

 Instruction	N°	Title
	IV.5-4 a	THE FIXED INCOME DEFAULT MANAGEMENT PROCESS FOR TRIPARTY REPO TRANSACTIONS AND TRANSACTIONS EXECUTED ON TRADING & MATCHING PLATFORMS AND THE MTS ITALY REGULATED MARKET

Pursuant to Section 4.5.2. of the Clearing Rule Book.

Article 1 - Scope and interpretation

- 1.1 LCH SA has established a default management process (the “**Fixed Income Default Management Process**” or “**Fixed Income DMP**” and the **Triparty Repo Default Management Process**” or “**Triparty Repo DMP**”, as further defined below) for Clearing Members authorised to clear Transactions on (i) Trading and Matching Platforms and the MTS Italy Regulated Market (“**Fixed Income Transactions**”) (“**Fixed Income Clearing Members**”) and (ii) Triparty Repos (“**Triparty Repo Transactions**”) (“**Triparty Repo Clearing Members**”) which will apply following issuing of an Event of Default notice by LCH SA regarding a Fixed Income or Triparty Repo Clearing Member. The fundamental principles of the Fixed Income DMP and Triparty Repo DMP, which will be conducted separately in relation to Fixed Income Transactions and Triparty Repo Transactions respectively, are elaborated to the fullest extent possible in this Instruction. Where exhaustive detail cannot be laid out in the provisions of this Instruction, the Fixed Income DMP and Triparty Repo DMP will be undertaken on the basis of the principles contained herein.
- 1.2 LCH SA has an obligation to ensure the on-going integrity of the Fixed Income Clearing System and of Fixed Income Transactions and Triparty Repo Transactions in the interests of the non-defaulting Fixed Income Clearing Members and. Triparty Repo Clearing Members. When the occurrence of an Event of Default is notified in respect of a Fixed Income Clearing Member or Triparty Repo Clearing Member, non-defaulting Fixed Income Clearing Members and Triparty Repo Clearing Members are required to supply impartial expertise through the Fixed Income & Triparty Repo DMG and may be invited to bid for the Liquidation Portfolios of a Defaulting Clearing Member, as laid out in this Instruction. Each Fixed Income Clearing Member and/or Triparty Repo Clearing Member shall take all steps and execute all documents necessary or required by LCH SA to comply with its obligations as a Fixed Income Clearing Member and/or Triparty Repo Clearing Member arising out of this Instruction.
- 1.3 This Instruction does not apply to Special Clearing Members which are subject to Instruction IV.5-4b.
- 1.4 In this Instruction:
- "**Auction**" means the process of bidding by Invited Bidders for a Liquidation Portfolio prescribed by LCH SA following consultation with the Fixed Income & Triparty Repo DMG from time to time in accordance with Article 2.4 of this Instruction;
- "**Auction Currency**" means in relation to an Auction, the currency of a Liquidation Portfolio which is the subject of that Auction as determined in accordance with Article 2.4.2 of this Instruction;

"Competitive Auction" means an Auction whereby LCH SA requests a single price for a Liquidation Portfolio and the winning bid is the most competitive one;

"Dutch Auction" means an Auction whereby LCH SA requests prices for a percentage of the entire Liquidation Portfolio and if LCH SA decides to accept more than one bid, the price payable by all such winning bidders will be the price of the lowest bid which is accepted by LCH SA;

"Equal Bid" means a bid of the same value submitted by two or more Invited Bidders in a given Auction;

"Fixed Income & Triparty Repo Default Management Group" or **"Fixed Income & Triparty Repo DMG"** means the advisory Default Management Group established by LCH SA pursuant to the terms of this Instruction;

"Fixed Income Default Management Process Completion Date" means the date when the Fixed Income Default Management Process in relation to an Event of Default has been completed as determined by LCH SA in consultation with the Fixed Income & Triparty Repo DMG and notified to all Fixed Income Clearing Members;

"Fixed Income DMP or Fixed Income Default Management Process" means the processes of LCH SA outlined in this Instruction for Fixed Income Transactions, as the same may be supplemented and/or amended from time to time in accordance with this Instruction;

"Guidance" means guidance, in the form of one or more written notices, issued from time to time pursuant to this Instruction by or on behalf of LCH SA to Fixed Income & Triparty Repo Clearing Members, supplementing the detail or conduct of any aspect of the Fixed Income DMP and Triparty Repo DMP;

"Invited Bidder" means a non-defaulting Fixed Income Clearing Member or Triparty Repo Clearing Member invited to participate in an Auction in accordance with Article 2.4 of this Instruction;

"Liquidation Portfolio" means (i) a Portfolio; or (ii) a group of Fixed Income Transactions or Triparty Repo Transactions resulting from the splitting of a Portfolio or combination of Portfolios pursuant to Article 2.2 of this Instruction including any connected hedging trades concluded by LCH SA through Risk Mitigation;

"Market Participant" means, in respect of a specific fixed income market, a non-defaulting Fixed Income Clearing Member or Triparty Repo Clearing Member who at the time LCH SA declares an Event of Default has been authorised by LCH SA in respect of that fixed income market;

"Portfolios" means, in respect of each fixed income market, the Fixed Income or Triparty Repo Transactions in such market registered in the name of a Defaulting Clearing Member, and, where relevant, includes any connected hedging trades concluded by LCH SA through Risk Mitigation; and

"Risk Mitigation" means the process of reducing the market risk associated with a Defaulting Clearing Member's obligations to LCH SA under Fixed Income Transactions or Triparty Repo Transactions by hedging the exposure prior to the Auction process as described in Article 2.1 of this Instruction;

"Triparty Repo Default Management Process Completion Date" means the date when the Triparty Repo Default Management Process in relation to an Event of Default has been completed as determined by LCH SA in consultation with the Fixed Income & Triparty Repo DMG and notified to all Triparty Repo Clearing Members;

"Triparty Repo DMP or Triparty Repo Default Management Process" means the processes of LCH SA outlined in this Instruction for Triparty Repo Transactions, as the same may be supplemented and/or amended from time to time in accordance with this Instruction;

- 1.5 Terms used in this Instruction which are not defined herein shall have the meanings given to them in the Clearing Rules.

Article 2 - FIXED INCOME AND TRIPARTY REPO TRANSACTIONS

The Fixed Income Default Management Process and the Triparty Repo Default Management Process shall involve the stages described in this Article 2.

2.1 Risk Mitigation

LCH SA may in its sole discretion, decide to reduce the market risk associated with a Defaulting Clearing Member's obligations to LCH SA by hedging LCH SA's exposure in open Fixed Income or Triparty Repo Transactions to which the Defaulting Clearing Member is a party, prior to engaging in the preparation of the Auction process or engage in outright purchases or sales of underlying securities. LCH SA, may, for the purposes of such hedging and/or purchase/sale, in its sole discretion, apply any method or procedure it considers appropriate for such purposes.

Where LCH SA determines, in its sole discretion, that it is appropriate to do so, LCH SA may coordinate risk mitigation activities in connection with the Fixed Income DMP or Triparty Repo DMP with those of other services of LCH SA and may enter into risk mitigation trades across its clearing services or with other central counterparties within the same corporate group as LCH SA, provided that such trades are executed at market conditions.

Fixed Income Clearing Members and Triparty Repo Clearing Members agree that information regarding risk mitigation trades entered into by LCH SA are confidential and must not be disclosed other than as reasonably required to be able to execute such trades.

2.2 Portfolio Combination and Splitting

LCH SA, in consultation with and with the assistance of the Fixed Income & Triparty Repo DMG, shall determine the composition of each Liquidation Portfolio and shall have the discretion to divide a Portfolio into two or more individual Liquidation Portfolios or to combine two or more Portfolios into a single Liquidation Portfolio with the aim of facilitating the efficiency of, and reducing the risk associated with, the Auction process described in Article 2.4 of this Instruction. The overriding principle is that LCH SA will structure Liquidation Portfolios with the intention of ensuring a Fixed Income DMP and a Triparty Repo DMP which best protect the resources of LCH SA. Therefore, nothing in this Article 2.2 shall be deemed to imply that LCH SA is under any obligation to split a particular Portfolio of a Defaulting Clearing Member (regardless of the number of Fixed Income or Triparty Repo Transactions that such Portfolio contains). Any losses or costs incurred from Risk Mitigation shall be considered losses of the Defaulting Clearing Member and taken into account for the purposes of loss attribution in accordance with article 4.5.2.7 of the Rule Book and article 2.5 of this Instruction.

2.3 Direct Purchase or Sale – Cross Trades

- 2.3.1 LCH SA may directly buy or sell assets or dispose of Liquidation Portfolios outside of Auctions if, in its sole opinion, it considers that, in the circumstances or for timing reasons, or if an Auction will not be the most effective means of liquidating such assets or Liquidation Portfolios, is likely to fail or if LCH SA determines (in consultation with the Fixed Income & Triparty Repo DMG) that it will not be possible to complete any relevant Auction in a timely and efficient manner and without putting the resources

available pursuant to Article 4.5.2.7 (iv) to 4.5.2.7 (v)(b) of the Clearing Rule Book at risk.

- 2.3.2 LCH SA may, to the extent it has not been possible to liquidate an Open Position by way of Auction or direct purchase or sale in accordance with paragraph 2.3.1 and article 2.4, enter into trades across its clearing services or, with other central counterparties within the same corporate group as LCH SA, provided that such trades are executed at market conditions.

2.4 Auction

- 2.4.1 If LCH SA, in consultation with the Fixed Income & Triparty Repo DMG, decides to dispose of a Liquidation Portfolio by way of Auction, it shall, in its discretion, but after consultation with the Fixed Income & Triparty Repo DMG, identify up to 15 non-defaulting Fixed Income Clearing Members and/or Triparty Repo Clearing Members who will be invited to bid in each Auction and shall invite such Invited Bidders to submit bids for such Liquidation Portfolio. All Fixed Income Clearing Members and Triparty Repo Clearing Members accepting to participate in an Auction agree to be bound by the Terms and Conditions for Participating in Auctions set out in Annex 1 to this Instruction.
- 2.4.2 LCH SA, in consultation with the Fixed Income & Triparty Repo DMG, shall prescribe such procedures (in addition to, instead of, or to vary those set out herein) for the conduct of the Auction process, including the choice of type of Auction or selection of Invited Bidders, as it considers reasonably appropriate from time to time. LCH SA and the Fixed Income DMG shall determine the Auction Currency in respect of the relevant Auction.
- 2.4.3 LCH SA shall notify each Invited Bidder of all details that may be reasonably required in relation to a Liquidation Portfolio prior to the relevant Auction.
- 2.4.4 The Auction process may take place over a number of days and Auctions of different Liquidation Portfolios may take place at different times.
- 2.4.5 Bids may be submitted for a Competitive Auction at a price at which the relevant Invited Bidder is willing to take on the entire relevant Liquidation Portfolio and prices will be ranked in accordance with the value of the bid.
- 2.4.6 If the Auction is specified by LCH SA to be a Dutch Auction, Bids shall be submitted as a price at which the relevant Invited Bidder is willing to take on a specified percentage of the Liquidation Portfolio, and all bids will be ranked in accordance with the price per percentage represented by that bid. LCH SA shall be entitled to round up or round down nominal amounts received by successful Invited Bidders in order to ensure that successful bids comply with LCH SA's requirements on minimum transaction sizes and this may impact the price paid by successful Invited Bidders.
- 2.4.7 LCH SA will have full discretion in deciding whether or not to accept one or more bids in an Auction for part or all of the Liquidation Portfolio.
- 2.4.8 If LCH SA does accept one or more bids, and if the Auction is specified to be a Dutch Auction, the price paid by the relevant winning bidders will be the same. Therefore, if LCH SA decides to accept more than one bid, the price payable by all such winning bidders will be the price of the lowest bid which is accepted by LCH SA. In the event that two or more Invited Bidder submit an Equal Bid, LCH SA may, subject to its discretion to reject one or more such Equal Bids, split the relevant Liquidation Portfolio between the relevant Invited Bidders who submitted Equal Bids on an individual trade-by-trade basis. LCH SA may choose to accept a bid in respect of a smaller proportion of a Liquidation Portfolio than that which an Invited Bidder specified in its bid.

- 2.4.9 In the case of an Auction in which no bid is accepted or received (as the case may be), or in which the bids accepted by LCH SA are for less than the whole Liquidation Portfolio, one or more further Auctions may, at the discretion of LCH SA, be held in relation to the relevant Liquidation Portfolio or that part of the Liquidation Portfolio which remains.

As soon as practicable following an Auction:

- (a) in the event that one or more bids were accepted, LCH SA will notify all the Invited Bidders who participated in the Auction that one or more bids were accepted and shall notify the Invited Bidders who submitted the accepted bids that their bids were accepted; and
- (b) in the event that no bid was accepted, or the accepted bids were for less than the whole Liquidation Portfolio, LCH SA will notify such Fixed Income Clearing Members or Triparty Repo Clearing Members as determined by LCH SA in consultation with the Fixed Income & Triparty Repo DMG of the details of any further Auction.
- 2.4.10 All Invited Bidders agree to use all reasonable efforts to make a bid in an Auction for a Liquidation Portfolio in respect of which such Fixed Income Clearing Member or Triparty Repo Clearing Member is a market participant.
- 2.4.11 LCH SA reserves the right to discretionarily cancel an Auction at any time and at any stage of the Auction Process and shall inform the Invited Bidders promptly of its decision. LCH SA shall be free in such a case to dispose of the Liquidation Portfolio (which it shall be free to split or combine with another Liquidation Portfolio) by way of a new Auction or direct purchase or sale in accordance with Article 2.3 above.

2.5 Loss Attribution

- 2.5.1 In the course of the Fixed Income DMP or Triparty Repo DMP, LCH SA will determine whether the losses to be incurred are such that the non-defaulting Fixed Income Clearing Members' or Triparty Repo Clearing Members' contributions to the Fixed Income Default Fund or Triparty Repo Default Fund and other resources mentioned in Article 4.5.2.7 (v) of the Clearing Rule Book must be utilised.

Article 3 - CLOSE-OUT, TRANSFER OF CASH FLOWS AND REGISTRATION OF POSITIONS

- 3.1 Following the disposal of part or all of a Liquidation Portfolio by way of Auction or otherwise (and notwithstanding that other Liquidation Portfolios of the Defaulting Clearing Member may not yet have been auctioned) LCH SA, will, with the co-operation of the relevant non-defaulting Fixed Income Clearing Members or Triparty Repo Clearing Members, close out the Open Positions of the Defaulting Clearing Member, and register new Transactions or novate rights and obligations in the name of the Fixed Income Clearing Members and Triparty Repo Clearing Members whose bids or sale or purchase offers were accepted in respect of that Liquidation Portfolio, where such Transactions are registered and cleared by LCH SA. In such case, the Transactions and corresponding Trade Legs will be registered in the House Account(s) of the non-defaulting Clearing Member and will be governed by the Clearing Rules.
- 3.2 LCH SA shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances in relation to the above. Non-defaulting Fixed Income Clearing Members or Triparty Repo Clearing Members will be required to exercise best endeavours to comply with such requirements as may be established by LCH SA, including but not limited to the payment of any sums due as a result of the winning bid or successful sale or purchase offer and the provision of cover in an amount required by LCH SA for Initial Margin, Variation Margin and additional margin in respect of positions which are to be registered in their names. LCH SA agrees that in such procedures it shall make provision for set-off by LCH SA of amounts owed by LCH SA to the non-defaulting Fixed

Income Clearing Member or Triparty Repo Clearing Member as a result of the operation of the Fixed Income DMP or Triparty Repo DMP against sums owed by the non-defaulting Fixed Income Clearing Member or Triparty Repo Clearing Member to LCH SA in respect thereof.

Article 4 - INFORMATION REGARDING THE FIXED INCOME DMP & TRIPARTY REPO DMP

Whenever the Fixed Income DMP or Triparty Repo DMP is implemented by LCH SA in respect of a Defaulting Clearing Member, LCH SA will, with the assistance of the Fixed Income & Triparty Repo DMG, provide such ongoing information to Fixed Income Clearing Members or Triparty Repo Clearing Members as LCH SA deems reasonably appropriate in respect of the progress of the Fixed Income DMP or Triparty Repo DMP.

Nothing in this Article 0 shall require LCH SA to disclose information in respect of the Fixed Income DMP or Triparty Repo DMP which, in the reasonable opinion of LCH SA, may be subject to obligations of confidentiality or professional secrecy, may constitute market sensitive data or is, in LCH SA's reasonable opinion, inappropriate for disclosure to Fixed Income Clearing Members or Triparty Repo Clearing Members.

Article 5 - MISCELLANEOUS

LCH SA may from time to time supplement the details of any of the stages set out in Article 0 of this Instruction or any other aspects of the Fixed Income DMP or Triparty Repo DMP, in consultation with the Fixed Income & Triparty Repo DMG, either by way of further Guidance or immediately on notice to non-defaulting Fixed Income Clearing Members or Triparty Repo Clearing Members on a case-by-case basis where LCH SA deems it appropriate in the circumstances of the Event of Default, provided that LCH SA may not take any such action that effects a material change to the terms of this Instruction without the written consent of 50% of all non-defaulting Fixed Income Clearing Members and/or Triparty Repo Clearing Members unless such change is invoked unilaterally against all non-defaulting Fixed Income Clearing Members and/or Triparty Repo Clearing Members and is necessary to manage LCH SA's risk or otherwise to meet LCH SA's continuing regulatory obligations. LCH SA agrees that, in the ordinary course, it shall discuss any such Guidance with the Fixed Income & Triparty Repo DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (i) the Guidance is not material to the rights and obligations of the non-defaulting Fixed Income Clearing Members or Triparty Repo Clearing Members or (ii) LCH SA deems it inappropriate to do so in the circumstances of the Event of Default and it is not possible to convene the Fixed Income & Triparty Repo DMG in a timely fashion.

5.1 The timetable for implementation of the stages of the Fixed Income DMP or Triparty Repo DMP following the notification of an Event of Default by LCH SA shall be either (1) as prescribed by LCH SA from time to time in consultation with the Fixed Income & Triparty Repo DMG and set out in a Guidance; or (2) imposed by LCH SA without prior notice to the non-defaulting Fixed Income Clearing Members or Triparty Repo Clearing Members on a case-by-case basis where LCH SA, in consultation with the Fixed Income & Triparty Repo DMG, deems it appropriate in the circumstances of the Event of Default.

5.2 LCH SA shall not have any liability whatsoever to any Clearing Member or to any other person (including, without limitation, any Client or (Associated) Trading Member) in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Clearing Member or any other person, as the case may be, as a result of the occurrence and management of an Event of Default, including pursuant to this Instruction.

Article 6 - ROLE AND CONSTITUTION OF FIXED INCOME & TRIPARTY REPO DMG

6.1 The Fixed Income & Triparty Repo DMG shall meet at regular intervals (such meetings may be held physically, by telephone, or by video conference between different locations) in order to:

- 6.1.1 keep under review the Fixed Income DMP and Triparty Repo DMP, together with any Guidance issued in respect thereof;
- 6.1.2 keep under review the terms of reference of the Fixed Income and Triparty Repo DMG to ensure they remain appropriate;
- 6.1.3 consider appropriate supplements or amendments to the Fixed Income DMP and Triparty Repo DMP and/or Guidance in order to improve the procedures in place; and
- 6.1.4 consider any other business relevant to the Fixed Income DMP or Triparty Repo DMP which any member of the Fixed Income & Triparty Repo DMG from time to time sees fit to raise at such meetings.

6.2 The members of the Fixed Income & Triparty Repo DMG shall also meet within one hour, or as soon as reasonably practical, following notification by LCH SA that an Event of Default has been declared in relation to a Fixed Income Clearing Member or Triparty Repo Clearing Member, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist LCH SA in the implementation of the Fixed Income DMP or Triparty Repo DMP as contemplated under this Instruction. Such implementation shall include, without limitation, the provision of general default management advice with regard to: (1) the ongoing obligations of LCH SA to its non-defaulting Fixed Income Clearing Members or Triparty Repo Clearing Members; (2) the hedging and closing-out of the individual obligations of the Defaulting Clearing Member; and (3) the splitting of Portfolios and the disposal of Liquidation Portfolios in accordance with the Fixed Income DMP or Triparty Repo DMP.

6.3 The Fixed Income & Triparty Repo DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by LCH SA which shall ensure that the composition is such as to provide effective review of the Fixed Income DMP and Triparty Repo DMP and suitable expertise and representation of market-making capacity in the event of an Event of Default:

- 6.3.1 the Head of Fixed Income at LCH SA (or his or her deputy), who shall act as chairman;
- 6.3.2 representatives of at least two Fixed Income Clearing Members and two Triparty Repo Clearing Members, being senior executives with appropriate skills and expertise;
- 6.3.3 one or more representative(s) of LCH SA's risk department;
- 6.3.4 a member of the CaLM group at LCH SA or other employee of LCH SA authorised to represent the CaLM group;
- 6.3.5 in the event of the issuance of an Event of Default notice, a representative of the Defaulting Clearing Member may be invited to join the Fixed Income & Triparty Repo DMG to assist its work; and
- 6.3.6 such other individuals as the Fixed Income & Triparty Repo DMG considers appropriate from time to time in relation to individual meetings.

Where LCH SA has appointed any representative of any Fixed Income Clearing Member or Triparty Repo Clearing Member to be a member of the Fixed Income & Triparty Repo DMG, such Fixed Income Clearing Member or Triparty Repo Clearing Member shall be obliged to make its representative promptly available for that purpose. Where this is not possible for the reason described in 6.6, it shall nominate an

alternative representative of suitable trading experience to participate in the Fixed Income & Triparty Repo DMG. It is expected that representation on the Fixed Income & Triparty Repo DMG will be preceded by participation in a DMP fire drill.

There is no quorum for meetings of the Fixed Income & Triparty Repo DMG in the circumstances of an Event of Default of a Fixed Income Clearing Member or Triparty Repo Clearing Member provided that the Chairman and one member of the risk department of LCH SA at Director level or above are present.

- 6.4 For the purpose of Fixed Income & Triparty Repo DMG meetings convened to deal with a specific Defaulting Clearing Member, LCH SA may, after consultation with the Fixed Income DMG, invite the Defaulting Clearing Member to nominate one or more representatives to join the Fixed Income & Triparty Repo DMG to assist it in carrying out its functions in the Fixed Income DMP or Triparty Repo DMP for that Defaulting Clearing Member, and also request representatives from any other Fixed Income Clearing Members or Triparty Repo Clearing Members. In the event of receiving such request, the Fixed Income Clearing Member or Triparty Repo Clearing Member shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the Fixed Income Clearing Member or Triparty Repo Clearing Member were a member of the Fixed Income & Triparty Repo DMG.
- 6.5 In establishing the Fixed Income & Triparty Repo DMG, LCH SA agrees that in the normal course of events (not including the declaration by LCH SA of an Event of Default) it will, as far as practicable, subject to the need for continuity and experience in the Fixed Income & Triparty Repo DMG, in particular in connection with specific issuers or products, and in accordance with the terms of reference of the Fixed Income & Triparty Repo DMG, aim to rotate the membership of the Fixed Income & Triparty Repo DMG on a regular basis amongst Fixed Income Clearing Members and Triparty Repo Clearing Members. The Fixed Income Clearing Member or Triparty Repo Clearing Member agrees that, when requested to do so by LCH SA, it will make available a representative to participate in the Fixed Income & Triparty Repo DMG. LCH SA shall agree with the Fixed Income Clearing Member or Triparty Repo Clearing Member the identity of such representative and shall be able to request a substitute where it believes the Fixed Income Clearing Member's or Triparty Repo Clearing Member's nominated representative does not have the requisite skills or expertise.
- 6.6 Each Fixed Income Clearing Member or Triparty Repo Clearing Member who makes available a representative to serve on the Fixed Income & Triparty Repo DMG agrees, and shall procure that its representative agrees:
 - 6.6.1 to ensure that such representative will be fully available, subject only to absence from office, at any time and for such periods of time as LCH SA may require during the course of an Event of Default, to perform his function as a member of the Fixed Income & Triparty Repo DMG including attending meetings, considering and advising LCH SA upon aspects of the Fixed Income DMP and Triparty Repo DMP. The Fixed Income Clearing Member or Triparty Repo Clearing Member shall ensure that a representative's other work commitments do not affect his availability for this purpose;
 - 6.6.2 to take all steps to respect the confidential capacity in which such a representative receives information through the Fixed Income & Triparty Repo DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the Fixed Income DMP and Triparty Repo DMP of any such confidential information by the Fixed Income Clearing Member or Triparty Repo Clearing Member, its representative or any third party. Such procedures shall normally include, without limitation, the establishment of information barriers within the Fixed Income Clearing Member or Triparty Repo Clearing Member; and
 - 6.6.3 to be bound by and to ensure that it and any of its executives or directors serving on the Fixed Income & Triparty Repo DMG complies with the requirements contained in the Clearing Rules.

- 6.7 Each Fixed Income Clearing Member and Triparty Repo Clearing Member shall accept that:
- 6.7.1 representatives of Fixed Income Clearing Members and Triparty Repo Clearing Members serving on the Fixed Income & Triparty Repo DMG are doing so in order to assist LCH SA in ensuring the on-going integrity of the Fixed Income and Triparty Repo Clearing Services in the interests of non-defaulting Fixed Income Clearing Members and Triparty Repo Clearing Members; and
 - 6.7.2 representatives of Fixed Income Clearing Members and Triparty Repo Clearing Members serving on the Fixed Income & Triparty Repo DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the Fixed Income DMP and Triparty Repo DMP, provided, however, that nothing in this Article 6.7.2 shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers.
- 6.8 LCH SA agrees that, in exercising its rights and obligations in consulting with the Fixed Income & Triparty Repo DMG pursuant to this Instruction, it will use all reasonable efforts to agree a common position with the Fixed Income & Triparty Repo DMG, provided that nothing in this Article shall prevent LCH SA acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its regulatory obligations. For the avoidance of doubt, it is understood and acknowledged that the final decision regarding risk management shall always rest with LCH SA.
- 6.9 LCH SA may run Fixed Income DMP and Triparty Repo DMP "fire-drills" from time to time. Fixed Income Clearing Members and Triparty Repo Clearing Members will be required to actively participate in a fire-drill when requested to do so by LCH SA. Those required to participate in a fire-drill will be limited to the top 90% of Fixed Income Clearing Members and Triparty Repo Clearing Members based on total Initial Margin of the previous three months. The fire-drill list of potential participant Fixed Income Clearing Members and Triparty Repo Clearing Members will, if necessary, be refreshed on a semi-annual basis by LCH SA.

ANNEX 1 – TERMS AND CONDITIONS FOR PARTICIPATION IN THE FIXED
INCOME & TRIPARTY REPO DMG

General obligations of the Clearing Member

1 Confidentiality

1.1 The Clearing Member agrees that, in consideration of being provided confidential information or material (the “**Confidential Information**”) for the proper fulfillment of its duties under the Fixed Income DMP and the Triparty Repo DMP, even in the course of a “fire drill” (the “**Permitted Purpose**”), it will keep all such Confidential Information in the strictest confidence, will not disclose it to any person without the prior written permission of the managing director of the LCH SA risk management department, providing always that the Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Information if:

1.1.1 It comes into the public domain other than through a breach by the Clearing Member of the provisions hereof; or

1.1.2 The Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Information in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the Clearing Member.

1.2 The Clearing Member further agrees that it will not use any Confidential Information for any purpose other than the Permitted Purpose. In this regard the Clearing Member expressly acknowledges and agrees that the Confidential Information may contain commercially sensitive information which if used inappropriately might result in the gaining of an unfair commercial advantage by the Clearing Member over other Clearing Members or other market participants.

1.3 Subject to paragraph 1.5, the Clearing Member may disclose any Confidential Information to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Information for the Permitted Purpose (and to that extent only), provided that the Clearing Member notifies the managing director of the LCH SA risk management department prior to such disclosure.

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

1.5 This paragraph and the duties hereunder shall survive the termination of the Fixed Income DMP and Triparty Repo DMP and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Information was first provided to the Clearing Member, without prejudice to confidentiality obligations under any applicable law which would prevent the Clearing Member from disclosing or using any Confidential Information otherwise than pursuant to and in accordance with paragraphs 1.1 to 1.4 above.

2 Secrecy

2.1 Except in accordance with the terms of this Annex, the Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

2.1.1 Confidential Information;

2.1.2 the fact that it has received any Confidential Information;

2.1.3 the existence of any discussions or negotiations between the parties in this matter.

2.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the foregoing. Subject only to the Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 1.1.1 and 1.1.2.

2.2 LCH SA undertakes to ensure that the Clearing Member is fully apprised of information on the Fixed Income DMP and Triparty Repo DMP that it makes public and which is accordingly of relevance to the Clearing Member's obligations.

3 Property

The parties acknowledge that the property in the Confidential Information (or any part of it) shall not pass to the Clearing Member or any Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the Clearing Member or any Clearing Member unless expressly so agreed by LCH SA in writing.

4 Return of Confidential Material

Upon request by LCH SA, and in any event upon fulfilment of the Permitted Purpose, the Clearing Member shall promptly return to LCH SA by a secure method of transportation all or any part of the Confidential Information and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Information, or shall destroy such information and shall certify to LCH SA in writing that it has done so provided that the Clearing Member is permitted to retain copies of any Confidential Information which it requires for legal or regulatory reasons.

5 No Representations or Warranties; No Conflict of Interest

5.1 The Confidential Information is disclosed by LCH SA without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

5.2 LCH SA acknowledges and agrees that, subject to compliance with the terms of this Annex by the Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Annex, the Clearing Member's participation in the Fixed Income DMP or the Triparty Repo DMP shall not prevent the Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the Clearing Member may subsequently learn are the subject of Confidential Information and, furthermore, LCH SA agrees that it shall not be able to assert that the Clearing Member has a conflict of interest in doing so nor shall LCH SA have a claim or action in respect of the foregoing against the Clearing Member or any of its directors, employees or other representatives.

6 Remedies

Without affecting any other rights or remedies that LCH SA may have, the Clearing Member acknowledges that LCH SA may be irreparably harmed by any breach of the terms of the Fixed Income DMP and Triparty Repo DMP and that damages alone may not necessarily be an adequate remedy. Accordingly, LCH SA will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce the Fixed Income & Triparty Repo Default Management Process.

General Terms of Participation in the Fixed Income & Triparty Repo DMG

7 Conflict of interest

The Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the Fixed Income & Triparty Repo DMG, he shall promptly report his view to the Chairman

of the Fixed Income & Triparty Repo DMG, who shall act accordingly, taking the advice of other Fixed Income DMG members as appropriate.

8 Confidentiality obligations of Clearing Member Representative

8.1 Subject to paragraph 8.3 below, the Clearing Member shall procure that its representative(s) on the Fixed Income & Triparty Repo DMG shall keep all Confidential Information strictly confidential to himself (themselves) and will not disclose it to any person who is not a representative of a Fixed Income & Triparty Repo DMG member (including, for the avoidance of doubt, the Clearing Member who recommended his appointment to the Fixed Income & Triparty Repo DMG or his employer (if different) or any other employee, adviser, officer or fellow worker of that Clearing Member, of the representative or his employer) without the prior written permission of the managing director of LCH SA's risk management department or his properly authorised delegate, providing always that the representative of the Fixed Income & Triparty Repo DMG member shall be relieved of such an obligation of confidentiality in respect of any Confidential Information if it comes into the public domain in the circumstances covered in paragraphs 1.1.1 and 1.1.2.

8.2 Subject to paragraph 8.3 below, the Clearing Member shall procure that its representative on the Fixed Income & Triparty Repo DMG shall not use any Confidential Information for any purpose other than the proper fulfilment of his duties as a representative of a Fixed Income & Triparty Repo DMG Member.

8.3 The parties acknowledge that, where LCH SA has declared an Event of Default in accordance with Chapter 5 of Title IV of the Clearing Rule Book, the representative of the Fixed Income & Triparty Repo DMG member may be required by a Clearing Member and/or his employer (if different) to provide certain services to LCH SA in the management of the Event of Default. In such event, and only in such event, the parties acknowledge that the representative of the Fixed Income & Triparty Repo DMG member shall be entitled to disclose any part or parts of the Confidential Information as may be agreed by LCH SA, in such manner and form and in accordance with such procedures as may be prescribed by LCH SA and/or the Fixed Income & Triparty Repo DMG with regard to the management of that Event of Default.

8.4 Upon request by LCH SA, and in any event upon termination of the membership of the Fixed Income & Triparty Repo DMG member, the Clearing Member shall procure that its representative on the Fixed Income & Triparty Repo DMG shall promptly return to LCH SA by a secure method of transportation all or any part of the Confidential Information and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Information, or shall destroy such information and shall certify to LCH SA in writing that it has done so, provided that the Fixed Income & Triparty Repo DMG member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

9 Representation and warranty

The Clearing Member represents and warrants that it will procure that:

9.1 the Clearing Member and the Fixed Income & Triparty Repo DMG Member's representative's employer (if different) are aware of the obligations of confidentiality arising out of the Fixed Income and Triparty Repo Default Management Process; and

9.2 nothing in the Fixed Income DMP and Triparty Repo DMP will cause the Fixed Income & Triparty Repo DMG member's representative to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Clearing Member or to his employer, if different, or any other contract counterparty of the Fixed Income & Triparty Repo DMG Member.