to LCH.Clearnet SA and their obligations to provide Cash Collateral, in respect of Euro, through

TARGET2 and, in respect of US Dollar, through their cash account(s) in US Dollar, in each case as provided for in Section 3 of the Procedures.

Article 2.2.7.5

Each Clearing Member must provide LCH.Clearnet SA with a Power of Attorney enabling it to directly debit or credit the Clearing Member's TARGET2 Account(s) and/or cash account(s) in US Dollar or the cash account(s) of ~~the TARGET2~~any Payment Agent, being used to satisfy the Clearing Member's obligations under Article 2.2.7.2.

Provisions related to Securities Settlement Agents

Article 2.2.7.6

[Not amended]

Relationship with the Approved Trade Source System(s)

Article 2.2.7.7

[Not amended]

Section 2.2.8 Test processing

[Not amended]

CHAPTER 3 - INFORMATION OBLIGATIONS, MONITORING AND AUDIT

Section 2.3.1 Information and financial reporting

[Not amended]

Section 2.3.2 Monitoring

[Not amended]

Section 2.3.3 Audit and inspection

[Not amended]

Section 2.3.4 Record keeping

[Not amended]

Section 2.3.5 Clearing Member risk management

[Not amended]

CHAPTER 4 - SUSPENSION AND TERMINATION OF MEMBERSHIP

Section 2.4.1 Suspension

[Not amended]

Section 2.4.2 Membership Termination

[Not amended]

Section 2.4.3 Winding Down Event

[Not amended]

TITLE III

CLEARING OPERATIONS

CHAPTER 1 - NOVATION AND REGISTRATION

Section 3.1.1 Weekly Backloading Cycle

[Not amended]

Section 3.1.2 Daily Backloading Cycle

[Not amended]

Section 3.1.3 Backloading Failure

[Not amended]

Section 3.1.4 Intraday Process

[Not amended]

Section 3.1.5 Rejected Transactions

[Not amended]

Section 3.1.6 Novation Process

[Not amended]

Section 3.1.7 Pre-registration

[Not amended]

Section 3.1.8 Margin calculation

[Not amended]

Section 3.1.9 Loss Distribution Periods

[Not amended]

Section 3.1.10 Registration of Cleared Transactions

[Not amended]

Section 3.1.11 Reporting requirements

[Not amended]

CHAPTER 2 – HOUSE ACCOUNT STRUCTURE

Section 3.2.1 House Trade Account

[Not amended]

Section 3.2.2 House Margin Account

[Not amended]

Section 3.2.3 House Collateral Account

[Not amended]

CHAPTER 3 - COMPRESSION

Section 3.3.1 General

[Not amended]

TITLE IV

RISK MANAGEMENT

CHAPTER 1 - GENERAL PROVISIONS

Section 4.1.1

[Not amended]

CHAPTER 2 - MARGIN

Section 4.2.1 Margin Requirement

[Not amended]

Section 4.2.2 Excess Collateral and the Client Collateral Buffer

[Not amended]

Section 4.2.3 Collateral Calls

Article 4.2.3.1

Prior to each Collateral Call (other than an Additional Collateral Call), for each Clearing Member, LCH.Clearnet SA shall calculate, at such times set out in Section 2 of the Procedures and in such manner set out in Sections 2 and 3 of the Procedures:

- (i) in respect of its House Account Structure and each of its CCM Client Account Structure(s) in the case of a CCM or each of its FCM Client Margin Account(s) in the case of an FCM Clearing Member:
 - (a) the Margin Requirement for each Margin Account;
 - (b) the Variation Margin Requirement for each Margin Account, in accordance with Article 4.2.5.2;
 - (c) the Margin Balance; and
- (ii) the Client Collateral Buffer.

On the basis of such calculations, LCH.Clearnet SA shall determine, in respect of each Clearing Member, whether there is:

- (i) in respect of the House Account Structure and each CCM Client Account Structure(s) or as the case may be, each FCM Client Margin Account(s), a Margin Shortfall or an Excess Collateral; and
- (ii) a Client Collateral Buffer Shortfall.

LCH.Clearnet SA shall perform these calculations in accordance with Section 4.1.1 at the times and in the manner set out in Sections 2 and 3 of the Procedures.

On each Business Day, following each calculation made by LCH.Clearnet SA in accordance with Article 4.2.3.1, LCH.Clearnet SA shall inform each Clearing Member, in accordance with Section 5 of the Procedures, of:

- (i) in respect of its House Account Structure and each of its CCM Client Account Structure(s) or as the case may be, each of its FCM Client Margin Account(s):
 - (a) the Margin Requirement for each Margin Account;

- (b) the Variation Margin Requirement for each Margin Account;
- (c) the Margin Balance;
- (d) the Margin Shortfall or Excess Collateral, as the case may be;
- (e) the House Excess Collateral Shortfall (in respect of the House Margin Account only);
- (ii) any Client Collateral Buffer Shortfall (if any);
- (iii) for an FCM Clearing Member, the FCM Unallocated Client Excess Collateral,

through the reports made available to each Clearing Member in accordance with, and subject to, Section 5 of the Procedures.

The failure by LCH.Clearnet SA to provide any such reports shall not invalidate its ability to debit a Clearing Member's TARGET2 Account and/or any other cash account(s) as the case may be, in accordance with Article 4.2.3.2, using the Power of Attorney issued in its favour in accordance with Article 2.2.1.1(xiii)(a), to cover any Required Collateral Amount and/or Variation Margin.

Article 4.2.3.2

As set out in Section 3 of the Procedures, LCH.Clearnet SA will make a Collateral Call of an amount equal to the Required Collateral Amount in accordance with Section 3 of the Procedures.

At the same time as each Collateral Call (other than an Additional Collateral Call), except as otherwise provided for in the Procedures, each Clearing Member or LCH.Clearnet SA, as the case may be, shall also be required to make a Cash Payment to satisfy the Variation Margin Requirement applicable to each of the Clearing Member's Margin Accounts. Such payments shall be made in the currency as provided for in Section 3 of the Procedures.

By exception to the above, in any circumstance preventing the Cash Payments from being performed in US Dollar, LCH.Clearnet SA shall be entitled, and inform the Clearing Members of its intention, to convert any amount denominated in US Dollar in Euro, such conversion to be effected at the prevailing rate of exchange at the time of conversion and therefore, the Cash Payments obligations shall be performed in Euro, in accordance with Section 3 of the Procedures.

All payments required to be made, in accordance with this Article 4.2.3.2, will be netted in the manner set out in Section 3 of the Procedures.

Article 4.2.3.3

[Not amended]

Section 4.2.4 Additional Collateral Call

Article 4.2.4.1

LCH.Clearnet SA shall, at any time on any day in accordance with the CDS Clearing Rules a Business Day pursuant to Article 4.2.1.2, have the right to calculate and make a Collateral Call on a Clearing Member to transfer to LCH.Clearnet SA such additional Collateral through:

- (i) TARGET2, provided that such day is a Business Day;
- (ii) its cash account(s) in US Dollar, provided that such day is a day on which commercial banks in New York City are open for business,

-as LCH.Clearnet SA deems necessary to manage its risk exposure.

For the avoidance of doubt, such Collateral Call may relate to either a House Account Structure or a Client Account Structure of a Clearing Member.

Article 4.2.4.2

Where LCH.Clearnet SA makes a Collateral Call in accordance with Article 4.2.4.1, each relevant Clearing Member shall transfer Collateral in the form and by such time as is required by LCH.Clearnet SA. LCH.Clearnet SA shall notify each relevant Clearing Member, as soon as is reasonably practicable, providing at least 45 minutes notice of the time at which such Clearing Member is required to transfer Collateral to LCH.Clearnet SA. LCH.Clearnet SA shall use all reasonable endeavours, from the time at which the decision to make a Collateral Call is made by it and until the time at which the Clearing Member is required to transfer Collateral, to contact each relevant Clearing Member, by any method of communication available to it, to inform the Clearing Member of its intention to make a Collateral Call in accordance with Article 4.2.4.1. Provided that LCH.Clearnet SA has complied with the requirements of this Article 4.2.4.2, it shall have the right to debit a Clearing Member's TARGET2 Account or as the case may be, any cash account in US Dollar, using the Power of Attorney issued in its favour in accordance with Article 2.2.1.1(xiv)(a), to cover any such Collateral requirement.

Section 4.2.5 Variation Margin

Article 4.2.5.1

[Not amended]

Article 4.2.5.2

Variation Margin shall be payable by a Clearing Member or LCH.Clearnet SA, as applicable, at the same time as the Morning Call and First Intraday Call, except as otherwise provided for in the Procedures.

LCH.Clearnet SA and each Clearing Member required to make a Cash Payment in relation to such Variation Margin shall do so by such times as set out in Section 3 of the Procedures.

Section 4.2.6 Collateral

[Not amended]

Section 4.2.7 Markit LCH Settlement Price

Article 4.2.7.1

[Not amended]

Article 4.2.7.2

[Not amended]

Article 4.2.7.3

[Not amended]

Article 4.2.7.4

[Not amended]

Article 4.2.7.5

[Not amended]

Article 4.2.7.6

[Not amended]

Article 4.2.7.7

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

Article 4.2.7.8

[Not amended]

CHAPTER 3 - EVENTS OF DEFAULT

Section 4.3.1 Events of Default

[Not amended]

Section 4.3.2 Measures in case of an Event of Default

[Not amended]

Section 4.3.3 Recourse following an Event of Default

[Not amended]

CHAPTER 4 - CDS DEFAULT FUND

Section 4.4.1 Purpose of the CDS Default Fund and Relevant Calculations

[Not amended]

Section 4.4.2 Contribution to the CDS Default Fund

[Not amended]

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

[Not amended]

TITLE V

CDS CCM CLIENT CLEARING SERVICES

CHAPTER 1 - GENERAL PROVISIONS

Section 5.1.1 Provision of CDS Client Clearing Services

[Not amended]

Section 5.1.2 CDS Client Clearing DMP and Delegation

[Not amended]

Section 5.1.3 Indirect clearing

[Not amended]

CHAPTER 2 - CCM CLIENT ACCOUNT STRUCTURE

Section 5.2.1 General Provisions

[Not amended]

Section 5.2.2 CCM Client Trade Accounts

[Not amended]

Section 5.2.3 CCM Client Margin Accounts

[Not amended]

Section 5.2.4 CCM Client Collateral Accounts

[Not amended]

CHAPTER 3 - TRANSFER

Section 5.3.1 General

[Not amended]

Section 5.3.2 Full transfers

[Not amended]

Section 5.3.3 Partial transfers

[Not amended]

Section 5.3.4 Transfer of Client Assets

[Not amended]

Section 5.3.5 Transfer process

[Not amended]

CHAPTER 4 - EARLY TERMINATION

[Not amended]

TITLE VI

CDS FCM CLIENT CLEARING

CHAPTER 1 - GENERAL PROVISIONS

[Not amended]

CHAPTER 2 – FCM CLIENT ACCOUNT STRUCTURE

Section 5.5.1 General Provisions

[Not amended]

Section 5.5.2 FCM Client Trade Account

[Not amended]

Section 5.5.3 FCM Client Margin Account

[Not amended]

Section 5.5.4 FCM Client Collateral Account, FCM Client Financial Account and Related Accounts

[Not amended]

Section 5.5.5 FCM Client Collateral Buffer and FCM Unallocated Client Excess Collateral

[Not amended]

Section 5.5.6 Customer Margin Requirements

[Not amended]

CHAPTER 3 - TRANSFER

Section 5.6.1 General

[Not amended]

Section 5.6.2 Full Transfers

[Not amended]

Section 5.6.3 Partial Transfers

[Not amended]

Section 5.6.4 Transfer of Client Assets

[Not amended]

Section 5.6.5 Transfer process

[Not amended]

CHAPTER 4 – LIQUIDATION EVENT

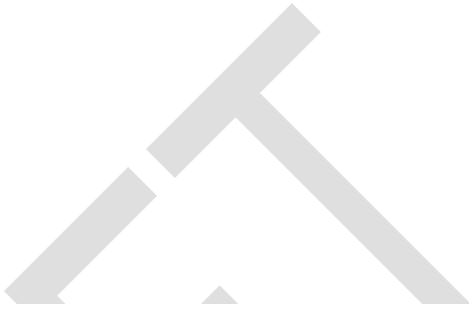
[Not amended]

**APPENDIX 1
CDS DEFAULT MANAGEMENT PROCESS**

[Not amended]

CDS Clear

LCH.Clearnet SA
CDS Clearing Supplement
[•] 2016



[...]

PART A
CDS CLEARING SUPPLEMENT

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

1. GENERAL PROVISIONS

[...]

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.

[...]

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~~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.

Index Cleared Transaction Confirmation: ~~The~~For

(a) 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 Untranchéd Standard Terms Supplement, each as published on ~~23 November 2009~~20 September 2014 by Markit Group Limited; and

(b) any Index Cleared Transaction which references a Markit CDX™ Index Series 22 or below, the form of confirmation which incorporates the CDX Legacy Untranchéd Transactions Standard Terms Supplement, each as published on 22 September 2014 by Markit Group Limited,

in each case as amended by this CDS Clearing Supplement and as completed by reference to the relevant Transaction Data (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).

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 Trade Source System 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; the Original Notional Amount and the currency of 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, the currency of the 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-; ~~and~~
- (j) whether the 2003 Credit Derivatives Definitions or the 2014 Credit Derivatives Definitions are applicable to such Original Transaction (or, in the case of an Index Cleared Transaction, each component of such Original Transaction).

[...]

2. TERMS OF CLEARED TRANSACTIONS

[...]

2.2 Index Cleared Transaction Confirmation

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

(a) (i) if the Index Cleared Transaction references a Markit iTraxx® Europe Index, by deleting the words "between [●] (Party A) and [●] (Party B)" in the third line of the first paragraph; ~~and~~

(ii) if the Index Cleared Transaction references a Markit CDX™ Index, by deleting the words "between [Party A] ("Party A") and [counterparty's name] ("Party B")" in the third and fourth lines of the first paragraph,

and in each case 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) (i) if the Index Cleared Transaction references a Markit iTraxx® Europe Index, by deleting the ~~fourth~~fifth paragraph thereof; ~~and~~

(ii) if the Index Cleared Transaction references a Markit CDX™ Index, by deleting the third paragraph thereof,

in each case 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) if the Index Cleared Transaction references a Markit iTraxx® Europe Index, by deleting the ~~fifth~~sixth 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) if the Index Cleared Transaction references a Markit CDX™ Index, by deleting the fourth paragraph thereof and replacing it with the following:

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

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

~~(e)~~ — by specifying that the "Source of Relevant Annex" is "Publisher";

~~(f)~~ — by specifying that there are no "Excluded Reference Entities";

~~(g)~~(f) (i) if the Index Cleared Transaction references a Markit iTraxx® Europe Index, by inserting the following "Additional terms":

"The Legacy 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 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 7.75.4 (De Minimis Cash Settlement) of Section A in its entirety"; and

(ii) if the Index Cleared Transaction references a Markit CDX™ Index, by inserting the following "Additional terms":

"The CDX Legacy Standard Terms Supplement is amended for the purposes of this Transaction by deleting paragraph 5.3 (De Minimis Cash Settlement) of Section A in its entirety":

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

~~(i)~~(h) by deleting the signature blocks.

[...]

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 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 (*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~~The Protocol Effectiveness Condition (as defined in the 2014 ISDA Credit Derivatives Definitions Protocol published by ISDA on 21 August 2014 and supplemented by the Supplement thereto published by ISDA on 15 September 2014 and as further supplemented from time to time

(the "2014 Protocol")) isbeing 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.

[...]

3. PAYMENTS AND DELIVERIES

[...]

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.
- (a) 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 which is also a Clearing Day immediately following the Clearing Day on which such related Cleared Transactions are created.

[...]

PART B
CDS CLEARING SUPPLEMENT

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

1. GENERAL PROVISIONS

[...]

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).

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~~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.

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 Untranch Standard Terms Supplement; ~~and~~

~~(a)~~ if the Protocol Effectiveness Condition (as defined in the 2014 ISDA Credit Derivatives Definitions Protocol, each as published by ISDA on 21 August 2014 and supplemented by the Supplement thereto published by ISDA on 15²⁰ September 2014 and by Markit Group Limited;

~~(b)~~ any Index Cleared Transaction which references a Markit CDX™ Index Series 23 or above, the form of confirmation which incorporates the CDX Untranch Transactions Standard Terms Supplement, each as further supplemented from time to time (the "2014 Protocol") is satisfied, from and including the Implementation Date (as defined in the 2014 Protocol), published on 22 September 2014 by Markit Group Limited; and

~~(b)~~~~(c)~~ 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 Untranch Standard Terms Supplement, each as published on 20 September 2014 by Markit Group Limited; and

~~(d)~~ each such supplement and any Index Cleared Transaction which references a Markit CDX™ Index Series 22 or below, the form of confirmation which incorporates the CDX Legacy Untranch Transactions Standard Terms Supplement, each as published on 22 September 2014 by Markit Group Limited,

in each case as amended by this CDS Clearing Supplement and as completed by reference to the relevant Transaction Data (or, in ~~either~~each case, such other form of confirmation as may be adopted in respect of any CDS Type in accordance with Section 1.2.2 (*Modification*) of the CDS Clearing Rule Book).

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 Trade Source System 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; the Original Notional Amount and the currency of 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, the currency of the 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; ~~and~~
- (j) whether the 2003 Credit Derivatives Definitions or the 2014 Credit Derivatives Definitions are applicable to such Original Transaction (or, in the case of an Index Cleared Transaction, each component of such Original Transaction).

[...]

2. TERMS OF CLEARED TRANSACTIONS

2.1 General Terms of Cleared Transactions

(a) Terms of Index Cleared Transactions and Initial Single Name Cleared Transactions

(i) 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);

(ii) Each component transaction of an Index Cleared Transaction which references a Markit iTraxx® Europe Index Series 21 or below or a Markit CDX™ Index Series 22 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

(iii) Each component transaction of an Index Cleared Transaction which references a Markit iTraxx® Europe Index Series 21 or below or a Markit CDX™ Index Series 22 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.

[...]

2.2 Index Cleared Transaction Confirmation

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

(a) (i) if the Index Cleared Transaction references a Markit iTraxx® Europe Index, by deleting the words "between [●] (Party A) and [●] (Party B)" in the third line of the first paragraph; and

(ii) if the Index Cleared Transaction references a Markit CDX™ Index, by deleting the words "between [Party A] ("Party A") and [counterparty's name] ("Party B")" in the third and fourth lines of the first paragraph,

and in each case 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) (i) if the Index Cleared Transaction references a Markit iTraxx® Europe Index Series 22 or above, by deleting the fourth paragraph thereof and(or, for Markit iTraxx® Europe Series 21 or below, the fifth paragraph thereof); and

(ii) if the Index Cleared Transaction references a Markit CDX™ Index, by deleting the third paragraph thereof,

and in each case 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.";

~~(d)~~(c) if the Index Cleared Transaction references a Markit iTraxx® Europe Index Series 22 or above, by deleting the fifth paragraph thereof (or, for

Markit iTraxx® Europe Series 21 or below, the sixth 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) if the Index Cleared Transaction references a Markit CDX™ Index, by deleting the fourth paragraph thereof and replacing it with the following:

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

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

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

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

(i) if the Index Cleared Transaction references a Markit iTraxx® Europe Index Series 22 or above:

"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";

(ii) if the Index Cleared Transaction references a Markit iTraxx® Europe Index Series 21 or below:

"The Legacy Standard Terms Supplement is amended for the purposes of this Transaction: by deleting paragraph 5.4 (*De Minimis Cash Settlement*) of Section A and Section B in its entirety";

(iii) if the Index Cleared Transaction references a Markit CDX™ Index Series 23 or above:

"The CDX Untranchured Terms is amended for the purposes of this Transaction by deleting paragraph 5.6 (*De Minimis Cash Settlement*) in its entirety";

(iv) if the Index Cleared Transaction references a Markit CDX™ Index Series 22 or below:

"The CDX Legacy Untranching Terms is amended for the purposes of this Transaction by deleting paragraph 5.3 (De Minimis Cash Settlement) of Section A and Section B in its entirety";

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

~~(i)~~(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):~~

~~(j) 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~~

~~(k) 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) (i) if the Transaction Type specified in respect of the Single Name Cleared Transaction is "European Corporate" or "Standard European Corporate", by deleting part 4 in its entirety; and

(ii) if the Transaction Type specified in respect of the Single Name Cleared Transaction is "North American Corporate" or "Standard North American Corporate", by specifying that "Restructuring" is "Not Applicable" in part 4;

~~(f)~~(g) by deleting parts ~~4~~, 5, 6, 7 and 8 in their entirety;

~~(g)~~(h) 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)~~(i) by deleting the signature blocks.

[...]

3. PAYMENTS AND DELIVERIES

[...]

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 which is also a Clearing Day immediately following the Clearing Day on which such related Cleared Transactions are created.

[...]

DRAFT

CDS Clear

LCH.Clearnet SA
CDS Clearing Procedures
Section 2 – Margin and Price Alignment Interest
[•] 2016



[...]

2.2 Margin

(a) Margin Requirement

For each Margin Account of each Clearing Member, the Margin Requirement consists of the following components:

- (i) Initial Margin;
- (ii) Short Charge Margin;
- (iii) Recovery Risk Margin;
- (iv) Self-Referencing Protection Margin;
- (v) Interest Rate Risk Margin;
- (vi) Liquidity and Concentration Risk Margin;
- (vii) Wrong Way Risk Margin;
- (viii) Accrued Fixed Amount Liquidation Risk Margin;
- (ix) Credit Event Margin;
- (x) Additional Margin;
- (xi) in respect of the House Margin Requirement only: Credit Quality Margin; **and**
- (xii) Contingency Variation Margin; **and**
- (xiii) Extraordinary Margin.**

Details of each of these components are set out below.

[...]

2.12 Variation Margin

Variation Margin is an amount exchanged on each **BusinessCash Payment** Day between the Clearing Member and LCH.Clearnet SA to account for the potential profit or loss on a Cleared Transaction due to the variation of the market value of a CDS.

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

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

In respect of a Margin Account of a Clearing Member, the Variation Margin Requirement is determined:

- (x) at the Morning Call: in respect of Open Positions already registered in a Margin Account; and
- (y) at the First Intraday Call: in respect of Backloading Transactions novated further to the Morning Call.

The net position value of an Open Position is equal to:

- (a) the End of Day Contributed Prices provided to LCH.Clearnet SA in accordance with Article 4.2.9.1 of the CDS Clearing Rule Book and Section 5 of the Procedures (or, where such End of Day Contributed Prices are not available to LCH.Clearnet SA, the prices/spreads as set out in Article 4.2.9.1 of the CDS Clearing Rule Book and Section 5 of the Procedures); *plus*
- (b) accrued coupon payments, *minus*
- (c) an amount equal to the Initial Payment Amount where the Clearing Member is required to pay the Initial Payment Amount, in accordance with Section 3 of the CDS Clearing Supplement, but has not made such payment as at the relevant **BusinessCash Payment** Day (if applicable); *plus*
- (d) an amount equal to the Initial Payment Amount where the Clearing Member is entitled to receive the Initial Payment Amount, in accordance with Section 3 of the CDS Clearing Supplement, but has not received such payment as at the relevant **BusinessCash Payment** Day (if applicable).

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

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

On the basis of these calculations, LCH.Clearnet SA will determine the Total Client Variation Margin Requirement and/or the House Variation Margin Requirement which will trigger Cash Payment(s) to be made by the Clearing Member and/or LCH.Clearnet SA in accordance with Section 3 of the Procedures.

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

2.13 Contingency Variation Margin

Contingency Variation Margin is calculated on any Business Day, in respect of:

- (i) Backloading Transactions and new Cleared Transactions arising from the novation of Eligible Intraday Transactions. It is intended to cover the risk that the Clearing Member fails to make Cash Payment(s) to meet the Variation

Margin Requirement in respect of each of its Margin Accounts at the next relevant Collateral Call; and

- (ii) Cleared Transactions with a CDS Contractual Currency in USD provided that such Business Day is a day on which commercial banks in New York City are not open for business. It is intended to cover the risk that the Clearing Member fails to satisfy its Cash Payment(s) obligations in USD to meet the Variation Margin Requirement in respect of each of its Margin Accounts at the next relevant Collateral Call on the following Cash Payment Day.

Contingency Variation Margin is called from a Clearing Member in place of the Variation Margin which LCH.Clearnet SA determines would have been owed by such Clearing Member had such Clearing Member been required to make a Cash Payment to satisfy the Variation Margin Requirement in relation to the relevant Margin Account at that point in time (being the time of the Morning Call, the First Intraday Call or the Second Intraday Call, as described below).

Contingency Variation Margin is called (as applicable) in relation to each Margin Account of a Clearing Member:

- (a) in respect of Backloading Transactions: during the Morning Call.

Contingency Variation Margin paid by a Clearing Member during the Morning Call is repaid to such Clearing Member at the First Intraday Call if the required Variation Margin has been paid by such Clearing Member at the First Intraday Call in accordance with Paragraph 2.12 above.

- (b) in respect of Eligible Intraday Transactions: during the First Intraday Call and/or the Second Intraday Call.

Contingency Variation Margin paid by a Clearing Member during the First Intraday Call and/or the Second Intraday Call is repaid to such Clearing Member at the Morning Call on the following Business Day if the required Variation Margin has been paid by such Clearing Member at the relevant Morning Call in accordance with Paragraph 2.12 above; and

- (c) in respect of Cleared Transactions with a CDS Contractual Currency in USD: during the Morning Call.

Contingency Variation Margin paid by a Clearing Member during the Morning Call is repaid to such Clearing Member on the following Cash Payment Day if the required Variation Margin has been paid by such Clearing Member at the relevant Collateral Call in accordance with Paragraph 2.12 above and Section 3 of the Procedures.

2.14 Price Alignment Interest

Each Clearing Member that receives Variation Margin payments from LCH.Clearnet SA is required to pay Price Alignment Interest. LCH.Clearnet SA shall pay Price Alignment Interest to each Clearing Member that pays Variation Margin in accordance with Paragraph 2.13 above. —The A0102E Report published in accordance with and subject to Section 5 of the Procedures and received by each Clearing Member on each BusinessCash Payment Day shall indicate the amount of Price Alignment Interest paid or received by a Clearing Member.

These payments are made in order to minimise distortion of pricing for Original Transactions cleared through LCH.Clearnet SA as a result of daily Variation Margin payments and changes in the net present value of Open Positions.

Price Alignment Interest is calculated for each Clearing Member by LCH.Clearnet SA using the interest rate prevailing on that BusinessCash Payment Day, as published by LCH.Clearnet SA on the Website, on the basis of the net position value of the Open Positions registered in the Margin Accounts of the Clearing Member on the immediately preceding BusinessCash Payment Day.

[...]

2.16 Extraordinary Margin

LCH.Clearnet SA may require a Clearing Member to provide Extraordinary Margin to cover the risk of price/spread fluctuations occurring on an intraday basis or during a day that is a holiday in the TARGET2 calendar.

Extraordinary Margin is called (as applicable) in relation to each Margin Account of a Clearing Member at the time of the most appropriate time slot for the purpose of making a Collateral Call. LCH.Clearnet SA will notify the relevant Clearing Member of the amount of Extraordinary Margin in accordance with, subject to and at the times set out in the CDS Clearing Rules.

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[...]

3.7 EURO DENOMINATED CASH COLLATERAL

[...]

(b) Clearing Member TARGET2 Accounts

A CCM has no obligation to hold two TARGET2 Accounts (or arrange its TARGET2 Payment Agent holding a TARGET2 Account (the “TARGET2 Payment Agent”) to hold two cash account(s)) for the purposes of the Collateral Calls in respect of (i) its CCM House Margin Requirement, CCM House Excess Collateral Threshold and CCM Client Collateral Buffer Threshold and (ii) its Total Client Margin Requirement. It may either:

- i) hold one TARGET2 Account (or one cash account of its TARGET2 Payment Agent), in which case such TARGET2 Account will be used for the debits and credits made out of both the LCH Client TARGET2 Account and the LCH House TARGET2 Account; or
- ii) hold two TARGET2 Accounts (or two cash accounts of its TARGET2 Payment Agent), in which case one TARGET2 account will be used for the debits and credits made out of the LCH Client TARGET2 Account and the other will be used for the debits and credits made out of the LCH House TARGET2 Account.

An FCM Clearing Member has an obligation to hold two TARGET2 Accounts (or arrange its TARGET2 Payment Agent to hold two cash account(s)) for the purposes of the Collateral Calls in respect of (i) its FCM House Margin Requirement and FCM House Excess Collateral Threshold and (ii) its Total Client Margin Requirement and FCM Client Collateral Buffer Threshold (which for the avoidance of doubt forms part of the FCM Cleared Swaps Client Segregated Depository Accounts for purposes of the FCM CDS Clearing Regulations). Therefore, an FCM Clearing Member will hold two TARGET2 Accounts (or two cash accounts of its TARGET2 Payment Agent), in which case one TARGET2 account will be used for the debits and credits made out of the LCH FCM Client TARGET2 Account and the other will be used for the debits and credits made out of the LCH House TARGET2 Account.

If a Clearing Member wishes to add a new TARGET2 Account or replace an existing TARGET2 Account with another for the purposes of the Collateral Calls, it may do so by providing LCH.Clearnet SA with the details of the relevant TARGET2 Account with at least 15 days' prior notice.

[...]

3.18 CASH PAYMENTS

(a) Currencies for Cash Payments

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

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

~~(b) Timing for Cash Payments~~

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

(b) Cash Payments in Euro

With respect to a Clearing Member's Cleared Transactions with a CDS Contractual Currency in Euro, the relevant Clearing Member is required to satisfy the associated Cash Payment obligations through TARGET2. Where a Clearing Member is required to make a Cash Payment in Euro, its relevant TARGET2 Account(s) (or the relevant cash account(s) of its TARGET2 Payment Agent) will be automatically debited by LCH.Clearnet SA using its Power of Attorney.

Where a Clearing Member is due to receive a Cash Payment in Euro, its relevant TARGET2 Account(s) (or the relevant cash account(s) of its TARGET2 Payment Agent) will be automatically credited by LCH.Clearnet SA using its Power of Attorney.

(c) Cash Payments in USD

With respect to a Clearing Member's Cleared Transactions with a CDS Contractual Currency in USD, LCH.Clearnet SA will require such Clearing Member to satisfy the associated Cash Payment obligations in USD. For the purpose of making or receiving Cash Payments in USD, LCH.Clearnet SA will use the following accounts opened in its name in the books of BNYM US:

(i) a cash account used to debit or credit USD to satisfy Cash Payments obligations in USD with respect to all relevant House Cleared Transactions of each Clearing Member (the "LCH House BNYM Account");

(ii) with respect to Clients of a Clearing Member:

(x) a cash account used to debit or credit USD to satisfy Cash Payments obligations in USD with respect to all relevant Client Cleared Transactions of each CCM (the "LCH CCM Client BNYM Account"); or

(y) a cash account used to debit or credit USD to satisfy Cash Payments obligations in USD with respect to all relevant Client Cleared Transactions of each FCM Clearing Member (the "LCH FCM Client BNYM Account"),

together referred to as the "LCH Client BNYM Accounts" and individually as a "LCH Client BNYM Account".

The LCH House BNYM Account and the LCH Client BNYM Accounts shall be together referred to as the "LCH BNYM Accounts".

For the purpose of satisfying its Cash Payments obligations in USD, a Clearing Member shall open, or use a Payment Agent having, one or more cash account(s) in the books of BNYM US (the "BNYM Accounts").

A CCM has no obligation to hold two BNYM Accounts (or arrange its Payment Agent to hold two cash account(s)) for the purposes of satisfying its Cash Payments obligations in respect of (i) its House Cleared Transactions and (ii) its Client Cleared Transactions. It may either:

(x) hold one BNYM Account (or one cash account of its Payment Agent), in which case such BNYM Account will be used for the debits and credits made out of both the LCH House BNYM Account and the LCH Client BNYM Account; or

(y) hold two BNYM Accounts (or two cash accounts of its Payment Agent), in which case one BNYM Account will be used for the debits and credits made out of the LCH House BNYM Account

and the other will be used for the debits and credits made out of the LCH Client BNYM Account.

An FCM Clearing Member has an obligation to hold two BNYM Accounts (or arrange its Payment Agent to hold two cash account(s)) for the purposes of satisfying its Cash Payments obligations in respect of (i) its House Cleared Transactions and (ii) its Client Cleared Transactions. Therefore, an FCM Clearing Member will hold two BNYM Accounts (or two cash accounts of its Payment Agent), in which case one BNYM Account will be used for the debits and credits made out of the LCH House BNYM Account and the other will be used for the debits and credits made out of the LCH FCM Client BNYM Account.

If a Clearing Member wishes to add a new BNYM Account or replace an existing BNYM Account with another, it may do so by providing LCH.Clearnet SA with the details of the relevant BNYM Account with at least 15 days' prior notice (unless otherwise agreed by LCH.Clearnet SA).

Where a Clearing Member is required to make a Cash Payment in USD, its relevant BNYM Account(s) (or the relevant cash account(s) of its Payment Agent) will be automatically debited by LCH.Clearnet SA using its Power of Attorney.

Where a Clearing Member is due to receive a Cash Payment in USD, its relevant BNYM Account(s) (or the relevant cash account(s) of its BNYM Payment Agent) will be automatically credited by LCH.Clearnet SA using its Power of Attorney.

(d) Timing for Cash Payments

Such ~~d~~debiting or crediting the TARGET2 Account(s) or BNYM Account(s) will occur on each BusinessCash Payment Day, at the times of the Initial Slot and First Intraday Slot set out in Paragraph 3.7(c) above except that, when such debiting or crediting relates to Cash Payments made by an FCM Clearing Member in respect of its Client Variation Margin Requirements, it will occur in accordance with the following time slots:

(x) FCM Client VM initial slot: 08:30-09:05 CET; and

(y) FCM Client VM first intraday slot: 11:30-12:00 CET.

with the exception that crediting any BNYM Account(s) of a Clearing Member will occur by no later than 16:30 CET on that Cash Payment Day.

In the event that (i) any BNYM Account(s) of a Clearing Member cannot be debited within the time slots set out above in this Paragraph 3.18 (d) and (ii) such Clearing Member has not satisfied its Cash Payments obligations in USD by:

(x) 10:00 CET when the relevant Cash Payments were to be made during the Initial Slot; or

(z) (y) 12:30 CET when the relevant Cash Payments were to be made during the First Intraday Slot.

such Clearing Member shall be required to satisfy such Cash Payments obligations in Euro through TARGET2 at the next mandatory time slot as set out in Paragraph 3.7 (c) above. LCH.Clearnet SA shall convert the USD amount in respect of such Cash Payment obligation into a Euro amount at the FX rate dealt by LCH.Clearnet SA on the market and shall notify the relevant Clearing Member of such Euro amount in accordance with, subject to and at the times set out in Section 5 of the Procedures. The relevant Clearing Member will be liable for costs incurred by LCH.Clearnet SA in connection with the conversion of those Cash Payments initially due in USD into Euro, that will be debited from the relevant TARGET2 Account(s) of that Clearing Member (or the relevant cash account(s) of its TARGET2 Payment Agent).

Once the relevant cash amount is debited by LCH.Clearnet SA, it will satisfy the Clearing Member's Cash Payment obligations.

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[•] 2016



[...]

4.1 ELIGIBILITY REQUIREMENTS

[...]

- (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:

[...]

(iii) the Original Transaction is:

- (A) subject to paragraph 4.2 below, a CDS referencing an Index Version provided that the following requirements, as set out in the Eligible Index Versions List (as such ~~term-isterms are~~ defined in paragraph 4.2(d) below) are met:

(1) the Index Version is an Eligible Index Version (as such ~~term-isterms are~~ defined in paragraph 4.2(b) below); ~~and~~

(2) the term is an Eligible Term (as such term is defined in paragraph 4.2(c) below); ~~orand~~

(3) the currency of the Original Notional Amount is eligible for clearing; 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 (as such term is defined in paragraph 4.3(a) below) in respect of the relevant ISDA Credit Derivatives Definitions;

(2) the Reference Obligation is an Eligible Reference Obligation (as such term is defined in paragraph 4.3(b)(ii) below) for such Reference Entity in respect of the relevant ISDA Credit Derivatives Definitions;

(3) in respect of an Original Transaction which incorporates the Credit Derivatives Physical Settlement Matrix: the Transaction Type is an Eligible Transaction Type (as such term is paragraph 4.3(b)(iv) below);

(4) in respect of an Original Transaction which does not incorporate the Credit Derivatives Physical Settlement Matrix: such Original Transaction is documented by a master confirmation which sets out terms which are substantially similar to those provided for in the Credit Derivatives Physical Settlement Matrix in respect of an Eligible Transaction Type ~~(as such term is defined in paragraph 4.3(b) below);;~~

(5) in respect of an Eligible Transaction Type which is “Standard North American Corporate” (as such term is defined in the Physical Settlement Matrix), “Restructuring” is not specified as “Applicable”;

~~(5)~~(6) the currency of ~~denomination of~~ the Floating Rate Payer Calculation Amount is Euro~~eligible for clearing~~;

~~(6)~~(7) the Fixed Rate is an Eligible Fixed Rate for such Reference Entity (as such term is defined in paragraph 4.3(b)(i) below);

~~(7)~~(8) the Fixed Rate Payer Payment Dates are 20 March, 20 June, 20 September and 20 December (each such date, a “**Standard Payment Date**”);

~~(8)~~(9) the Scheduled Termination Date is an Eligible Scheduled Termination Date (as such term is defined in paragraph 4.3(b)(vi) below); and

~~(9)~~(10) 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 or an Affiliate of the Client.

The requirements mentioned in sub-paragraphs (1), (2), (6) and ~~(8)~~(7) 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 Trade Source System 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;

[...]

4.2 ELIGIBLE INDEX VERSIONS

[...]

(c) With respect to each Eligible Index Version, LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, determine, without limitation:

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

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

~~(a)~~(d) 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 on the Website (the “**Eligible Index Versions List**”).

~~(b)~~(e) LCH.Clearnet SA may, in consultation with the CDSClear Product Committee, amend the Eligible Index Versions List and following such amendment will inform the Clearing Members of:

- (i) in the case of an addition of an Eligible Index Version to such list, the relevant First Novation Date; or
- (ii) in the case of a deletion of an Eligible Index Version from such list, the relevant Novation Cut-off Date.

~~(e)~~(f) 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

[...]

(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) each Fixed Rate that is eligible for clearing (an “**Eligible Fixed Rate**”);
- (ii) each Reference Obligation that is eligible for clearing (an “**Eligible Reference Obligation**”);
- (iii) the Reference Obligation under which the Cleared Transaction(s) on the Eligible Reference Entity will be registered (the “**CDSClear Preferred Reference Obligation**”) where no Standard Reference Obligation is published for this Eligible Reference Entity;
- (iv) the Transaction Type that will be eligible for clearing with respect to each relevant Eligible Reference Entity (the “**Eligible Transaction Type**”);

(v) the currency(ies) of the Floating Rate Payer Calculation Amount that is, or are, eligible for clearing with respect to each relevant Eligible Reference Entity;

~~(v)~~(vi) 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**”);
and

(~~vi~~)(vii) each Scheduled Termination Date that is eligible for clearing (the
“**Eligible Scheduled Termination Date**”).

[...]

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[...]

5.16 REPORTS

[...]

- (a) Backloading Transaction Reports

[...]

- (iii) **Collateral management reports**

Timing: collateral management reports and files are sent to Clearing Members in two formats (XML and/or plain text). The following reports and files are published by LCH.Clearnet SA on each Business Day between 05.15 CET and 05.45 CET (and, with respect to the AC0102E Report, AC0103E Report and AC0113E Report, before each call for payment of the Additional Contribution Amount as the case may be)

- (A) **AC0103E Report**

"**AC0103E Report**" means the report described in this paragraph.

- (1) **CDS Global Cash Call Document**

"**CDS Global Cash Call Document**" means the section of the AC0103E Report described in this paragraph.

Description: the CDS Global Cash Call Document contains details for each Clearing Member on:

- the daily activity (including the cash available to such Clearing Member from the previous Business Day and cash flows associated with Cleared Transactions of such Clearing Member); and
- the monthly activity (including the statement of account and invoicing fees flow) of cash flows relating to such Clearing Member in the CDS Clearing System.

The CDS Global Cash Call Document will separately set out the details:

- for the House Account Structure of a Clearing Member and for each of its Client Account Structure(s), if applicable; and
- for Euro cash flows and for USD cash flows, if applicable.

Before each call for payment of the Additional Contribution Amount on any Business Day, LCH.Clearnet SA will send to each relevant Clearing Member the updated CDS Global Cash Call Document.

(B) **AC0102E Report**

"**AC0102E Report**" means the section of the AC0102E Report described in this paragraph.

(1) **CDS Cash Call Document**

"**CDS Cash Call Document**" means the Report described in this paragraph.

Description: the CDS Cash Call Document contains the global amount of clearing flows (including Fixed Amounts in relation to Cleared Transactions of the relevant Clearing Member), credit event flow (including Cash Settlement Amounts and Fixed Amount rebates in relation to Cleared Transactions of the relevant Clearing Member) and collateral flows (including initial margin, short charge margin, recovery risk margin, self-referencing protection margin, interest rate margin, coupon, credit event margin, increase coverage, contingency variation margin and liquidity charge), which is calculated for value day "D" and compared to the amount of Collateral (bonds and shares, non-Euro and Euro cash) allocated from the previous Business Day for the relevant Clearing Member.

The CDS Cash Call Document will separately document the clearing and collateral flows:

- for the House Account Structure of a Clearing Member and for each of its Client Account Structure(s), if applicable; and
- for Euro cash flows and for USD cash flows, if applicable.

The sum of all these cash flows is reported at the end of the CDS Cash Call Document and, also, as a specific line, in the CDS Global Cash Call Document.

[...]

5.18 END OF DAY PRICE CONTRIBUTION

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

5.18.1 Market Data submission obligation

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

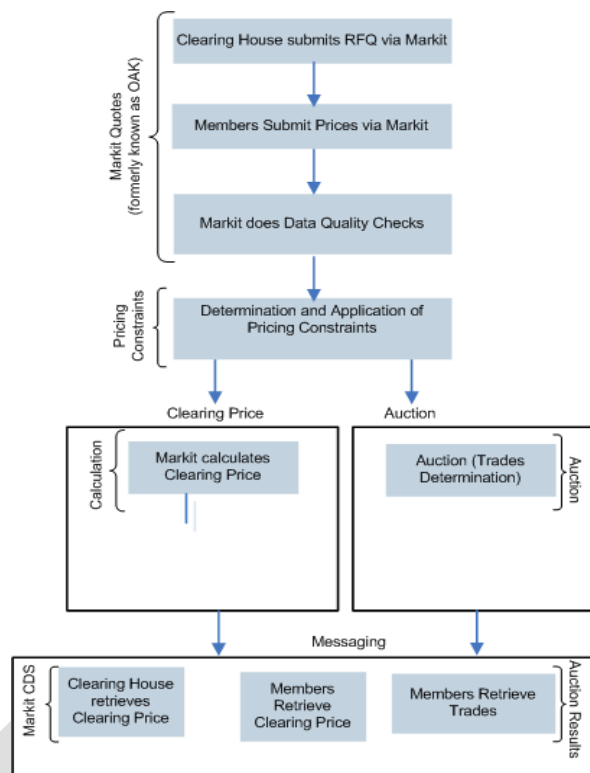
On each Clearing-Price Contribution Day, LCH.Clearnet SA will request the Index Publisher to obtain Market Data from each Price Contribution Participant for CDS in respect of which they have Open Positions.

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

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 Member Sales & Relationship Management team (CDSClearMemberSalesRM@lchclearnet.com, +44 (0) 203 137 4516) 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 process.

- (a) Receipt of Price Contribution Participants' Market Data
- (b) Application of bid/ask constraint
 - Selection of Benchmark Instruments
 - Index: iTraxx Europe Main, HiVol, Cross Over ~~and~~, Senior Financials and CDX.NA.IG "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 Market 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 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

[...]

5.18.5 Trade crossing

[...]

- (b) Determination of cross trades

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

[...]