

 Instruction	N°	Title
	II.5-1	RESIGNATION AND RETIREMENT FOR AGENT MEMBERS AND SPONSORED MEMBERS

Pursuant to Section 2.5.4 of the Clearing Rule Book.

CHAPTER 1 DEFINITIONS

Article 1

For the purposes of this Instruction, the following definitions will apply:

Aggregate Excess Loss means, in relation to an Event of Default, the aggregate amount of all Excess Losses attributable to all types of Clearing Services in relation to Product Groups in which the Defaulting Sponsored Member was engaged.

Excess Loss means, in relation to any Clearing Service in relation to a Product Group and any Event of Default, the net sum or aggregate of net sums calculated by LCH SA to be payable by the Defaulting Sponsored Member in respect of such Clearing Service, less: (a) the proportion of the Capped Amount applicable to such Clearing Service pursuant to Article 4.5.2.7(v) of the Clearing Rule Book; and (b) any sums then immediately payable in respect of losses resulting from an Event of Default for that Clearing Service by any insurer, guarantor, or provider of analogous services under any policy of insurance or analogous instrument written in favour of LCH SA.

Resignation Effective Date means the date on which the termination of a Resigning Sponsored Member's Sponsored Member status or of a Resigning Agent Member's Agent Member status (as applicable) in respect of a specific Clearing Service or Sponsored Member/Agent Member relationship becomes effective, as specified in this Instruction.

Resigning Agent Member means at any time any Agent Member: (i) who has given notice to LCH SA for the purposes of resigning from a particular Clearing Service or Sponsored Member/Agent Member relationship; or (ii) in respect of whom LCH SA has given notice for the purposes of requiring such Agent Member to resign from a particular Clearing Service or Sponsored Member/Agent Member relationship.

Resigning Sponsored Member means at any time any Sponsored Member: (i) who has given notice to LCH SA for the purposes of resigning from a particular Clearing Service or Sponsored Member/Agent Member relationship; or (ii) in respect of whom LCH SA has given notice for the purposes of requiring such Sponsored Member to resign from a particular Clearing Service or Sponsored Member/Agent Member relationship.

Retirement Effective Date means the date on which the termination of a Retiring Sponsored Member's or Retiring Agent Member's Sponsored Member or Agent Member status (as applicable) becomes effective, as specified in this Instruction.

Retiring Agent Member means at any time any Agent Member or, as the context may require, any former Agent Member: (i) who has given notice to terminate its Agent Member status to LCH SA; or (ii) in respect of whom LCH SA has terminated or given notice to terminate its Agent Member status.

Retiring Sponsored Member means at any time any Sponsored Member or, as the context may require, any former Sponsored Member: (i) who has given notice to terminate its Sponsored Member

status to LCH SA; or (ii) in respect of whom LCH SA has terminated or given notice to terminate its Sponsored Member status.

CHAPTER 2 RESIGNATION

Article 2

Subject to Article 3 below, a Sponsored Member or Agent Member may resign from a particular Clearing Service (in respect of the Fixed Income Securities Product Group and/or Baskets Product Group) or in respect of its Sponsored Member/Agent Member relationship upon giving no less than ten Clearing Days written notice to LCH SA and its corresponding Agent Member or Sponsored Member (as applicable), by completing a resignation letter, a form of which can be obtained from LCH SA, provided that LCH SA may, at its discretion, agree with a Resigning Sponsored Member or Resigning Agent Member a notice period of less than ten Clearing Days. Such resignation takes effect on the Resignation Effective Date, which is the later of:

- (i) the resignation date as confirmed by LCH SA, following receipt of written notice to LCH SA in relation to the relevant Clearing Service or Sponsored Member/Agent Member relationship; and
- (ii) (A) with respect to a Sponsored Member, the date on which all Open Positions registered in the Resigning Sponsored Member's name on the relevant Clearing Service or all Open Positions registered in respect of its Sponsored Member/Agent Member relationship have been closed-out, so as to ensure that there are no remaining Open Positions in respect of the relevant Clearing Service or Sponsored Member/Agent Member relationship to which the Resigning Sponsored Member is a party, provided that LCH SA may require the Resigning Sponsored Member by prior written notice to complete such close-out of its Open Positions by the date specified in such written notice;
- (B) with respect to an Agent Member performing the Agent Member Services for its Sponsored Member(s), the date on which all Open Positions registered in the name of such Resigning Agent Member's corresponding Sponsored Member(s) on the relevant Clearing Service or all Open Positions registered in respect of its Sponsored Member/Agent Member relationship and in each case, attributable to such Resigning Agent Member have been closed-out so as to ensure that there are no remaining Open Positions attributable to the Resigning Agent Member, in respect of the relevant Clearing Service or Sponsored Member/Agent Member relationship registered in the Resigning Agent Member's corresponding Sponsored Member(s)'s name(s).

Article 3

An Agent Member performing the Back-Up Agent Services may resign from providing Back-up Agent Services in respect of its Sponsored Member/Agent Member relationship upon providing LCH SA with at least 5 hours prior-notice (during a Clearing Day), provided that if such prior-notice is given less than 5 hours before the end of a Clearing Day, the remaining period of time required in order to satisfy this pre-notice requirement, will continue on the following Clearing Day.

Such resignation shall take effect on the Resignation Effective Date, which for the purposes of this paragraph will be the Clearing Day on which the 5 hour prior-notice requirement is satisfied.

Article 4

Where an Agent Member has delivered a resignation letter to LCH SA under Articles 2 to 3 above, LCH SA will not:

- (i) accept any new Transactions for the account of any Sponsored Member of such Resigning Agent Member and attributable to such Resigning Agent Member (where such resignation is in respect of a particular Clearing Service), or

(ii) accept any new Transactions for the account of a Sponsored Member of such Resigning Agent Member and attributable to such Resigning Agent Member (where such resignation is in respect of a specific Sponsored Member/Agent Member relationship), other than Transactions which facilitate the reduction of the relevant Sponsored Member's risk with LCH SA.

Article 5

Upon LCH SA being satisfied that the Resigning Sponsored Member or Resigning Agent Member is not a Defaulting Sponsored Member or an Affected Agent Member (as applicable), and that all obligations of the Resigning Agent Member or Sponsored Member to which the relevant Collateral is capable of being applied in accordance with the Clearing Rules have been irrevocably paid or discharged in full and that no such obligations are capable of arising, LCH SA shall return or release any Collateral provided to LCH SA for the purpose of collateralizing the Resigning Sponsored Member or Resigning Agent Member's obligations (as applicable) in respect of the relevant Clearing Service or Sponsored Member/Agent Member relationship.

Article 6

Provided a Resigning Sponsored Member who is resigning from a particular Clearing Service or from a particular Agent Member is not a Defaulting Sponsored Member, such Resigning Sponsored Member's corresponding Agent Member shall be liable in respect of Aggregate Excess Losses relating to any Event of Default which arises in the relevant Clearing Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Clearing Rules, the Agent Member may be required to maintain some or all of its Contribution in connection with that Clearing Service until after the completion of the default management process related to the relevant Event of Default, notwithstanding that the relevant Resignation Effective Date might occur prior to such time.

Article 7

A Resigning Agent Member other than an Affected Agent Member who is resigning from a particular Clearing Service or from a particular Sponsored Member shall be liable in respect of Aggregate Excess Losses relating to any Event of Default which arises in the relevant Clearing Service or Sponsored Member/Agent Member relationship prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Clearing Rules, the Resigning Agent Member shall be liable in respect of Aggregate Excess Losses relating to Contributions that such Resigning Agent Member has made to the relevant Default Funds of its Sponsored Members who are not Defaulting Sponsored Members.

Article 8

A Sponsored Member and an Agent Member must at all times be approved as a Sponsored Member or an Agent Member in respect of at least one Clearing Service in relation to a Product Group, and a Sponsored Member or Agent Member may not utilize the resignation process set out above so as to resign from all (or all remaining) Clearing Services in respect of which it is a Sponsored Member or Agent Member. Where a Sponsored Member or Agent Member wishes to cease being a Sponsored Member or Agent Member in respect of all (or all remaining) Clearing Services, the retirement process set out in Articles 9 to 13 below should be used.

A Sponsored Member must at all times during its membership as a Sponsored Member, maintain its relationship with at least one Agent Member performing the Agent Member Services, and a Sponsored Member having appointed one single Agent Member may not utilize the resignation process set out above so as to resign from such Sponsored Member/Agent Member relationship without appointing another Agent Member to perform the Agent Member Services. Where such a Sponsored Member wishes to resign from such Sponsored Member/Agent Member relationship without appointing another Agent Member to perform the Agent Member Services, the retirement process set out in Articles 9 to 13 below should be used.

CHAPTER 3 RETIREMENT

Article 9

A Sponsored Member or Agent Member may, in accordance with the Sponsored Membership Agreement or Agent Membership Agreement (as applicable) [and as further described, retire from Sponsored Member or Agent Member status altogether upon giving no less than ten Clearing Days written notice to LCH SA, provided that LCH SA may, at its discretion, agree with a Retiring Sponsored Member or Retiring Agent Member a notice period of less than ten Clearing Days. Retirement takes effect on the Retirement Effective Date, which is the later of:

- (i) the retirement date as confirmed by LCH SA following receipt of written notice to LCH SA; and
- (ii) (A) with respect to a Sponsored Member, the date on which all Open Positions registered in the Retiring Sponsored Member's name have been closed-out, so as to ensure that there are no remaining Open Positions to which the Retiring Sponsored Member is a party, provided that LCH SA may require the Retiring Sponsored Member by prior written notice to complete a close-out of its Open Positions by the date specified in such written notice;
- (B) with respect to an Agent Member performing the Agent Member Services, the date on which all Open Positions registered in the name of such Retiring Agent Member's corresponding Sponsored Member(s) and attributable to such Retiring Agent Member have been closed-out, so as to ensure that there are no remaining Open Positions registered in such Retiring Agent Member's corresponding Sponsored Member(s)'s name(s).

Article 10

Where an Agent Member has delivered a written notice to LCH SA under Article 9 above, LCH SA will not accept any new Transactions for the account of any Sponsored Member of such Retiring Agent Member other than Transactions which facilitate the reduction of the relevant Sponsored Member's risk with LCH SA.

Article 11

Upon LCH SA being satisfied that the Retiring Sponsored Member or Retiring Agent Member is not a Defaulting Sponsored Member or an Affected Agent Member, and that all obligations of the Retiring Sponsored Member or Retiring Agent Member (as applicable) to which the relevant Collateral is capable of being applied in accordance with the Clearing Rules have been irrevocably paid or discharged in full and that no such obligations are capable of arising, LCH SA shall return or release any Collateral provided to LCH SA for the purpose of collateralizing the Retiring Sponsored Member or Retiring Agent Member's obligations.

Article 12

Provided a Retiring Sponsored Member is not a Defaulting Sponsored Member, such Retiring Sponsored Member's Agent Member shall be liable in respect of Aggregate Excess Losses relating to any Event of Default which arises prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Clearing Rules, the Agent Member may be required to maintain some or all of its Contribution until after the completion of the default management process related to the relevant Event of Default, notwithstanding that the Retirement Effective Date might occur prior to such time.

Article 13

A Retiring Agent Member other than an Affected Agent Member shall be liable in respect of Aggregate Excess Losses relating to any Event of Default which arises in the relevant Clearing Service prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Clearing Rules, the Retiring Agent Member shall be liable in respect of Aggregate Excess Losses relating to Contributions that such Retiring Agent Member has made to the Default Funds of its Sponsored Members who are not Defaulting Sponsored Members.

Article 14

Sponsored Members and Agent Members should contact LCH SA for further details on how to retire from Sponsored Member or Agent Member status or how to resign from a particular Clearing Service.

CHAPTER 4 RESIGNATION OR RETIREMENT AT THE INITIATIVE OF LCH SA

Article 15

LCH SA may also, by giving no less than ten Clearing Days written notice, require a Sponsored Member or Agent Member to retire from Sponsored Member or Agent Member status or to resign from one or more specific Clearing Services. Following the service of such a notice, the relevant Sponsored Member or Agent Member will become a Retiring Sponsored Member or Retiring Agent Member or a Resigning Sponsored Member or Resigning Agent Member (as the case may be) and such Retiring Sponsored Member or Resigning Sponsored Member (as applicable), will be required to close-out all Open Positions registered in its name or all Open Positions registered in its name in connection with the specified Clearing Service or Clearing Services, respectively, by the date specified in the relevant notice.

Article 16

On the occurrence of an Agent Close-out Event, LCH SA may require an Affected Agent Member to retire from Agent Member status or to resign from one or more specific Clearing Services. Such retirement or resignation shall become effective upon the later of: (i) completion of the relevant Agent Close-out MP in accordance with Chapter 6 of Title IV of the Clearing Rule Book; and (ii) when the conditions in Articles 2 to 14 above (as applicable) have been satisfied.

CHAPTER 5 PAYING AGENT RESIGNATION

Article 17

An Agent Member may, subject to the provisions of this Article, upon immediate notice to LCH SA, resign its position as an Agent Member in respect of Payment Services provided to a Sponsored Member (such Agent Member shall hereafter be deemed to be a "**Resigning (Payment Services) Agent Member**") and such resignation shall be deemed a "**Paying Agent Resignation**", provided such Resigning (Payment Services) Agent Member:

- (i) provides LCH SA with at least 5 hours prior-notice in writing (during a Clearing Day) regarding such Paying Agent Resignation; provided that if such prior-notice is given less than 5 hours before the end of a Clearing Day, the remaining period of time required in order to satisfy this pre-notice requirement, will continue on the following Clearing Day ("**Pre-Notification of Paying Agent Resignation**"); and
- (ii) provides LCH SA with notice in writing in a form satisfactory to LCH SA in respect of its corresponding Affected (Payment Services) Sponsored Member (a "**Payment Services Default Notice**"); and

- (iii) provides LCH SA with notice in writing in a form satisfactory to LCH SA in respect of such Affected (Payment Services) Sponsored Member, detailing the reasons for its Paying Agent Resignation (a **"Payment Services Resignation Notice"**).

A Resigning (Payment Services) Agent Member's Paying Agent Resignation in accordance with this paragraph shall take effect from receipt by LCH SA of both the Payment Services Default Notice and the Payment Services Resignation Notice, provided that the 5 hours prior-notice requirement referred to in paragraph (i) above is satisfied (the **"Paying Agent Resignation Effective Time"**).

Article 18

Following receipt of a Pre-Notification of Paying Agent Resignation, LCH SA shall be entitled to apply the Agent Buffer (as sized by LCH SA as at the Paying Agent Resignation Effective Time) in respect of Margin required by LCH SA for the account of an Affected (Payment Services) Sponsored Member.

Article 19

Following a Paying Agent Resignation in accordance with Article 17 above, any Margin obligations that subsequently arise will be allocated and discharged in the following manner:

- (i) such Resigning (Payment Services) Agent Member will still be required to meet the next Margin call following the Paying Agent Resignation Effective Time;
- (ii) any subsequent Margin requirements will be met by either the Affected (Payment Services) Sponsored Member or its corresponding Back-up Paying Agent.
- (iii) Without prejudice to the provisions of paragraph (ii) above, LCH SA will be entitled to apply the Agent Buffer pursuant to Article 18 above to cover any Margin requirements referred to in paragraph (ii) above;
- (iv) the Affected (Payment Services) Sponsored Member is required to notify LCH SA, no later than one hour before any Margin call referred to in paragraph (ii) above, of its decision to invoke the provision of Back-up Paying Agent Services either itself or via its Back-up Paying Agent.

Where the Affected (Payment Services) Sponsored Member has (in accordance with paragraph (iv) above), invoked the provision of Back-up Paying Agent Services via its Back-up Paying Agent, such Back-up Paying Agent is required to notify LCH SA of its acceptance as a Back-up Paying Agent, in respect of the Affected (Paying Agent Resignation) Portfolios.