

Via CFTC Portal

19 July 2018

Mrs. Parisa Abadi

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

Dear Mrs. Abadi,

Pursuant to CFTC regulation §40.6(a), LCH SA (“**LCH**”), a derivatives clearing organization (“**DCO**”) registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the amendments to the CDS Clearing Rule Book, Supplement and Procedures (the “**Rules**”) to incorporate new terms and to make conforming, clarifying and clean-up changes to implement a new electronic exercise platform (“**EEP**”) for the exercise of options by clearing members and their clients and other initiatives.

The intended date of implementation is October 15th, 2018, subject to any relevant regulatory review or approval process duly completed and in no event, the changes will be implemented earlier than ten (10) business days after the formal filing with the CFTC.

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

Part I: Explanation and Analysis

LCH SA is proposing to (i) create an EEP for credit index options (swaptions) to capture and support swaption exercise decisions by Clearing Members and Clients, (ii) create the possibility for Clients to directly exercise their swaptions cleared by LCH SA upon delegation from their Clearing Member and (iii) allow Clearing Members to request LCH SA to make certain reports available to their Clients.

The proposed EEP will provide Clearing Members and their Clients with an electronic process that will reduce the operational risk caused by manual exercise and provide an effective system to monitor and manage the exercise of swaptions. The proposed rule changes will require Clearing Members and Clients to use the EEP system to initiate the exercise of swaptions.

The EEP system will capture the exercise decisions in real time and notify the relevant swaptions sellers in real time. In addition, the EEP system will provide validation checks and will facilitate and support an anonymous exercise decision process that the current manual process is not able to achieve.

The proposed rule changes will also enable Clients to directly exercise swaptions through delegation by Clearing Members and directly receive reports upon request from Clearing Members.

In connection with the launch of the EEP, LCH SA proposes to modify its Rule Book, Supplement and Procedures to implement the EEP and manage the operational risk arising from the EEP while improving the clarity of the Rulebook, Supplement and Procedures.

Part II: Description of Rule Changes

The main amendments made to the Rules are as follows:

1) The CDS Clearing Rule Book will be amended to mainly include:

- (i) the new definitions related to the EEP, Direct Exercise and Direct Reporting initiatives;
- (ii) the exclusion of liability of LCH SA in case of: (a) wrongful exercise or abandonment of a Credit Index Option by a Client acting as Exercise Delegation Beneficiary; and (b) improper use by a third party, including a Client, of the information made available to the Clients in the reports;
- (iii) in case of exercise delegation, the obligation for a Clearing Member to ensure that: (a) it has delegated sufficient powers to the Exercise Delegation Beneficiary; and (b) the Exercise Delegation Beneficiary will exercise or abandon the Credit Index Option through the EEP (unless in case of EEP Failure Event).

2) Part C of the CDS Clearing Supplement will mainly be amended as follows:

- (i) new definitions will be created including, among others, Abandon/Abandonment, Client Portal Account, Clearing Member Portal Account, EEP, Exercise Delegation Beneficiary, Option Intent, Submission Time, Protected Exercise Matched Pair Report and Swaption Clearing Member Notice. Some definitions will be slightly amended (e.g. Exercise);
- (ii) Section 8 will be amended as follows:
 - a. provisions of Section 8 pertaining to delivery of Credit Event Notices and Notices to Exercise Movement Option and Swaption Restructuring Clearing Member Notices will be moved to Section 5;
 - b. provisions of Section 8 pertaining to Exercise Notices and Abandonment Notices will be moved to Section 6 and adapted in order to take into account the EEP Exercise or Abandonment process;
- (iii) the amended version of Section 6 will include the provisions pertaining to:
 - a. the EEP exercise process (Section 6.3);
 - b. the possibility for Clearing Members to delegate to their clients the power to Exercise or Abandon Index Swaption Cleared Transactions (Section 6.4);

- c. the fallback process in case of EEP Failure Event (Section 6.5, and a reference to the Protected Exercise Matched Pair Reports to be used in case of EEP Failure event in Section 6.1); and
 - d. the fallback process in case of Clearing Member and/or Client Communication Failure Event (Section 6.10);
- (iv) Section 13 will include an exclusion of liability of LCH SA toward a Clearing Member in relation to an Exercise or Abandonment by a Client on behalf of such Clearing Member (Section 13(b)); and
- (v) new Mandatory Provisions pertaining to the delegation of the power to Exercise of Abandon will be included in Appendix VIII, in line with the new provisions of the CDS Clearing Supplement. Mandatory Provision 7 will no longer be required due to the current initiatives.
- 3) Section 5 of the Procedures will mainly be amended as follows:
- (i) the amended version will include a new paragraph creating the ability for Clearing Members to request LCH SA to send the reports directly to Clients (paragraph 5.16); and
 - (ii) a new paragraph 5.19.1 regarding the delegation of exercise of Credit Index Options will be created; and
 - (iii) a new paragraph 5.19.2 including technical details regarding the EEP (e.g. Logicity checks) will be created.

Part III: Core Principle Compliance

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

Part IV: Public Information

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

<https://www.lch.com/resources/rules-and-regulations/proposed-rule-changes>

Part V: Opposing Views

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

Certification

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

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



Francois Faure
Chief Compliance Officer
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APPENDIX

- 1) Relevant extract of CDS Clearing Rule Book and Section 5 of the CDS Clearing Procedures including EEP provisions
- 2) CDS Clearing Supplement including EEP Provisions

**Extracts of the draft CDS Clearing Rule Book and Section 5 of the Procedures taking into account the Electronic Exercise Platform,
Direct Exercise and Direct Reporting initiatives.**

Amended provisions of the CDS Clearing Rule Book

Section 1.1.1 Terms defined in the CDS Clearing Rule Book

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

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

Client Portal Account: This term shall have the meaning set out in Section 5 of the Procedures.

Delegating Clearing Member: This term shall have the meaning set out in Section 5 of the Procedures.

Exercise Delegation: This term shall have the meaning set out in Section 5 of the Procedures.

Exercise Delegation Beneficiary: This term shall have the meaning set out in Section 5 of the Procedures.

Feeding Request: This term shall have the meaning given to it in Section 5 of the Procedures.

Article 1.2.10.3

Unless expressly stated otherwise in the CDS Clearing Documentation, LCH SA will under no circumstances be liable for any Damage, including that arising out of or in connection with any of the following:

- (i) in respect of a claim for Damages by a Clearing Member or a Client, following a total or partial failure by such Clearing Member to perform or comply with the CDS Clearing Documentation;
- (ii) any act or omission of a Clearing Member or other third party, including, without limitation, in the circumstances set out in (ix), (xviii), (xxii) or (~~xviii~~xxiii) below;
- (iii) any agreement or arrangement that a Clearing Member has entered into with a third party in connection with its activities under the CDS Clearing Documentation (including, without limitation, the CDS Client Clearing Agreement and any agreement or arrangement referred to in **Erreur ! Source du renvoi introuvable.**);
- (iv) any suspension, restriction or closure of LCH SA or its services, where required of LCH SA pursuant to Applicable Law, whether for a temporary period or otherwise;
- (v) reliance by LCH SA on any data provided to it by a Clearing Member or as may otherwise be provided to it in accordance with this CDS Clearing Rule Book, including the End of Day Contributed Prices;
- (vi) excepting any dispute arising under the CDS Dispute Resolution Protocol which may relate to whether an Original Transaction has been novated pursuant to this CDS Clearing Rule Book, any dispute arising from or in relation to any Original Transaction; including, but not limited to, any dispute as to the validity or otherwise of the Original Transaction, the terms of the Original Transaction or whether any alleged agreement or arrangement constitutes an Original Transaction;
- (vii) any failure to pre-register, or the improper pre-registration of, positions in the CDS Clearing System corresponding to an Original Transaction eligible for clearing by LCH SA because of a third party's fault or a Force Majeure Event affecting LCH SA;

- (viii) registration of Cleared Transactions in a Clearing Member's Trade Account and/or allocation of such Cleared Transactions in a Clearing Member's Margin Account where it does so on the basis of the Original Transaction Data with respect to the relevant Original Transaction;
- (ix) the quality, fitness for purpose, completeness or accuracy of End of Day Contributed Prices or composite prices/spreads;
- (x) in respect of a claim for Damages by a Defaulting Clearing Member, any decision by LCH SA to proceed with a liquidation of its Cleared Transactions or the taking of any other action pursuant to **Erreur ! Source du renvoi introuvable.** or the CDS Default Management Process (including, for the avoidance of doubt, the CDS Client Clearing DMP);
- (xi) the exercise, or failure to exercise, by LCH SA of any discretion or right conferred upon it by the CDS Clearing Documentation, including any actions taken or omitted to be taken in relation to the application of LCH SA's rights following the declaration of an Event of Default in respect of a Clearing Member;
- (xii) any statement, representation or warranty by LCH SA or any of its officers or representatives other than as expressly set out in the CDS Clearing Documentation or the CDS Admission Agreement;
- (xiii) any special, indirect or consequential Damage, including loss of custom, profit or revenues;
- (xiv) rejection of any application to become a Clearing Member;
- (xv) the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any Original Transaction details by that Approved Trade Source System to LCH SA;
- (xvi) any error within or corruption of any data sent by an Approved Trade Source System directly or indirectly to LCH SA or to a Clearing Member or any delay in or failure of the transmission of such data to LCH SA;
- (xvii) the registration of a Cleared Transaction on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System;
- (xviii) any decision of any ISDA Credit Derivatives Determinations Committee or any failure of any such committee to take any decision;

- (xix) any breach by a Clearing Member of its obligations, under any Applicable Law or otherwise resulting from the CDS Clearing Services, vis-à-vis its Clients, Affiliates or LCH SA (including, without limitation, in the case of an FCM Clearing Member, any breach of its obligations under the FCM CDS Clearing Regulations regarding segregation or any agreement or arrangement to which it is a party);
- (xx) any action or inaction on the part of any Clearing Member or third party which would prevent, impair, limit, restrict or delay the transfer or porting of Cleared Transactions or the conditions under which Cleared Transactions may be or are transferred or ported (whether in the context of an Event of Default or otherwise); ~~or~~
- (xxi) any default of an FCM Client (or, if permitted pursuant to **Erreur ! Source du renvoi introuvable.**, an Affiliate), including, without limitation, a breach by an FCM Client (or such Affiliate) of its obligations under any Applicable Law, FCM Cleared Transaction or CDS Client Clearing Agreement—;
- (xxii) in respect of a claim for Damages by a Clearing Member, following any failure of an Exercise Delegation Beneficiary to perform its obligations in relation to a delegation by a Clearing Members of the power to Exercise or Abandon Exercise Cleared Transactions in accordance with Part C of the CDS Clearing Supplement or in connection with or arising from the Exercise or Abandonment (or attempted Exercise or Abandonment) of an Exercise Cleared Transaction by such Exercise Delegation Beneficiary; or
- (xxiii) any improper use or disclosure by a third party, including a Client, of the information made available on a Client Portal Account further to a Feeding Request.

Article 5.1.1.2

CDS Client Clearing Services may be provided by a CCM to its CCM Clients on whatever terms the CCM decides should apply provided, however, that:

- (i) if that CCM is a Select Member, it shall not provide CDS Client Clearing Services to any CCM Client;
- (ii) each CCM shall, before providing CDS Client Clearing Services to any client, ensure that it has entered into a CDS Client Clearing Agreement pursuant to which the CCM Client agrees, among others, to be bound by the Mandatory Client Clearing Provisions;

- (iii) Client Cleared Transactions, Collateral provided by a CCM to LCH SA in respect of Client Cleared Transactions and CCM Client Excess Collateral if any, shall always be separately identified by the CCM to LCH SA, in accordance with Section 3 of the Procedures;
- (iv) each CCM shall be obliged to provide LCH SA with any information that LCH SA may reasonably require in relation to the CDS Client Clearing Services provided by that CCM to its CCM Clients;
- (v) a Non-U.S. CCM shall not provide CDS Client Clearing Services to any U.S. CCM Client with respect to an Original Transaction that is an SBS, as set out in Section 4 of the Procedures, and a U.S. CCM shall not provide CDS Client Clearing Services to any CCM Client with respect to an Original Transaction that is an SBS, as set out in Section 4 of the Procedures; **and**
- (vi) a CCM shall not provide CDS Client Clearing Services to any U.S. CCM Client (other than a U.S. CCM Client that is an Affiliate of the CCM) with respect to an Original Transaction that is not an SBS, unless the CCM:
 - (a) is registered with the CFTC as an FCM; and
 - (b) has provided LCH SA with an opinion of counsel confirming that the provision of CDS CCM Client Clearing Services to any U.S. CCM Client would not be contrary to Applicable Law, in form and content acceptable to LCH SA; **and**
- (vii) a CCM shall, before granting an Exercise Delegation to a CCM Client, ensure that such CCM Client has duly created a Client Portal Account.

Article 5.1.1.3

The following provisions shall constitute the Mandatory Client Clearing Provisions:

- (viii) the receipt of CDS Clearing Services from the CCM, which result in the registration of Client Cleared Transactions within such CCM's CCM Client Trade Account(s), will be governed by the applicable provisions of the CDS Clearing Documentation and the CDS Client Clearing Agreement;

- (ix) upon LCH SA's registration of Client Cleared Transactions within the CCM Client Account Structure of the relevant CCM (whether following a novation pursuant to Title III, Chapter 1, transfer of Client Cleared Transactions pursuant to Title V, Chapter 3 or porting of Relevant Client Cleared Transactions pursuant to the CDS Client Clearing DMP):
 - (a) a client transaction having the same economic terms as the Client Cleared Transaction will be deemed to arise under the CDS Client Clearing Agreement (a "**Deemed Client Transaction**") whereby: (x) if the CCM is a CDS Seller or an Index Swaption Seller under a Client Cleared Transaction, such CCM shall be a CDS buyer or an Index Swaption buyer, as applicable, and the CCM Client shall be the CDS seller or Index Swaption seller, as applicable, under the Deemed Client Transaction; and (y) if the CCM is a CDS Buyer or an Index Swaption Buyer under a Client Cleared Transaction, such CCM shall be the CDS seller or Index Swaption seller, as applicable, and the CCM Client shall be the CDS buyer or Index Swaption buyer, as applicable, under the Deemed Client Transaction, and in each case such that the CCM Client will remain in the same economic position as it had in relation to the original transaction that it entered into; and
 - (b) where the Receiving Clearing Member receives Client Assets or the Backup Clearing Member receives Ported Collateral in connection with the registration of such Client Cleared Transaction, the CCM Client shall be deemed to have provided equivalent collateral in relation to the corresponding Deemed Client Transaction in such form as is agreed between the CCM and the CCM Client;
- (x) upon the transfer of a Client Cleared Transaction to a Receiving Clearing Member in accordance with Title V, Chapter 3, the corresponding Deemed Client Transaction shall:
 - (a) be terminated for zero value; and
 - (b) in the event that Client Assets are transferred at or around the same time, in accordance with the CDS Clearing Rules, to the Receiving Clearing Member, the collateral relating to the terminated Deemed Client Transaction shall be deemed to have been returned to the CCM Client;

- (xi) upon the porting of a Relevant Client Cleared Transaction to a Backup Clearing Member in accordance with the CDS Client Clearing DMP, the corresponding Deemed Client Transaction shall:
 - (a) be terminated at the same value as the value given to the Client Cleared Transaction ported from the CCM Client Account Structure of the Defaulting Clearing Member; and
 - (b) in the event that Ported Collateral is transferred at or around the same time, in accordance with the CDS Clearing Rules, to the Backup Clearing Member, the collateral relating to the terminated Deemed Client Transaction shall be deemed to have been returned to the CCM Client;
- (xii) where a Client Cleared Transaction is liquidated in accordance with the CDS Client Clearing DMP, the corresponding Deemed Client Transaction shall be simultaneously terminated and valued using the methodology set out in the CDS Client Clearing DMP;
- (xiii) the CCM Client irrevocably consents to the benefit of the Delegation by which, under the CDS Admission Agreement, the CCM has delegated to LCH SA the obligation to pay to the CCM Client an amount equal to the CDS Client Clearing Entitlement, calculated in respect of each such CCM Client, if any. The Delegation is a *délégation imparfaite* governed by articles 1336 *et seq.* of the French Civil Code and the CDS Clearing Documentation. Accordingly, the CCM Client irrevocably acknowledges that, upon LCH SA's payment to the CCM Client under the Delegation, the CCM is discharged pro tanto from paying to the Client an amount equal to the CDS Client Clearing Entitlement automatically without further notice;
- (xiv) the Client undertakes to return to the CCM any amounts received from LCH SA pursuant to the Delegation where such amounts exceed the amount which is due from the CCM to the CCM Client in relation to the clearing of CDS and/or Index Swaptions, as applicable, through the CDS Clearing Service in accordance with the CDS Client Clearing Agreement;
- (xv) following an LCH Default, each Deemed Client Transaction shall be valued using the methodology set out in Articles 1.3.1.4 to 1.3.1.6 and closed out simultaneously with the corresponding Client Cleared Transaction;
- (xvi) where compression of Client Cleared Transactions is undertaken by LCH SA in accordance with Title III, Chapter 3, equivalent compression of the associated Deemed Client Transactions will be undertaken by the CCM;

- (xvii) LCH SA is authorised to make disclosure of information in accordance with the applicable provisions of the CDS Clearing Documentation;
- (xviii) the CCM Client represents that it shall comply at all times with the CDS Clearing Documentation as it applies to the CCM Client and shall not act so as to cause, whether directly or indirectly, a breach of the CDS Clearing Documentation;
- (xix) save in the context of the Delegation and its right to receive an amount equal to the CDS Client Clearing Entitlement, the CCM Client has no contractual nexus with LCH SA and is not deemed to be party to, or participant in, the CDS Clearing Documentation;
- (xx) LCH SA will:
 - (a) rely on the latest documentation and information received by LCH SA from the CCM, in accordance with Title 2, Chapter 2 and Section 1 of the Procedures, for the purpose of the payment of the relevant CDS Client Clearing Entitlement to the Client; and
 - (b) have no liability provided it has relied on such latest documentation and information;
- (xxi) where Collateral is transferred by the CCM in satisfaction of the applicable CCM Client Margin Requirement, the CCM Client shall not be entitled to assert any claim to the Collateral in circumstances where the assertion of such a claim would delay or inhibit the disposal of such Collateral by LCH SA and/or the application of the proceeds of sale of such Collateral in accordance with the provisions of the CDS Clearing Documentation and Applicable Law;
- (xxii) LCH SA deals only with the CCM and the CCM Client shall have no right or authority to deal directly with LCH SA or to request any information from LCH SA save as otherwise provided by the CDS Clearing Documentation or any Applicable Law;
- (xxiii) the Client shall answer, and authorises the CCM to answer, inquiries made by LCH SA concerning the CDS Client Clearing Services pursuant to Articles L. 440-10 and L. 511-33 of the French Monetary and Financial Code;
- (xxiv) to the extent the Market LCH Settlement Prices and/or the LCH Settlement Prices are provided to the CCM Client, the Client shall:

- (a) use such Markit LCH Settlement Prices and/or the LCH Settlement Prices internally and solely in connection with its clearing functions; and
- (b) only be permitted to provide the Markit LCH Settlement Prices and/or the LCH Settlement Prices to an affiliate or a client of its own if: (1) it does so at no cost; (2) the Markit LCH Settlement Prices and/or the LCH Settlement Prices are provided for the affiliate or client to use internally and solely in connection with their respective clearing functions; and (3) the Markit LCH Settlement Prices and/or the LCH Settlement Prices are identifiable as such;

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

- (xxv) the CCM Client agrees to indemnify and hold the CCM and/or LCH SA harmless from and against any and all loss, liability, damage, cost, penalty, fine, tax or expense (including, without limitation, reasonable attorney's fees, costs of collection, and any reasonable cost incurred in successfully defending against any claim) incurred by the CCM and/or LCH SA in connection with the indirect clearing arrangement referred to in **Erreur ! Source du renvoi introuvable.** below and/or in connection with the provisions of the CDS Clearing Documentation applicable to indirect clearing and in particular **Erreur ! Source du renvoi introuvable.**, **Erreur ! Source du renvoi introuvable.**, **Erreur ! Source du renvoi introuvable.**, **Erreur ! Source du renvoi introuvable.** and **Erreur ! Source du renvoi introuvable.** below; ~~and~~
- (xxvi) in respect of CCMs intending to allow their CCM Clients to provide indirect clearing services to their own clients in relation to the CDS Clearing Service:
 - (a) if the CCM Client intends to provide indirect clearing services to its own clients in relation to the CDS Clearing Service, it shall, before providing such indirect clearing services, ensure that the indirect clearing arrangement it intends to enter into with its own clients (x) is legally enforceable; and (y) contains, among others, the Mandatory Indirect Client Clearing Provisions set out in **Erreur ! Source du renvoi introuvable.**; and
 - (b) where a CCM Client has CCM Indirect Clients, the CCM Client:

- (x) must promptly put into effect any requirement imposed upon it by LCH SA or the CCM in relation to the indirect clearing arrangements in place with the CCM Indirect Clients; and
- (a) (y) must make all information reasonably requested by the CCM (as a result of a request made by LCH SA to the CCM) available to the CCM upon demand;

(xxvii) in respect of a CCM granting an Exercise Delegation to a CCM Client:

- (a) the CCM shall delegate to such CCM Client sufficient powers in order for such CCM Client to be duly authorised to Exercise or Abandon Exercise Cleared Transactions identified in such delegation on behalf of the CCM; and
- (b) except in case of an EEP Failure Event, the Exercise Delegation Beneficiary will Exercise or Abandon the relevant Exercise Cleared Transactions on behalf of the Delegating Clearing Member through the relevant applications available on the Client Portal Account only.

Article 6.1.1.2

An FCM Clearing Member may provide CDS Clearing Services to a Client (or, if permitted pursuant to **Erreur ! Source du renvoi introuvable.**, an Affiliate) on any terms and conditions mutually agreed to by it and such Person; provided, however, that:

~~(xxvii)~~(xxviii) if that FCM Clearing Member is a Select Member, it shall not provide CDS Client Clearing Services to any FCM Client;

~~(xxviii)~~(xxix) an FCM Clearing Member shall, before providing CDS Clearing Services to any Client or Affiliate, ensure that it has entered into an agreement, or an addendum to an existing agreement, with such Person, that binds such Person to the applicable provisions of the CDS Clearing Rules (including the FCM CDS Clearing Regulations) by direct reference thereto or otherwise, and any other provisions as shall be agreed from time to time between LCH SA and FCM Clearing Members, or as may be prescribed by LCH SA;

~~(xxix)~~(xxx) an FCM Clearing Member shall notify LCH SA of each Affiliate for which it provides CDS Clearing Services;

~~(xxx)~~(xxxi) an FCM Clearing Member shall provide, and separately identify, to LCH SA Client Cleared Transactions and Collateral in respect of Client Cleared Transactions (in the aggregate);

~~(xxx)~~(xxxii) an FCM Clearing Member may deliver, and shall separately identify, to LCH SA Collateral as FCM Client Collateral Buffer;
~~and~~

~~(xxx)~~(xxxiii) an FCM Clearing Member shall not (1) provide CDS Client Clearing Services to any FCM Client or (2) submit for clearing any Original Transaction to be registered in its House Account Structure for any person other than itself, with respect to any Original Transaction that is an SBS, as set out in Section 4 of the Procedures; ~~and~~

~~(xxxiv)~~ an FCM shall, before granting an Exercise Delegation to an FCM Client, ensure that such FCM Client has duly created a Client Portal Account.

Article 6.1.1.3

Each FCM Client (and, if permitted pursuant to **Erreur ! Source du renvoi introuvable.**, an Affiliate), by participating in Original Transactions and entering FCM Cleared Transactions through its FCM Clearing Member, shall be deemed to understand, acknowledge and agree that:

~~(xxxiii)~~(xxxv) the receipt of CDS Clearing Services from the FCM Clearing Member which result in the registration of FCM Cleared Transactions within such FCM Clearing Member's Client Trade Account(s) or House Trade Account, as the case may be, will be governed by the applicable provisions of the CDS Clearing Documentation;

~~(xxxiv)~~(xxxvi) it shall be bound by the applicable provisions of the CDS Clearing Documentation in respect of any FCM Cleared Transactions which are attributable to it;

~~(xxxv)~~(xxxvii) at the time an FCM Cleared Transaction is registered in an FCM Client Trade Account or House Trade Account of the FCM Clearing Member, as the case may be, on its behalf, the FCM Client or Affiliate, as applicable, will be deemed to be bound by the

relevant FCM Cleared Transaction on the terms entered into between the FCM Clearing Member and LCH SA and such FCM Client or Affiliate agrees to be bound automatically and without further action by the FCM Clearing Member or the FCM Client or Affiliate;

~~(xxxvi)~~(xxxviii) it shall not act so as to cause, whether directly or indirectly, a breach of the FCM CDS Clearing Documentation;

~~(xxxvii)~~(xxxix) the provisions of the CDS Clearing Documentation referring to FCM Clients or Affiliates, for the benefit of LCH SA, including without limitation applicable provisions of this CDS Clearing Rule Book, are enforceable against such FCM Client or Affiliate by LCH SA as if they had been entered into by each such Person directly with LCH SA;

~~(xxxviii)~~(xl) LCH SA deals only with Clearing Members, and the FCM Client or Affiliate will have no right or authority to deal directly with LCH SA, including but not limited to in connection with the matters described in this Title VI;

~~(xxxix)~~(xli) it will deal only with its FCM Clearing Member in connection with all FCM Cleared Transactions that are cleared on its behalf by such FCM Clearing Member through LCH SA;

~~(xl)~~(xlii) upon an Event of Default occurring in relation to an FCM Clearing Member, if LCH SA:

- (a) is required to do so by any Competent Authority or Applicable Law,
- (b) cannot for any reason proceed with a Porting of the FCM Cleared Transactions registered in an FCM Clearing Member's Account Structure and attributable to an FCM Client, or
- (c) determines in its discretion that it is necessary for its protection,

LCH SA may close out and terminate the FCM Cleared Transactions registered in the FCM Clearing Member's Client Account Structure or House Account Structure and attributable to an FCM Client or Affiliate, regardless whether such FCM Client or Affiliate had itself defaulted, and in certain circumstances LCH SA will not transfer or otherwise re-establish such positions;

~~(xli)~~(xliii) it will not be entitled to instruct LCH SA to act or omit to act in any manner at any time prior to an Event of Default in relation to the relevant FCM Clearing Member;

~~(xlii)~~~~(xliv)~~ it will not be entitled to receive any information from LCH SA in respect of any Margin Balance that is recorded in either the FCM House Collateral Account or any FCM Client Financial Account, the FCM Unallocated Client Collateral Financial Account or the FCM Buffer Financial Account of an FCM Clearing Member;

~~(xliii)~~~~(xlv)~~ LCH SA will not hold any assets transferred to it directly on behalf of any such individual FCM Client or Affiliate;

~~(xliv)~~~~(xlvii)~~ to the extent the Markit LCH Settlement Prices and/or the LCH Settlement Prices are provided to the FCM Client, the FCM Client shall:

- (a) use such Markit LCH Settlement Prices and/or the LCH Settlement Prices internally and solely in connection with its clearing functions; and
- (b) only be permitted to provide the Markit LCH Settlement Prices and/or the LCH Settlement Prices to an affiliate or a client of its own if: (1) it does so at no cost; (2) the Markit LCH Settlement Prices and/or the LCH Settlement Prices are provided for the affiliate or client to use internally and solely in connection with their respective clearing functions; and (3) the Markit LCH Settlement Prices and/or the LCH Settlement Prices are identifiable as such.

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

~~(xlv)~~~~(xlvii)~~ where Collateral is deposited by the FCM Clearing Member in satisfaction of the House Margin Requirement or the Client Margin Requirement (as applicable), it shall not be entitled to assert any equitable or other claim to the Collateral in circumstances where the assertion of such a claim would delay or inhibit the disposal of such Collateral by LCH SA and/or the application of the proceeds of sale of such Collateral in accordance with the provisions of the CDS Clearing Rules and Applicable Law;

~~(xlv)~~~~(xlviii)~~ the FCM Clearing Member has its unconditional consent to furnish or deposit Collateral with LCH SA in satisfaction of the Client Margin Requirement or House Margin Requirement which is attributable to the FCM Cleared Transactions cleared on its behalf, in accordance with the CDS Clearing Rule Book and the FCM CDS Clearing Regulations, and to re-pledge such property to LCH SA;

~~(xlvii)~~~~(xlix)~~ LCH SA is authorized to make disclosure of information in accordance with the applicable provisions of the CDS Clearing Documentation; ~~and~~

~~(xlviii)~~~~(l)~~ its agreement or agreement and addendum described in clause (i) of **Erreur ! Source du renvoi introuvable.** is consistent with the CDS Clearing Documentation and Applicable Law; ~~and~~

(li) in respect of a FCM granting an Exercise Delegation to an FCM Client:

(a) the FCM shall delegate to such FCM Client sufficient powers in order for such FCM Client to be duly authorised to Exercise or Abandon the Exercise Cleared Transactions identified in such delegation on behalf of the FCM; and

~~(e)~~(b) except in case of an EEP Failure Event, the Exercise Delegation Beneficiary shall Exercise or Abandon the relevant Exercise Cleared Transactions on behalf of the Delegating Clearing Member through the relevant applications available on the Client Portal Account only.

Amended provisions of Section 5 of the Procedures

Paragraph 5.3

[...]

The Clearing Member may update the allocation of Client Cleared Transactions registered in a Client Trade Account of such Client between its branches or, as the case may be, between the CCM Indirect Clients' branches, through the LCH Portal; Where each branch of a Client or a CCM

Indirect Client's branch is identified in the TIW with a specific code, LCH SA will reflect each reallocation in the records of the TIW on its own behalf and on behalf of the relevant Clearing Member.

"LCH Portal" is the single sign-on solution for various LCH SA applications to which Clearing Members may have access over secured Internet.

[...]

Paragraph 5.16 (Reports)

The reports set out at paragraph 5.16 ~~(a)-(e)~~(a)-(c) will be made available by LCH SA to Clearing Members on each Business Day at the times specified in paragraph 5.16(a)-(e).

The reports set out at paragraph 5.16 ~~(f)~~ **Erreur ! Source du renvoi introuvable.** will be made available by LCH SA to Clearing Members on a monthly basis, on the dates and at the times specified in Section 5.16(f).

The reports set out at paragraph 5.16 ~~(g) and (h)~~ **Erreur ! Source du renvoi introuvable.** and **Erreur ! Source du renvoi introuvable.** will be made available by LCH SA to Clearing Members on an ad hoc basis.

A Clearing Member is entitled to request LCH SA to make all or part of the reports set out at paragraphs (a)(i)(D) to (J), (a)(ii), **Erreur ! Source du renvoi introuvable.** (i), **Erreur ! Source du renvoi introuvable.** (ii) and (c) as well as any other relevant report also available on Client Portal Accounts in order for their relevant Clients to access such reports (such process being referred to as a "Feeding Request"). A "Client Portal Account" means a technical account created by a Client on LCH Portal and which can be identified by a specific number. Each Feeding Request shall be made by sending a copy of a duly completed and signed form (a "Feeding Request Form", available on the LCH Portal) by email to LCH SA's CDSClear Business Development & Relationship Management team at cdscclearbusinessdevrm@lch.com and one original of such Feeding Request Form by registered letter to the appropriate LCH SA interlocutor as set out on the Feeding Request Form. Promptly following any Feeding Request LCH SA shall make the reports which were the subject of such Feeding Request available on the relevant Client Portal Accounts.

Clearing Members may withdraw a Feeding Request by sending a copy of a duly updated and signed Feeding Request Form by email to LCH SA's CDSClear Business Development & Relationship Management team at cdscclearbusinessdevrm@lch.com.

[...]

(a) Backloading Transaction Reports

(i) Trade management reports

[...]

(J) ~~Cleared Transaction~~Protected Exercise Matched Pairs Report

~~"Cleared Transaction"~~"Protected Exercise Matched Pairs Report" means the report described in this paragraph.

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

Timing: published by LCH SA ~~between 19.00 CET and 19.30 CET~~ on each of the three Business Day-Days prior to the Exercise Date and made accessible to the Clearing Members and Exercise Delegation Beneficiaries (as defined in paragraph 0 below) following occurrence of an EEP Failure Event only.

For the avoidance of doubt, on a day that is a Business Day but not a Clearing Day, or on a day that is a Clearing Day on which there is no Real Time Session, the relevant ~~Cleared Transaction~~Protected Exercise Matched Pairs Report will be published- (provided that an EEP Failure Event has occurred).

[...]

(c) Other daily reports

[...]

~~(ii) —~~ Open Interest Report

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

Description: the Open Interest Report is a public report which contains the open interest per CDS Type and per Index Swaption Type registered in the CDS Clearing System. The open interest is calculated to be the sum of the net notional amounts for all Clearing Members who are net CDS Buyers for each CDS Type or net Index Swaption Buyers for each Swaption Type.

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

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

[...]

5.19 DELEGATION OF EXERCISE OF EXERCISE CLEARED TRANSACTIONS AND ELECTRONIC EXERCISE PLATFORM

5.19.1 Delegation of Exercise or Abandonment of Exercise Cleared Transactions

Any Clearing Member (a “Delegating Clearing Member”) which has delegated to a Client (an “Exercise Delegation Beneficiary”) the power to Exercise and/or Abandon all or part of its Exercise Cleared Transactions in accordance with Section 6.4 of Part C of the CDS Clearing Supplement (in each case an “Exercise Delegation”) shall notify such Exercise Delegation to LCH SA by sending a copy of a duly completed and signed notification form (an “Exercise Delegation Form”, available on the LCH Portal) by email to LCH SA’s CDSClear Business Development & Relationship Management team at cdsclearbusinessdevrm@lch.com and one original of such Exercise Delegation Form by registered letter to the appropriate LCH SA interlocutor as set out on the Exercise Delegation Form.

Upon receipt of a duly completed and signed Exercise Delegation Form LCH SA shall ensure that only the Exercise Delegation Beneficiary is authorised to Exercise or Abandon the relevant Exercise Cleared Transactions identified in such Exercise Delegation Form.

Clearing Members who withdraw an Exercise Delegation shall inform LCH SA by sending a copy of a duly updated and signed Exercise Delegation Form by email to LCH SA’s CDSClear Business Development & Relationship Management team at

cdsclearbusinessdevrm@lch.com (an “Exercise Delegation Withdrawal”). For the avoidance of doubt, in accordance with Section 6.4 of Part C of the CDS Clearing Supplement, an Exercise Delegation may be withdrawn only if no Exercise Cleared Transaction is registered in the Client Trade Account of the relevant Exercise Delegation Beneficiary.

Notwithstanding the above, receipt by LCH SA of one of the documents listed in paragraphs **Erreur ! Source du renvoi introuvable.** **Erreur ! Source du renvoi introuvable.** to **Erreur ! Source du renvoi introuvable.** above or Article 6.4.1.3 of the CDS Clearing Rule Book will be deemed an Exercise Delegation Withdrawal with respect to Cleared Transactions registered in the Client Trade Account of the relevant Client and will be processed as such by LCH SA, unless otherwise instructed by the relevant Delegating Clearing Member.

LCH SA shall process Exercise Delegations and Exercise Delegation Withdrawals as soon as reasonably practicable.

5.19.2 Electronic Exercise of Exercise Cleared Transactions

Except in case of EEP Failure Event, Clearing Members and Exercise Delegation Beneficiaries shall Exercise or Abandon Exercise Cleared Transactions using one of the EEP applications available on LCH Portal.

Upon submission by the relevant Clearing Member or Exercise Delegation Beneficiary of an Option Intent in the EEP, LCH SA will carry out logicity controls in respect of such Option Intent, in order to help Clearing Members and Exercise Delegation Beneficiaries identify an Option Intent which could have been submitted in the EEP in error. Such logicity controls will be based on the relative position of the price of Exercise compared to reference prices determined by LCH SA in its sole discretion and provided in the EEP. Any Option Intent which does not pass such logicity controls will be deemed illogical and will not be registered in the EEP.

Notwithstanding the above, Clearing Members and Exercise Delegation Beneficiaries may elect to bypass such logicity controls by specifying “Confirm” (or “Force”, as applicable) in relation to the relevant Option Intent when submitting such Option Intent (“**Force Submission**”).

Clearing Members and Exercise Delegation Beneficiaries shall be informed as soon as reasonably practicable by LCH SA any time an Option Intent is deemed illogical, and such Clearing Member or Exercise Delegation Beneficiary may then elect to re-submit such Option Intent and Force Submission in relation to such Option Intent.

LCH SA will not carry out logicity controls in respect of any Option Intent in respect of which the relevant Clearing Member or Exercise Delegation Beneficiary has elected to Force Submission in relation to. Before registering any Option Intent submitted through (i) the LCH Portal or

(ii) in case of Exercise Delegation, a Client Portal Account identified in the relevant Exercise Delegation Form received by LCH SA, LCH SA will ensure that:

- (i) such Option Intent is submitted by a user who (a) is connected with the proper user ID and password and (b) based on such ID and password, is duly authorised to Exercise or Abandon, as applicable, the relevant Exercise Cleared Transactions;
- (ii) an Option Intent has not already been submitted in the EEP in respect of the relevant Exercise Cleared Transaction (other than a partial Exercise);
- (iii) the Option Intent passes the logicity controls or the relevant Clearing Member or Exercise Delegation Beneficiary has Forced Submission, as described above.

LCH SA will not be required to carry out any further control.

PART C
CDS CLEARING SUPPLEMENT
FOR CREDIT INDEX SWAPTIONS

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1. GENERAL PROVISIONS

1.1 Incorporation of Defined Terms

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

1.2 Terms defined in the CDS Clearing Supplement

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

2006 Definitions: The 2006 ISDA Definitions published by ISDA.

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

Abandon: The Abandonment of an Exercise Cleared Transaction.

Abandonment: The delivery of a valid Abandonment Notice by Swaption Buyer (or deemed delivery pursuant to Section ~~6.3~~6.3 (*Exercise and Abandonment by way of EEP*) or Section ~~6.4~~6.4 (*Delegation by Clearing Members to Clients*) below) in respect of the Exercise Cleared Transactions of an Exercise Matched Pair.

Abandonment Notice: The notice of abandonment given by Swaption Buyer to Swaption Seller in accordance with Section 6.6 (*Abandonment of Exercise Cleared Transactions*).

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

CCM Client Communications Failure Event: *As set out at Mandatory Provision 5.7(b) (CCM Client Communications Failure Event).*

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

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

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

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

CDSClear Product Committee: A committee composed of representatives of LCH SA and representatives of Clearing Members for the purposes of carrying-out the tasks apportioned to it by the CDS Clearing Documentation as further described in the

terms of reference for such committee, agreed in consultation with the Clearing Members and as may be amended from time to time in consultation with the Clearing Members.

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

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

CEN Triggering Period: In relation to any M(M)R Restructuring Credit Event, the period during which the parties to the Swaption Restructuring Cleared Transaction of a Swaption Restructuring Matched Pair may deliver a Credit Event Notice in relation to the relevant M(M)R Restructuring Credit Event, such period starting at 9:00 a.m. on and including the earlier to occur of:

- (a) the Relevant City Business Day following publication of the related Final List; and
- (b) the fifth calendar day following the No Auction Announcement Date,

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

Clearing Member Communications Failure Event: As set out at ~~Section 6.10~~6.10 (*Clearing Member Communications Failure Event*).

Clearing Member Notice: A Swaption Clearing Member Notice or a Swaption Restructuring Clearing Member Notice.

Clearing Member Portal Account: The account of a Clearing Member established in the LCH Portal (~~as defined in Section 5 of the Procedures~~) for, amongst other things, the purposes of the Exercise and Abandonment of Exercise Cleared Transactions.

Client Portal Account: The account of a Client established in the LCH Portal (~~as defined in Section 5 of the Procedures~~) for the purposes of, amongst other things, the Exercise and Abandonment of Exercise Cleared Transactions.

Client Portal Account Number: The unique account number assigned by LCH SA to a Client Portal Account.

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

- (a) the date falling one Transaction Business Day prior to the Novation Cut-off Date in respect of the relevant Eligible Underlying Index Transaction Version; or
- (b) following the occurrence of DC Credit Event Announcement of an M(M)R Restructuring Credit Event (and prior to the creation of Swaption Restructuring

Matched Pairs pursuant to Section ~~5-15.1~~ (*Creation and Notification of Swaption Restructuring Matched Pairs*)), the earlier of (A) the date of publication of the relevant Initial List (as defined in the DC Rules), (B) the date falling two Transaction Business Days prior to the relevant date on which the related SRMP Notification Deadline falls and (C) such other date falling between the dates in (A) and (B), as determined by LCH SA in consultation with the CDSClear Product Committee and notified to the relevant Clearing Members prior to such date.

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

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

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

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

EEP Controls: As set out at Section 6.3 (*Exercise and Abandonment by way of EEP*).

EEP Failure Event: As set out at Section ~~6-56.5~~ (*Notification of EEP Failure and Resolution*).

EEP Failure Event Time: As set out at Section ~~6-56.5~~ (*Notification of EEP Failure and Resolution*).

EEP Resolution Time: As set out at Section ~~6-56.5~~ (*Notification of EEP Failure and Resolution*).

Electronic Exercise Platform or EEP: A platform made available by LCH SA for the Exercise and Abandonment of Exercise Cleared Transactions through the submission of Option Intents.

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

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

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

Exercise: The delivery of a valid Exercise Notice by Swaption Buyer (or deemed delivery pursuant to Section 6.36.3 (*Exercise and Abandonment by way of EEP*) or Section 6.46.4 (*Delegation by Clearing Members to Clients*) below) in respect of the Exercise Cleared Transactions of an Exercise Matched Pair.

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

Exercise Delegation Beneficiary: The Client of a Clearing Member designated by such Clearing Member pursuant to Section 6.46.4 (*Delegation by Clearing Members to Clients*) below as being entitled to Exercise and Abandon Exercise Cleared Transactions on ~~its~~such Clearing Member's behalf.

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

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

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

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

First Novation Date: In respect of:

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

Transaction Version for clearing pursuant to the CDS Clearing Documentation;
and

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

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

Force Submission: This term shall have the meaning set out in Section 5 of the Procedures.

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

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

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

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

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

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

LCH Portal: As set out in Section 5 of the Procedures.

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

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

Matched Buyer Contract: A Swaption Restructuring Cleared Transaction or an Exercise Cleared Transaction (as applicable) between a Matched Buyer and LCH SA which is the subject of a Matched Pair having the Swaption Restructuring Matched

Pair Amount or the Exercise Matched Pair Amount, as the case may be, relating to that Matched Pair.

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

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

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

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

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

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

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

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

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

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

Option Intent: The election of Matched Buyer (or its Exercise Delegation Beneficiary if applicable) in the EEP to Exercise (in whole or in part) or Abandon an Exercise Cleared Transaction.

Protected Exercise Matched Pair Report: As set out in Section 6.1 (*Creation and Notification of Exercise Matched Pairs*).

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

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

Submission Time: As set out at Section 6.3 (*Exercise and Abandonment by way of EEP*).

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

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

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

Swaption CCM Client Notice: As set out at Mandatory Provision 5.5 (*Duty to Deliver Swaption CCM Client Notice*).

Swaption CCM Client Notice Deadline: As set out at Mandatory Provision 5.5 (*Duty to Deliver Swaption CCM Client Notice*).

Swaption Clearing Member Notice: As set out in Section ~~6.5(c)~~6.5(c) (*Duty to deliver Swaption Clearing Member Notices*).

Swaption Clearing Member Notice Deadline: As set out in Section ~~6.5(c)~~6.5(c) (*Duty to deliver Swaption Clearing Member Notices*).

Swaption Notice: An Exercise Notice or Abandonment Notice.

Swaption Restructuring Cleared Transaction: Each Index Swaption Cleared Transaction forming part of an Swaption Restructuring Matched Pair pursuant to Section 5.25.2 (*Creation of Swaption Restructuring Cleared Transactions*).

Swaption Restructuring Clearing Member Notice: As set out at Section a (*Swaption Restructuring Clearing Member Notices*).

Swaption Restructuring Clearing Member Notice Deadline: As set out in Section a (*Swaption Restructuring Clearing Member Notices*).

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

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

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

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

Transaction Business Day: A day determined as follows:

- (a) in respect of any date to be determined or time period to be determined which is referenced in the 2006 Definitions:
 - (i) a day that would be a 'Business Day' (where this would be the applicable term under the 2006 Definitions for the purpose of the determination of such date or time period); or
 - (ii) a day that would be an 'Exercise Business Day' (where this would be the applicable term under the 2006 Definitions for the purpose of the determination of such date or time period),

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

- (b) in respect of any date to be determined or time period to be determined which is referenced in the 2014 ISDA Credit Derivatives Definitions:
 - (i) a day that would be a 'Business Day' (where this would be the applicable term under the 2014 ISDA Credit Derivatives Definitions for the purpose of the determination of such date or time period); or
 - (ii) a day that would be a 'Calculation Agent City Business Day', 'Grace Period Business Day' or 'Relevant City Business Day', as applicable (where this would be the applicable term under the 2014 ISDA Credit Derivatives Definitions for the purpose of the determination of such date or time period); or
- (c) for any other purpose, a day that would be a 'Business Day' as defined in the CDS Clearing Rule Book.

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

- (a) in respect of the Index Swaption Cleared Transaction:
 - (i) the Swaption Trade Date;
 - the Swaption Seller;
 - the Swaption Buyer;
 - the Quoting Style (if applicable);
 - the Premium;
 - the Strike Price; and
 - the Expiration Date; and
- (b) in respect of the Underlying Index Transaction to which such Index Swaption Cleared Transaction relates:
 - (i) the relevant index, including details of the index name, series and version, the annex date;
 - (ii) the Original Notional Amount and the currency of the Original Notional Amount;

the Scheduled Termination Date;

the Floating Rate Payer;

the Fixed Rate Payer; and

the Fixed Rate Payer Payment Dates.

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

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

1.3 **Inconsistency**

To the extent of any conflict between:

- (a) any definition or provision contained in Appendix 1 (*CDS Default Management Process*) of the CDS Clearing Rule Book;
- (b) the remaining sections of the CDS Clearing Rule Book;
- (c) the CDS Admission Agreement;
- (d) this CDS Clearing Supplement;
- (e) an Index Swaption Cleared Transaction Confirmation;
- (f) the Procedures; or
- (g) any Clearing Notices,

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

1.4 **Timing**

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

1.5 **Third Party Rights**

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

1.6 **Recording of Conversations**

Each of LCH SA and each Clearing Member consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the

parties in connection with any Cleared Transaction and agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and agrees, to the extent permitted by applicable law, that such recordings may be submitted as evidence in any related court or arbitral proceedings.

1.7 Application to FCM Clearing Members

(a) Upon the taking of any action pursuant to this CDS Clearing Supplement by an FCM Clearing Member in respect of an FCM Cleared Transaction entered into as agent for the account of an FCM Client (as described in FCM CDS Clearing Regulation 1(c)), such FCM Clearing Member shall be deemed to represent to LCH SA that it has the power and authority to, and has been duly authorised to, take such action for the account of such FCM Client.

(b) For purposes of this CDS Clearing Supplement, with regard to any Cleared Transaction entered into by an FCM Clearing Member acting as agent for the account of an FCM Client (as described in FCM CDS Clearing Regulation 1(c)):

references herein to "Swaption Buyer", "Swaption Seller", "CDS Buyer" or "CDS Seller", as the case may be, shall be understood to be references to such FCM Client (which shall not, for the avoidance of doubt, prejudice LCH SA's right to deal solely with the FCM Clearing Member pursuant to Article 6.1.1.3(vi) of the CDS Clearing Rule Book); and

references herein to: (1) a Clearing Member entering into a Cleared Transaction with LCH SA; and (2) a Clearing Member forming part of a Matched Pair, shall each be understood as such FCM Clearing Member acting as agent for the account of such FCM Client (as described in FCM CDS Clearing Regulation 1(c)).

(c) Notwithstanding and without prejudice to sub-paragraph ~~(b)(i)~~(b)0 above, an FCM Clearing Member (acting as agent for the account of its FCM Client) may designate such FCM Client to Exercise and Abandon Exercise Cleared Transactions on its behalf as its Exercise Delegation Beneficiary (including, without limitation, by means of submitting Option Intents in the EEP) in accordance with Section ~~6-4~~6.4 (*Delegation by Clearing Members to Clients*) of this CDS Clearing Supplement.

2. TERMS OF CLEARED TRANSACTIONS

2.1 General Terms of Cleared Transactions

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

Upon novation of an Original Transaction which is an Index Swaption at the Novation Time in accordance with Title III (*Clearing Operations*) of the CDS Clearing Rule Book or the creation of a Swaption Restructuring Cleared Transaction in accordance with Section ~~5-25~~25.2 (*Creation of Swaption Restructuring Cleared Transactions*) or an Exercise Cleared Transaction in accordance with Section 6.2 (*Creation of Exercise Cleared Transactions*), each resulting Index Swaption Cleared Transaction and each such Swaption

Restructuring Cleared Transaction and Exercise Cleared Transaction is entered into by LCH SA and the relevant Clearing Member on the terms of the related Index Swaption Cleared Transaction Confirmation.

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

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

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

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

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

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

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

(c) **Resetting of Swaption Trade Date following Compression**

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

(d) **Compression Cut-off Date**

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

2.2 **Index Swaption Cleared Transaction Confirmation**

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

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

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

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

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

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

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

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

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

"On the Expiration Date, Swaption Buyer may notify Swaption Seller (which such notification may be given orally, including by telephone) that the Swaption Transaction specified in such notice shall be terminated in whole and that no further amounts shall become due and payable by Swaption Buyer to Swaption Seller or *vice versa* in respect of such Swaption Transaction and that notice will

be deemed to be irrevocable. Swaption Buyer will execute and deliver to Swaption Seller a written confirmation confirming the substance of any telephonic notice within one Exercise Business Day of that notice. Failure to provide that written confirmation will not affect the validity of the telephonic notice.";

- (f) by deleting the contact details for notices and the account details;
- (g) by specifying that the "Specified Derivatives Clearing Organization" is LCH SA (subject to the terms of Part C of the CDS Clearing Supplement); and
- (h) by deleting the signature blocks.

2.3 **Amendments to 2014 ISDA Credit Derivatives Definitions**

For the purposes of this Part C of the CDS Clearing Supplement, Section 11.2(c)(iv) of the 2014 ISDA Credit Derivatives Definitions as incorporated in any Index Cleared Transaction shall be deemed to be amended so as to enable LCH SA to designate a designee for the additional purposes of delivering or receiving any Credit Event Notice or Notice to Exercise Movement Option relating to an M(M)R Restructuring Credit Event and such that, where LCH SA is the designator in relation to any Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction, as applicable, it is permitted to designate any relevant Matched Buyer or Matched Seller, as applicable, in accordance with Section 99 (*Matched Pair Designations*) as its designee, notwithstanding that such relevant Matched Buyer or Matched Seller, as applicable, is not its Affiliate.

3. **PAYMENTS**

3.1 **Obligation to pay**

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

Payments under any Cleared Transaction will be made on the due date for value on that date in the place of the account specified for the relevant party in the CDS Admission Agreement (or such other account as may be designated by it from time to time for such purpose in accordance with the CDS Admissions Agreement and/or the Procedures, as applicable) and otherwise in accordance with the CDS Clearing Documentation, in freely transferable funds and in the manner customary for payments in the required currency.

3.2 **Payment of Premium under Original Transactions**

- (a) If the Premium is due and payable under the terms of an Original Transaction on or before the Clearing Day on which the related Index Swaption Cleared Transactions are created by novation pursuant to Title III (*Clearing Operations*) of the CDS Clearing Rule Book, such amount shall be payable under and in accordance with the terms of such Original Transaction. In such event, no corresponding Premium shall be payable in respect of such Index Swaption Cleared Transactions.

- (b) If the Premium Payment Date of an Original Transaction would be a date falling after the Clearing Day on which the Index Swaption Cleared Transactions related to such Original Transaction are created by novation pursuant to Title III (*Clearing Operations*) of the CDS Clearing Rule Book then the corresponding Premium Payment Date for the related Index Swaption Cleared Transactions shall occur on the Transaction Business Day which is also a Clearing Day immediately following the Clearing Day on which such related Index Swaption Cleared Transactions are created and the Index Swaption Cleared Transaction Confirmation shall be deemed to have been amended accordingly.

4. CREDIT EVENTS AND SUCCESSION EVENTS

4.1 Determination of Credit Events and Succession Events

Notwithstanding any provision of any Cleared Transaction to the contrary:

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

4.2 M(M)R Restructuring Credit Event Timeline

(a) Publication of Credit Event Timeline

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

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

(b) Amendment of Credit Event Timeline

Any such timeline may be subject to subsequent amendment by LCH SA, by means of a Clearing Notice to Clearing Members, only to reflect subsequent DC Resolutions, timing provisions of any relevant Transaction Auction

Settlement Terms, or in each case any subsequent amendments thereto. Any such amendment shall be made by LCH SA as soon as reasonably practicable following the relevant event.

4.3 Reversal of DC Credit Event Announcements and Margining

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

5. RESTRUCTURING

5.1 Creation and Notification of Swaption Restructuring Matched Pairs

Following the occurrence of a DC Credit Event Announcement in respect of an M(M)R Restructuring Credit Event in respect of a Reference Entity referenced by the Underlying Index Transaction to which a set of Index Swaption Cleared Transactions of the same Swaption Type relates, LCH SA will create (on one or more occasions) Swaption Restructuring Matched Pairs in accordance with Section 9.19.1 (*Creation of Matched Pairs*). Each such Swaption Restructuring Matched Pair shall be composed of two Swaption Restructuring Cleared Transactions.

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

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

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

~~1.~~(b) the associated Swaption Restructuring Matched Pair Amount; and

~~2.~~(c) the associated SRMP Triggerable Amount,

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

5.2 Creation of Swaption Restructuring Cleared Transactions

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

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

5.3 Triggering of Swaption Restructuring Cleared Transactions

Subject as set out in Section 8.8 (*Delivery of Notices*), and notwithstanding anything to the contrary in the terms of any Cleared Transaction, Clearing Members may only deliver Credit Event Notices (as CDS Buyer or CDS Seller) in relation to an M(M)R Restructuring Credit Event during the CEN Triggering Period following notification of Swaption Restructuring Matched Pairs by LCH SA and subject always to the terms of the relevant Swaption Restructuring Cleared Transaction.

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

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

5.4 Partial triggering of a Swaption Restructuring Cleared Transaction

If a Notifying Party has delivered a valid Credit Event Notice during the CEN Triggering Period applicable to it that specifies a Triggered Amount that is less than the SRMP Triggerable Amount, following the expiry of the CEN Triggering Period, each Swaption Restructuring Cleared Transaction (an "**Original Swaption Restructuring Cleared**

Transaction") of the relevant Swaption Restructuring Matched Pair shall be split into two separate Swaption Restructuring Cleared Transactions:

- (a) one of such Swaption Restructuring Cleared Transactions:
- (i) shall have an SRMP Triggerable Amount equal to the Triggered Amount; and
 - (ii) shall have a Swaption Notional Amount equal to (x) the Swaption Notional Amount of the Original Swaption Restructuring Cleared Transaction *divided by* (y) the SRMP Triggerable Amount of the Original Swaption Restructuring Cleared Transaction *multiplied by* (z) the Triggered Amount specified in the Credit Event Notice,
- and will be deemed to have been triggered in whole by the relevant Credit Event Notice (a "**Triggered Cleared Transaction**"); and
- (b) the other of such Swaption Restructuring Cleared Transactions (the "**Remaining Untriggered Cleared Transaction**"):
- (i) shall have an SRMP Triggerable Amount equal to the SRMP Triggerable Amount of the Original Swaption Restructuring Cleared Transaction *minus* the Triggered Amount; and
 - (ii) shall have a Swaption Notional Amount equal to (x) the Swaption Notional Amount of the Original Swaption Restructuring Cleared Transaction *less* (y) the Swaption Notional Amount determined in accordance with sub-paragraph (a)(ii) above,
- and no Credit Event Notice will be deemed to have been delivered in respect of such Remaining Untriggered Cleared Transaction.

In the event that more than one Credit Event Notice is delivered during the CEN Triggering Period, the process set-out above shall be applied to the Credit Event Notice which was validly delivered first; *provided, however, that* for this purpose any Credit Event Notice(s) delivered by CDS Seller on or prior to the Exercise Cut-off Date applicable to CDS Seller shall be deemed to have been delivered prior to any Credit Event Notice(s) delivered by CDS Buyer on or prior to the Exercise Cut-off Date applicable to CDS Buyer. Each subsequent Credit Event Notice shall then be applied to the Remaining Untriggered Cleared Transaction (and each subsequent Remaining Untriggered Cleared Transaction) until either no further Credit Event Notices remain or the SRMP Triggerable Amount has been reduced to zero.

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

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

5.5 **Notice to Exercise Movement Option**

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

5.6 **Delivery of Credit Event Notices and Notices to Exercise Movement Option**

Credit Event Notices and Notices to Exercise Movement Option shall be delivered between Matched Buyer and Matched Seller of a Swaption Restructuring Matched Pair in accordance with Section 8.1 (*General Rules relating to Notices*) below and the terms of the Swaption Restructuring Cleared Transactions, in each case acting in its own name in respect of the Cleared Transaction of the Swaption Restructuring Matched Pair to which it is a party and as designee of LCH SA in respect of the other Swaption Restructuring Cleared Transaction of the Swaption Restructuring Matched Pair.

5.7 **Swaption Restructuring Clearing Member Notices**

(a) **Duty to deliver Swaption Restructuring Clearing Member Notices**

Each Clearing Member shall notify LCH SA or deliver a copy to LCH SA of any notice delivered or received by such Clearing Member to or from another Clearing Member comprised in a Swaption Restructuring Matched Pair, including, without limitation, any Credit Event Notice or Notice to Exercise Movement Option which was delivered in accordance with Section ~~5.6a~~ (*Delivery of Credit Event Notices and Notices to Exercise Movement Option*) above and which such Clearing Member asserts or acknowledges was effective for the purposes of this CDS Clearing Supplement and the relevant Swaption Restructuring Cleared Transactions (such notification, or delivery of such copy, in respect of any relevant notice, a **Swaption Restructuring Clearing Member Notice**) by no later than 5.00 p.m. on the last date on which such notice could validly be sent (in each case, the **Swaption Restructuring Clearing Member Notice Deadline**).

(b) **No Swaption Restructuring Clearing Member Notice received**

Where LCH SA does not receive a Swaption Restructuring Clearing Member Notice in respect of a Credit Event Notice or a Notice to Exercise Movement Option from both Clearing Members in the relevant Swaption Restructuring Matched Pair on or prior to the relevant Swaption Restructuring Clearing Member Notice Deadline, LCH SA shall take no action in respect of the relevant Swaption Restructuring Matched Pair.

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

If LCH SA determines in its sole discretion that, notwithstanding the fact that no Swaption Restructuring Clearing Member Notice has been received by LCH SA in respect of any Credit Event Notice or Notice to Exercise Movement Option by the relevant Swaption Restructuring Clearing Member Notice Deadline, such notice was in fact delivered or received directly by a Clearing Member and would have been effective for the purposes of this CDS Supplement, LCH SA

shall use commercially reasonable efforts to give effect to the terms of such Credit Event Notice or Notice to Exercise Movement Option, as the case may be. If LCH SA gives effect to the terms of such notice pursuant to this Section a(c) then the provisions of this Part C of the CDS Clearing Supplement shall apply as if LCH SA had received a Swaption Restructuring Clearing Member Notice in respect of the relevant notice prior to the Swaption Restructuring Clearing Member Notice Deadline.

If LCH SA determines in its sole discretion that it is not possible to give effect to the terms of any such Credit Event Notice or Notice to Exercise Movement Option in respect of which no Swaption Restructuring Clearing Member Notice was received by LCH SA by the relevant Swaption Restructuring Clearing Member Notice Deadline then, following Exercise, an amount shall be payable between the Clearing Members equal to the difference between the value of the Matched Buyer Contract had the Swaption Restructuring Clearing Member Notice been given to LCH SA prior to the Swaption restructuring Clearing Member Notice Deadline and the value of such contract in the absence of such Swaption Restructuring Clearing Member Notice having been given. Such difference in value shall be determined as of the earlier of the day on which notice is given by any relevant Clearing Member that such amount is due and payable and the eighth Transaction Business Day following the Auction Settlement Date, No Auction Announcement Date or Auction Cancellation Date, as applicable, by reference to the relevant Auction Settlement Amount or end of day contributed prices, in each case if available. In each case, the relevant Clearing Members shall have enforcement rights as against each other pursuant to the Contracts (Rights of Third Parties) Act 1999 in respect of any resulting payments and deliveries; LCH SA shall have no liability in respect thereof.

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

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

5.9 Reversal of DC Credit Event Announcements

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

- (a) LCH SA shall have no obligation to create Swaption Restructuring Matched Pairs in accordance with Section 5.15.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*);

- (b) provided that no Subsequent Restructuring has occurred, any Swaption Restructuring Matched Pairs so created (or created pursuant to Section 5.4 (*Partial triggering of a Swaption Restructuring Cleared Transaction*)) shall be deemed not to have been created;
- (c) any Credit Event Notices delivered in connection with such M(M)R Restructuring Credit Event shall be deemed to be ineffective;
- (d) LCH SA shall, where applicable, make relevant registrations in the TIW in order to reflect such reversal which shall also automatically result in such registrations being made in respect of any related CCM Client Transactions; and
- (e) Section 4.34.3 (*Reversal of DC Credit Event Announcements and Margining*) shall apply.

5.10 Reports

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

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

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

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

5.11 Expiry of CEN Triggering Period

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

Cleared Transactions shall become the Swaption Notional Amount of such Index Swaption Cleared Transactions.

6. **EXERCISE MATCHED PAIRS**

6.1 **Creation and Notification of Exercise Matched Pairs**

Subject to Section 5.11 (*Expiry of CEN Triggering Period*) above, if Swaption Restructuring Matched Pairs have previously been created pursuant to Section 5.15.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*) or Section 5.4 (*Partial triggering of a Swaption Restructuring Cleared Transaction*), such Swaption Restructuring Matched Pairs and the Swaption Restructuring Cleared Transactions from which they are formed shall also automatically constitute Exercise Matched Pairs and Exercise Cleared Transactions (in addition to being Swaption Restructuring Matched Pairs and Swaption Restructuring Cleared Transactions) for the purposes of this CDS Clearing Supplement.

Notwithstanding the above, if the CEN Triggering Period for an M(M)R Restructuring Credit Event ends on a date falling during the EMP Creation Period, the relevant Swaption Restructuring Matched Pairs created in respect of such M(M)R Restructuring Credit Event shall not become Exercise Matched Pairs pursuant to the above until after the expiry of the CEN Triggering Period and subject to the prior application of Sections 5.4 (*Partial triggering of a Swaption Restructuring Cleared Transaction*) and 5.11 (*Expiry of CEN Triggering Period*) above, if applicable.

On each Transaction Business Day during the EMP Creation Period, LCH SA will create Exercise Matched Pairs in accordance with Section 9.19.1 (*Creation of Matched Pairs*) for a set of Index Swaption Cleared Transactions of the same Swaption Type. Each such Exercise Matched Pair shall be composed of two Exercise Cleared Transactions.

Upon the creation of an Exercise Matched Pair, LCH SA shall:

- (a) notify the relevant Matched Buyer and Matched Seller comprised within each Exercise Matched Pair (and any Exercise Delegation Beneficiary thereof) of the creation of such Exercise Matched Pair, without however providing any detail in respect of the identity of the other Clearing Member (or its Exercise Delegation Beneficiary if applicable); and
- (b) provide the relevant Matched Buyer and Matched Seller comprised within each Exercise Matched Pair (and any Exercise Delegation Beneficiary thereof) with a report the access to which will be restricted (a "**Protected Exercise Matched Pair Report**") and which contains information on:
 - (i) the identity of the other Clearing Member (~~and~~ its Exercise Delegation Beneficiary if applicable) together with the address, fax number, telephone number, email address and other applicable notice details of such other Clearing Member (or its Exercise Delegation Beneficiary if applicable) of the Exercise Matched Pair; and
 - (ii) the associated Exercise Matched Pair Amount,

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

~~The LCH will provide the Protected Exercise Matched Pair Report in a manner such that the~~ relevant Matched Buyer and Matched Seller ~~and/or~~, if applicable, any relevant Exercise Delegation Beneficiaries, ~~would be authorised to may~~ access the information contained in the Protected Exercise Matched Pair Reports only upon occurrence of an EEP Failure Event, in accordance with Section 6.5 ~~(a)(ii) below.~~ (a)(ii) below.

6.2 Creation of Exercise Cleared Transactions

- (c) Upon the creation of Exercise Matched Pairs, where two or more Index Swaption Cleared Transactions have been combined into a single transaction as part of the matching process and/or where any Index Swaption Cleared Transaction has been split into two or more separate transactions as part of the matching process, the relevant original Index Swaption Cleared Transactions entered into by each Clearing Member with LCH SA will be deemed terminated and new Exercise Cleared Transactions of the same Swaption Type will be deemed to be entered into between each such Clearing Member and LCH SA, with each such Exercise Cleared Transaction having a Swaption Notional Amount (and with the Underlying Index Transaction in respect of each such Exercise Cleared Transaction having an Original Notional Amount) corresponding to the Exercise Matched Pair Amount of the Exercise Matched Pair in which the relevant Clearing Member is comprised as a Matched Buyer or a Matched Seller, as applicable. Subject to Section 9.3 (*Resetting of Swaption Trade Date*) below, the Swaption Trade Date of such Exercise Cleared Transactions shall be the date of such creation.
- (d) With effect from the creation of Exercised Matched Pairs, any Index Swaption Cleared Transaction forming part of an Exercised Matched Pair shall henceforth constitute an Exercise Cleared Transaction for the purposes of this CDS Clearing Supplement and the Swaption Notional Amount of such Index Swaption Cleared Transactions shall be the Exercise Matched Pair Amount.

6.3 Exercise and Abandonment by way of EEP

The Exercise (in whole or in part) and Abandonment of Exercise Cleared Transactions shall be conducted by way of the submission of Options Intents in the EEP only, save in the circumstances specified in Section ~~6.5~~6.5(b) (*Consequences of EEP Failure*) below.

~~Any submission of an~~ An Option Intent submitted by Matched Buyer (or its Exercise Delegation Beneficiary on its behalf, if applicable) via the EEP ~~prior to 4.00 p.m. (London time) on the Expiration Date~~ shall be deemed to constitute the delivery by Matched Buyer of a valid Exercise Swaption Notice or Abandonment Notice (as applicable) for the purposes of each of the Exercise Cleared Transactions of the Exercise Matched Pair (in its own name in respect of the Exercise Cleared Transaction of the Exercise Matched Pair to which it is a party and as designee of LCH SA in respect of the other Exercise Cleared Transaction of the Exercise Matched Pair) ~~if~~ if (a) the Submission Time for such Option Intent is prior to 4.00 p.m. (London time) and

(b) LCH SA has completed those steps necessary to make such Option Intent available for viewing in the EEP, including validation of the EEP Controls.

As used herein, (i) the “Submission Time” for an Option Intent will perform be the time, as recorded by LCH SA, as of which such Option Intent is submitted via the EEP by the relevant Matched Buyer (or its Exercise Delegation Beneficiary on its behalf, if applicable) and (ii) “EEP Controls” means the controls specified in Section 5 of the Procedures in respect of any such submission of Option Intents in the EEP and, upon validation of such controls, performed by LCH SA immediately following the Submission Time.

An Option Intent shall register the relevant Option Intent in the EEP. become irrevocable by the Swaption Buyer as from the Submission Time.

For the avoidance of doubt, a Matched Buyer (or its Exercise Delegation Beneficiary if applicable) shall not be able to require a Force Submission after 4.00 p.m. (London time), including if the relevant Option Intent is deemed illogical further to EEP Controls carried out at or after 4.00 p.m. (London time).

The deemed time of delivery of the Swaption Notice in respect of the relevant Exercise Cleared Transaction shall be the ~~time~~ Submission Time specified by the EEP in respect of ~~the registration of such Option Intent and such registration shall be irrevocable.~~

The Exercise (in whole or in part) or Abandonment of the Exercise Cleared Transaction of the Exercise Matched Pair to which Matched Seller is a party will become accessible in the Clearing Member Portal Account of Matched Seller (and in the Client Portal Account of its Exercise Delegation Beneficiary if applicable) as soon as reasonably practicable following the registration of such Exercise or Abandonment by Matched Buyer ~~(or its Exercise Delegation Beneficiary) in the EEP.~~

6.4 **Delegation by Clearing Members to Clients**

Solely in respect of the Exercise and Abandonment of the Exercise Cleared Transactions of an Exercise Matched Pair which are Client Cleared Transactions, Matched Buyer or Matched Seller shall designate its relevant Client to act on its behalf in accordance with this Section ~~6.6.~~ Any such designation will take effect as soon as reasonably practicable (but not later than five Business Days) following receipt by LCH SA of a duly completed and signed Exercise Delegation Form (as defined in Section 5 of the Procedures). Such designation cannot be revoked ~~unless no Exercise Cleared Transactions are registered in the Client Trade Account of the relevant Exercise Delegation Beneficiary.~~

Where Matched Buyer designates its Client in accordance with the above, any submission of an Option Intent by the Client of Matched Buyer via its Client Portal Account in the EEP prior to 4.00 p.m. (London Time) on the Expiration Date shall be deemed to constitute the delivery by Matched Buyer of a valid Exercise Notice or Abandonment Notice (as applicable) for the purposes of the terms of each of the Exercise Cleared Transactions of the Exercise Matched Pair in accordance with Section ~~6.3~~ 6.3 (*Exercise and Abandonment by way of EEP*) above.

Where a Client has been designated by its Clearing Member pursuant to this Section ~~6.46.4~~ for purposes of the ~~delivery~~Exercise and ~~receipt~~Abandonment of ~~Swaption Notices or submission of Option Intents~~Exercise Cleared Transactions, any reference in this CDS Clearing Supplement to a Swaption Notice being delivered to or by a Clearing Member, to the submission of Option Intents or the Exercise or Abandonment of an Exercise Cleared Transaction by a Clearing Member shall be interpreted accordingly.

6.5 EEP failure and resolution

(a) Notification of EEP Failure and Resolution

- (i) LCH SA to notify Clearing Members and Exercise Delegation Beneficiaries of EEP Failure Event

If LCH SA becomes aware that the EEP is or will be unavailable for the submission or receipt of Option Intents with respect to an Expiration Date in a timely manner (an **EEP Failure Event**), then LCH SA will, as soon as reasonably practicable and in any case within one hour after the occurrence of the EEP Failure Event, notify all relevant Clearing Members (and any Exercise Delegation Beneficiary thereof) of such occurrence, including the time at which such failure occurred (the **EEP Failure Event Time**).

- (ii) Access to the Protected Exercise Matched PairsPair Report

As soon as reasonably practicable possible following the occurrence of an EEP Failure Event, but in any event at or prior to the EMP Notification Deadline, LCH will authorise Clearing Members or their Exercise Delegation Beneficiaries, as applicable will be authorised (by any communication method including, without limitation, phone, email or any electronic messaging system) to access the information contained in the Protected Exercise Matched Pair Report.

- (iii) LCH SA to notify Clearing Members of Resolution of EEP Failure Event

If, subsequent to an EEP Failure Event, LCH SA determines that an EEP Failure Event previously notified to Clearing Members is no longer in effect, LCH SA will as soon as reasonably practicable notify all relevant Clearing Members and Exercise Delegation Beneficiaries accordingly, including the time (the **EEP Resolution Time**) at which such EEP Failure Event is deemed to have been resolved and following which the EEP is operative for the purposes of the submission of Option Intents in respect of Exercise Cleared Transactions.

(b) Consequences of EEP Failure

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

- (i) Section ~~6.36.3~~ (*Exercise and Abandonment by way of EEP*) shall not apply and accordingly Swaption Notices shall be delivered in accordance with the provisions for the delivery of notices at Section ~~88~~ (*Delivery of*

Notices) hereof and the terms of the relevant Exercise Cleared Transaction (and not via the EEP);

- (ii) if Matched Buyer has designated its Client as its Exercise Delegation Beneficiary pursuant to Section ~~6.4~~6.4 (*Delegation by Clearing Members to Clients*) above, such Exercise Delegation Beneficiary shall be entitled to send a Swaption Notice to Matched Seller as designee of Matched Buyer; in accordance with Section 8 (*Delivery of Notices*) hereof using the notice details provided by LCH SA in the Protected Exercise Matched Pair Report and such Swaption Notice shall be copied to Matched Buyer (provided that failure to provide such copy shall not affect the validity of the relevant Swaption Notice);
- (iii) if Matched Seller has designated its Client as its Exercise Delegation Beneficiary, Swaption Notices shall be sent by Matched Buyer (or its Client as its Exercise Delegation Beneficiary if applicable) to the Client of Matched Seller as its Exercise Delegation Beneficiary in accordance with Section 8 (*Delivery of Notices*) hereof using the notices details provided by LCH SA in the Protected Exercise Matched Pair Report and shall be copied to Matched Seller; and, where the Swaption Notice is sent by the Client of Matched Buyer as its Exercise Delegation Beneficiary, shall be copied to Matched Buyer (provided in each case that failure to provide such copy shall not affect the validity of the relevant Swaption Notice);
- (iv) subject to Section ~~8.3~~8.3 (*Oral Notices*) below in respect of Abandonment Notices delivered to LCH SA, an Abandonment Notice given in accordance with this Section ~~6.5(b)~~6.5(b) may be given orally, including by telephone. Matched Buyer (or its Exercise Delegation Beneficiary if such Exercise Delegation Beneficiary gives an Abandonment Notice orally) will execute and deliver to Matched Seller (and the Exercise Delegation Beneficiary of Matched Seller if applicable) a written confirmation confirming the substance of any telephonic notice within one Transaction Business Day of the telephonic notice. Without prejudice to Section ~~6.8~~6.8 (*Consequences of no Swaption Clearing Member Notice being received by LCH SA*) below, failure to provide that written confirmation will not affect the validity of the telephonic notice;
- (v) any Exercise Notice delivered in respect of an Exercise Matched Pair for an amount which is greater than the related Exercise Matched Pair Notional Amount shall be ineffective as to such excess;
- (vi) any Swaption Notice delivered via the EEP prior to the EEP Failure Event Time will be valid and will not be affected by such EEP Failure Event; and
- (vii) any Swaption Notice delivered or purported to be delivered via the ~~relevant~~EEEP at or following the EEP Failure Event Time but prior to the EEP Resolution Time will not be valid and effective.

Section ~~6.3~~6.3 (*Exercise and Abandonment by way of EEP*) shall apply with effect from the EEP Resolution Time and, accordingly, any Swaption Notice

thereafter delivered or purported to be delivered directly pursuant to this Section ~~6.5(b)~~6.5(b) will not be valid and effective.

(c) **Duty to deliver Swaption Clearing Member Notices**

Each Clearing Member shall notify LCH SA or deliver a copy to LCH SA of any Swaption Notice delivered by such Clearing Member to another Clearing Member comprised in an Exercise Matched Pair pursuant to Section ~~6.5(b)~~6.5(b) (*Consequences of EEP Failure*) above which such Clearing Member asserts or acknowledges was effective for the purposes of this CDS Clearing Supplement and the relevant Exercise Cleared Transactions (such notification, or delivery of such copy, in respect of any relevant Swaption Notice, a **Swaption Clearing Member Notice**) by no later than 5.00 p.m. on the Expiration Date (the **Swaption Clearing Member Notice Deadline**).

If a Clearing Member has designated its Client as being entitled to send and receive Swaption Notices on its behalf pursuant to Section ~~6.4~~6.4 (*Delegation by Clearing Members to Clients*) above, a Swaption Clearing Member Notice in respect of a Swaption Notice delivered pursuant to Section ~~6.5(b)~~6.5(b) (*Consequences of EEP Failure*) may be sent on its behalf by its Client as its Exercise Delegation Beneficiary.

6.6 **Abandonment of Exercise Cleared Transactions**

If, on the Expiration Date, Swaption Buyer elects to Abandon the Exercise Cleared Transactions of the Exercise Matched Pair, each Exercise Cleared Transaction shall be terminated in whole.

6.7 **Termination of Exercise Cleared Transactions**

If:

- (a) no Option Intent is submitted pursuant to Section ~~6.3~~6.3 (*Exercise and Abandonment by way of EEP*) or Section ~~6.4~~6.4 (*Delegation by Clearing Members to Clients*) above in respect of the Exercise Cleared Transactions of an Exercise Matched Pair; and
- (b) where Section ~~6.5~~6.5(b) (*Consequences of EEP Failure*) (or, in respect of a CCM Client Cleared Transaction, Mandatory Provision 5.4 (*Consequences of EEP Failure*)) is applicable for some or all of the Exercise Period, LCH SA does not receive a Swaption Clearing Member Notice (or Swaption CCM Client Notice) in respect of an Exercise Notice or an Abandonment Notice from Swaption Buyer (or its Exercise Delegation Beneficiary, as applicable) of the relevant Exercised Matched Pair on or prior to the Swaption Clearing Member Notice Deadline, (or Swaption CCM Client Notice Deadline, as applicable),

then, subject to Section ~~6.8~~6.8 (*Consequences of no Swaption Clearing Member Notice being received by LCH SA*) below, (or, in the case of a CCM Client Cleared Transaction, Mandatory Provision 5.5 (*Duty to Deliver Swaption CCM Client Notice*)), LCH SA shall terminate the Exercise Cleared Transactions of the relevant Exercised Matched Pair.

6.8 **Consequences of no Swaption Clearing Member Notice or Swaption CCM Client Notice being received by LCH SA**

If Section ~~6.5~~6.5(b) (*Consequences of EEP Failure*) is applicable for some or all of the Exercise Period and LCH SA determines in its sole discretion that, notwithstanding the fact that no Swaption Clearing Member Notice has been received by LCH SA in respect of an Exercise Notice by the ExerciseSwaption Clearing Member Notice Deadline, (or, in the case of a CCM Client Cleared Transaction, that no Swaption CCM Client Notice has been received by LCH SA in respect of an Exercise Notice by the Swaption CCM Client Notice Deadline), an Exercise Notice was in fact delivered by a Clearing Member (or its ~~Client as its~~ Exercise Delegation Beneficiary) pursuant to Section ~~6.5(b)~~6.5(b) (*Consequences of EEP Failure*) (or, in the case of a CCM Client Cleared Transaction, pursuant to Mandatory Provision 5.4(a) (Consequences of EEP Failure)) and would have been effective for the purposes of this CDS Supplement, LCH SA shall use commercially reasonable efforts to give effect to the terms of such Exercise Notice. If LCH SA gives effect to the terms of such Exercise Notice pursuant to this Section 6.8 then the provisions of this Part C of the CDS Clearing Supplement shall apply as if LCH SA had received a Swaption Clearing Member Notice in respect of the relevant Exercise Notice by the Swaption Clearing Member Notice Deadline, (or, in the case of a CCM Client Cleared Transaction, had received a Swaption CCM Client Notice in respect of the relevant Exercise Notice by the Swaption CCM Client Notice Deadline).

If LCH SA determines in its sole discretion that it is not possible to give effect to the terms of any such Exercise Notice in respect of which no Swaption Clearing Member Notice was received by LCH SA by the ExerciseSwaption Clearing Member Notice Deadline, (or, in the case of a CCM Client Cleared Transaction, no Swaption CCM Client Notice was received by LCH SA by the Swaption CCM Client Notice Deadline), the relevant Clearing Members (or their Exercise Delegation Beneficiaries, as applicable), as identified in the Protected Exercise Matched Pair Report, shall acquire rights as against each other as though party to a bilateral credit default swap transaction on the terms of the relevant Underlying Index Transaction. The Settlement Payment shall be due and payable two Transaction Business Days following the giving of a notice that such amount is due and payable. The relevant Clearing Members (or their Exercise Delegation Beneficiaries, as applicable) shall have enforcement rights as against each other pursuant to the Contracts (Rights of Third Parties) Act 1999 in respect of any resulting payments and deliveries; LCH SA shall have no liability in respect thereof.

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

6.9 **Cleared Transaction Exercise Reports**

Without prejudice to the notification requirements set out elsewhere in the CDS Clearing Documentation, LCH SA will communicate to the relevant Clearing Members, on the basis of information received from Clearing Members the aggregate Swaption Notional Amounts of Exercise Cleared Transactions to which they are a party as

Swaption Buyer in respect of which Exercise Notices and Abandonment Notices have been delivered and the aggregate Swaption Notional Amounts of Exercise Cleared Transactions to which they are a party as Swaption Seller in respect of which Exercise Notices and Abandonment Notices have been delivered, in each case on an ongoing basis on the Expiration Date, through the reports referred to in Section 5 of the Procedures with the final report being published as soon as practicable after LCH SA has confirmed with the relevant Clearing Members that all Exercise Notices and Abandonment Notices have been identified.

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

6.10 **Clearing Member Communications Failure Event and CCM Client Communications Failure Event**

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

If a Clearing Member or its Exercise Delegation Beneficiary is affected by a significant communications or information technology failure resulting in it being impossible or impractical for such Clearing Member or Exercise Delegation Beneficiary to deliver or receive any Exercise Notice or Abandonment Notice in relation to an Expiration Date via the EEP ~~Notice Facility~~ (a **Clearing Member Communications Failure Event**) it shall, notwithstanding Section ~~6.36.3~~ (Exercise and Abandonment by way of EEP), deliver and receive Swaption Notices to and from LCH SA in accordance with the provisions for the delivery of notices at Section ~~88~~ (Delivery of Notices) hereof and the terms of the relevant Exercise Cleared Transaction (and, in the case of a CCM Client Cleared Transaction, in accordance with Mandatory Provision 5.7 (CCM Client Communications Failure Event)) and not via the EEP).

(b) **Processing of Swaption Notices by LCH SA in case of Clearing Member Communications Failure Event or CCM Client Communications Failure Event**

(i) In case of Clearing Member Communications Failure Event or CCM Client Communications Failure Event affecting a Matched Buyer

Upon receipt of a Swaption Notice delivered by a Clearing Member (or its Exercise Delegation Beneficiary) in accordance with Section ~~6.40(a)~~ 6.10(a) above, or (in respect of a CCM Client Cleared Transaction) a Swaption Notice delivered by a CCM Client in accordance with Mandatory Provision 5.7 (CCM Client Communications Failure Event), LCH SA shall, as soon as reasonably practicable, submit ~~via~~ the ~~appropriate system~~ EEP, on behalf of such Clearing Member or Exercise Delegation Beneficiary, an Option Intent conforming to such Swaption Notice. Such Provided that (A) the Submission Time for such Option Intent is prior to 4.00 p.m. (London time) and (B) LCH SA has completed those steps necessary to make such Option Intent available for viewing in the EEP, including validation of the EEP Controls, such

Option Intent shall be deemed to constitute the delivery by the relevant Clearing Member or Exercise Delegation Beneficiary (as applicable) of a valid Exercise Notice or Abandonment Notice (as applicable). ~~LCH SA will perform the controls specified in Section 5 of the Procedures in respect of any such submission of Option Intents and, upon validation of such controls, shall register the relevant Option Intent in the relevant system.~~ The deemed time of delivery of the relevant Swaption Notice shall be the ~~time~~Submission Time specified by the ~~system~~EEP in respect of ~~the registration of~~ such Option Intent ~~and such registration shall be irrevocable.~~

~~Notwithstanding the above~~Notwithstanding the above, in respect of any Swaption Notice delivered pursuant to Section 6.10(a) above or (in the case of a CCM Client Cleared Transaction) pursuant to Mandatory Provision 5.7 (CCM Client Communications Failure Event), LCH SA may determine in its sole discretion that it is not able to submit the relevant Option Intent in the relevant system prior to 4.00 p.m. (London Time) on the Expiration Date. In such case, LCH SA will inform the relevant Clearing Member or Exercise Delegation Beneficiary and such Clearing Member or Exercise Delegation Beneficiary will be deemed ~~to not~~to have submitted an Option Intent in respect of the relevant Exercise Cleared Transaction and the provisions of Sections ~~6.7~~6.7 and 6.8 shall apply.

In respect of any Swaption Notice delivered pursuant to Section 6.10(a) above or (in the case of a CCM Client Cleared Transaction) pursuant to Mandatory Provision 5.7 (CCM Client Communications Failure Event), LCH SA may, in its sole discretion, elect to register the Exercise or Abandonment of an Exercise Cleared Transaction in an alternative internal system of LCH SA in which case the terms 'EEP', 'Option Intent', 'Submission Time' and 'EEP Controls' shall be interpreted accordingly *mutatis mutandis*.

- (ii) In case of Clearing Member Communications Failure Event or CCM Client Communications Failure Event affecting a Matched Seller

If a Clearing Member (or its FCM Client as Exercise Delegation Beneficiary) is subject to a Clearing Member Communications Failure Event duly notified to LCH SA in accordance with Section ~~6.10(e)~~6.10(c) below, or (in respect of a CCM Client Cleared Transaction) CCM Client as Exercise Delegation Beneficiary is subject to a CCM Client Communications Failure Event duly notified to LCH SA in accordance with Mandatory Provision 5.7(b) (Client to notify LCH SA of occurrence of CCM Client Communications Failure Event), any Exercise (in whole or in part) or Abandonment of an Exercise Cleared Transaction of an Exercise Matched Pair to which ~~such~~ Clearing Member is a party as Matched Seller shall be notified to such Matched Seller (and its Exercise Delegation Beneficiary if applicable) by LCH SA as soon as

reasonably practicable in accordance with the provisions for the delivery of notices at Section 8 (*Delivery of Notices*) hereof.

(c) **Clearing Member or Exercise Delegation Beneficiary to notify LCH SA of Occurrence of Clearing Member Communications Failure Event**

Following the occurrence of a Clearing Member Communications Failure Event, (or, in respect of a CCM Client Cleared Transaction, a CCM Client Communications Failure Event), the affected Clearing Member or Exercise Delegation Beneficiary shall, as soon as reasonably practicable and, in any event, prior to or at the same time as delivering any Swaption Notice to LCH SA in accordance with Section ~~6.10(a)~~6.10(a) above, deliver to LCH SA a notice (in the form set out at Appendix VI hereto) signed by an authorised signatory of such Clearing Member ~~certifying that it~~ (or its Exercise Delegation Beneficiary) certifying that such Clearing Member (or Exercise Delegation Beneficiary) is affected by a Clearing Member Communications Failure Event or CCM Client Communications Failure Event (or, if such Clearing Member or Exercise Delegation Beneficiary is unable to deliver such notice in writing, orally by telephone).

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

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

As soon as reasonably practicable upon a Clearing Member (or its FCM Client as Exercise Delegation Beneficiary, if applicable) ceasing to be subject to a Clearing Member Communications Failure Event, (or, in respect of a CCM Client as Exercise Delegation Beneficiary, a CCM Client Communications Failure Event), it shall notify LCH SA accordingly ~~(in the form set out at Appendix VII hereto, such notice to be signed by an authorised signatory (or, if such Clearing Member or Exercise Delegation Beneficiary is unable to deliver such notice in writing, orally by telephone))~~ and thereupon Section ~~6.36.3~~6.36.3 (*Exercise and Abandonment by way of EEP*) shall apply and, accordingly, any Swaption Notice thereafter delivered or purported to be delivered by such Clearing Member (or its Exercise Delegation Beneficiary) directly (and not via the EEP ~~Notice Facility~~) will not be valid and effective.

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

A Clearing Member which is subject to a Clearing Member Communications Failure Event shall use reasonable endeavours to mitigate the operational impact on other Clearing Members and LCH SA of any Clearing Member Communications Failure Event, to cure such Clearing Member Communications Failure Event as soon as ~~possible~~reasonably practicable and

to ensure that the circumstances giving rise to the relevant Clearing Member Communications Failure Event do not recur.

7. SETTLEMENT

7.1 Creation of Index Cleared Transactions

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

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

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

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

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

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

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

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

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

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

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

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

- (i) the paragraph entitled 'Operation of each Underlying Swap Transaction' and the paragraph entitled 'Successors' of the iTraxx® Swaption Standard Terms

Supplement shall continue to apply to such Initial Single Name Cleared Transaction; and

- (ii) notwithstanding (i) above, the Auction Settlement Date in respect of such Initial Single Name Cleared Transaction shall be the later of (x) the Auction Settlement Date that would be determined in accordance with Section 6.3 of the 2014 ISDA Credit Derivatives Definitions and (y) the first Transaction Business Day following the Expiration Date.

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

If:

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

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

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

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

- (i) the paragraph entitled 'Operation of each Underlying Swap Transaction' and the paragraph entitled 'Successors' of the iTraxx® Swaption Standard Terms

Supplement shall continue to apply to such Restructuring Cleared Transaction;
and

- (ii) notwithstanding (i) above, the Auction Settlement Date in respect of such Restructuring Cleared Transaction (if a valid Credit Event Notice is delivered or deemed to be delivered in respect of such Restructuring Cleared Transaction) shall be the later of (x) the Auction Settlement Date applicable to such Restructuring Cleared Transaction pursuant to Part B of the CDS Clearing Supplement and (y) the first Transaction Business Day following the Expiration Date.

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

If:

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

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

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

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

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

entitled 'Successors' of the iTraxx® Swaption Standard Terms Supplement shall continue to apply to such Initial Single Name Cleared Transaction.

8. DELIVERY OF NOTICES

8.1 General Rules relating to Notices

(a) Methods of Delivery and deemed Time of Delivery

Subject to Sections ~~6.3~~6.3 (*Exercise and Abandonment by way of EEP*) and ~~6.5(b)(iv)~~6.5(b)(iv) and without prejudice to Section 1.38 (*Requirements Regarding Notices*) of the 2014 ISDA Credit Derivatives Definitions and the remaining provisions of the 2014 ISDA Credit Derivatives Definitions and of the 2006 Definitions (including, for the avoidance of doubt, in relation to notices permitted to be given orally), any notice or other communication in respect of any Cleared Transaction may be given in any manner described below and will be deemed effective as indicated:

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

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

(b) Notices from or to LCH SA

Any such notice or communication given by LCH SA to a Clearing Member or *vice versa* shall (except where given via the EEP in accordance with Section ~~6.3~~6.3 (*Exercise and Abandonment by way of EEP*)) be given to the address or number previously specified in or previously notified for the relevant purpose in accordance with the CDS ~~Admissions~~Admission Agreement or the Procedures.

In the case of the occurrence of an EEP Failure Event, any notice or communication given by LCH SA to a Client of a Clearing Member as its Exercise Delegation Beneficiary or vice versa shall be given to the address or number provided by such Client or its Clearing Member to LCH SA and vice versa when the relevant Clearing Member registered such Client for the clearing of Index Swaption Cleared Transactions, or any other address or number duly notified thereafter by the such Client to LCH SA or vice versa.

(c) **Notices between Clearing Members**

Notices given by a Clearing Member to another Clearing Member (or their respective Exercise Delegation Beneficiaries) comprised in a relevant Matched Pair shall be given to the address or number notified by LCH SA to the deliveror pursuant to Section ~~5.15.1~~ (Creation and Notification of Swaption Restructuring Matched Pairs) or in a Protected Exercise Matched Pair Report pursuant to Section ~~6.4~~6.1 (Creation and Notification of Exercise Matched Pairs) and Section ~~6.5(a)(ii)~~6.5(a)(ii) (~~Notification of password or encryption key~~Access to the Protected Exercise Matched Pair Report), as applicable.

Such notices shall only be deemed to be delivered effectively by LCH SA through the relevant Clearing Member as its designee (acting itself or through such Clearing Member's Exercise Delegation Beneficiary, if applicable) as against the recipient where the address or number so notified by LCH SA corresponds in all material respects to the address or number, as applicable, specified by such recipient in or pursuant to the CDS Admissions Agreement.

(d) **No Obligation on LCH SA to verify Signatories**

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

8.2 **Failure to notify Matched Pairs**

Notwithstanding Section ~~5.3~~ (*Triggering of Swaption Restructuring Cleared Transactions*) or Section ~~6.5(b)~~6.3(b) (*Consequences of EEP Failure*), if LCH SA does not notify the relevant Clearing Members of Swaption Restructuring Matched Pairs and related information specified in Section ~~5.15.1~~ (Creation and Notification of Swaption Restructuring Matched Pairs) by the SRMP Notification Deadline or provide the Protected Exercise Matched Pair Report by the EMP Notification Deadline (as applicable);) (or, where Section 6.5(b) (Consequences of EEP Failure) is applicable as a result of the occurrence of an EEP Failure Event that occurs after the EMP Notification Deadline, from the time of such EEP Failure Event until such time as LCH provides the Protected Exercise Matched Pair Report):

- (a) the relevant Clearing Members may deliver Credit Event Notices and Notices to Exercise Movement Options in respect of their Swaption Restructuring Cleared Transaction to LCH SA and vice versa;
- (b) if Section ~~6.5(b)~~6.5(b) (~~Consequence~~Consequences of EEP Failure) is applicable as a result of the occurrence of an EEP Failure Event, the relevant Clearing Members (or their Exercise Delegation ~~Beneficiary~~Beneficiaries as

their designees if applicable) may deliver Swaption Notices in respect of their Exercise Cleared Transaction to LCH SA, and *vice versa*; and

- (c) the provisions of Section 99 (*Matched Pair Designations*) shall not apply and the terms of this CDS Clearing Supplement shall be construed accordingly.

8.3 Oral Notices

Notwithstanding the provisions of the 2006 Definitions and of the 2014 ISDA Credit Derivatives Definitions and any other provision hereof, where Swaption Notices, Credit Event Notices and Notices to Exercise Movement Option are to be delivered directly to LCH SA, such notices may not be delivered orally or by telephone.

8.4 Disputes as to Notices

If any Clearing Member comprised in a Matched Pair where one such party is acting as designee of LCH SA disputes the effective delivery in accordance with the terms of the relevant Cleared Transactions of any notice delivered directly between Clearing Members pursuant to Section 55 (*Restructuring*) or Section 6.5(b) (*Consequences of EEP Failure*):

- (a) LCH SA shall be entitled in accordance with the Procedures to calculate and call for Margin with respect to each such Clearing Member on the basis of the maximum requirement for such Clearing Member that could result from any foreseeable outcome of such dispute;
- (b) following final resolution of such dispute by arbitration or by litigation, as applicable, in accordance with the CDS Dispute Resolution Protocol, subject to the provisions of Sections 8 and 9 of the Procedures, the Clearing Members comprised in the relevant Matched Pair shall take such actions with respect to the affected Exercise Cleared Transactions or Swaption Restructuring Cleared Transactions, as the case may be, the subject of such dispute as LCH SA determines appropriate to give effect to any relevant binding resolution; and
- (c) without prejudice to its obligations upon final resolution of the dispute, pending final resolution of any such dispute, LCH SA shall not be obliged to take any step pursuant to the terms of the relevant Exercise Cleared Transactions or Swaption Restructuring Cleared Transactions which would be required to have been taken by it had the relevant notice been validly delivered.

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

9. MATCHED PAIR DESIGNATIONS

9.1 Creation of Matched Pairs

LCH SA will create Matched Pairs where required to do so pursuant to Section 5.15.1 (*Creation and Notification of Swaption Restructuring Matched Pairs*) and Section 6.1 (*Creation and Notification of Exercise Matched Pairs*) using a matching procedure that matches Swaption Sellers with Swaption Buyers pursuant to an algorithm incorporating the following principles:

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

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

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

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

- (i) the sum of all Swaption Restructuring Matched Pair Amounts or Exercise Matched Pair Amounts (as applicable) of each Swaption Buyer under the Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions matched on the relevant date pursuant to this Section 9.49.1 is equal to the aggregate of the Swaption Notional Amounts of the Index Swaption Cleared Transactions to which such Swaption Buyer is a party which are to be matched on such date pursuant to this Section 9.4; and 9.1; and

- (ii) the sum of all Swaption Restructuring Matched Pair Amounts or Exercise Matched Pair Amounts (as applicable) of each Swaption Seller under the Swaption Restructuring Cleared Transactions or Exercise Cleared Transactions matched on the relevant date pursuant to this Section 9.49.1 is equal to the aggregate of the Swaption Notional Amounts of the Index Swaption Cleared Transactions to which such Swaption Seller is a party which are to be matched on such date pursuant to this Section 9.49.1.

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

To the extent that any Swaption Restructuring Cleared Transaction created pursuant to Section 5.25.2 (*Creation of Swaption Restructuring Cleared Transaction*) or any Exercise Cleared Transaction created pursuant to Section 6.2 (*Creation of Exercise Cleared Transactions*) is not automatically registered in accordance with the DTCC Rules, LCH SA shall register such new Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction (as applicable) in the TIW in accordance with the DTCC Rules prior to 6.00 p.m. on the date on which the SRMP Notification Deadline

or EMP Notification Deadline (as applicable) falls. In respect of CCMs and CCM Clients only, such registration by LCH SA shall also result in the automatic registration of any amendments made to the corresponding CCM Client Transactions.

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

9.3 **Resetting of Swaption Trade Date**

If LCH SA determines in respect of any Swaption Restructuring Cleared Transaction created pursuant to Section ~~5.25.2~~ (*Creation of Swaption Restructuring Cleared Transactions*) or any Exercise Cleared Transaction created pursuant to Section 6.2 (*Creation of Exercise Cleared Transactions*) that the Swaption Trade Date for such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction would be after a DC Announcement Coverage Cut-off Date whereas the Swaption Trade Date for the Cleared Transaction(s) from which such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction was created would have been prior to such DC Announcement Coverage Cut-off Date, LCH SA shall take such action as it deems necessary to ensure that such DC Credit Event Announcement is applicable to such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction, including, without limitation, specifying an earlier Swaption Trade Date for such Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction.

9.4 **Matched Buyer and Seller Contracts**

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

9.5 Exercise of Rights

In relation to each Matched Pair:

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

9.6 Clearing Member matched with Itself

In the event that Matched Buyer and Matched Seller of a Matched Pair pursuant to this Section 9.6 (*Matched Pair Designations*) is the same Clearing Member, such Clearing Member shall be deemed to have sent a notice from itself in its role as Matched Buyer to itself in its role as Matched Seller (and *vice versa*) upon such Clearing Member sending a Clearing Member Notice to LCH SA pursuant to Section 5.7(a) a(a) (*Duty to deliver Swaption Restructuring Clearing Member Notices*) or Section 6.5(e) 6.5(c) (*Duty to deliver Swaption Clearing Member Notices*) above in respect of such notice.

9.7 Notices

In relation to each Matched Pair:

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

10. MANDATORY PROVISIONS FOR CCM CLIENT TRANSACTIONS

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

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

11. AMENDMENTS

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

12. FORMS OF NOTICES

A form of Exercise Notice, Abandonment Notice, Credit Event Notice, Notice to Exercise Movement Option, notice of dispute relating to any Matched Pair as contemplated by Section 8.48.4 (*Disputes as to Notices*) is set out in Appendix I, II, III, IV and V respectively hereto.

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

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

13. EXCLUSION OF LIABILITY

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

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

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

(b) **No liability for Exercise or Abandonment by Exercise Delegation Beneficiary**

~~The Clearing Member (both in its own name and, if applicable, as agent of its FCM Client) hereby indemnifies and holds LCH SA harmless from and against any and all loss, liability, damage, cost, penalty, fine, tax or expense (including, without limitation, reasonable attorney's fees, costs of collection, and any reasonable cost incurred in successfully defending against any claim) incurred by LCH SA.~~ LCH SA shall have no liability to a Clearing Member which has delegated to an Exercise Delegation Beneficiary its power to Exercise or Abandon Exercise Cleared Transactions in accordance with Section 6.4 (*Delegation by Clearing Members to Clients*) above for any loss, cost or

expense arising out of any failure of such Exercise Delegation Beneficiary to perform its obligations in relation to such delegation or in connection with or arising from the Exercise or Abandonment (or attempted Exercise or Abandonment) of an Exercise Cleared Transaction by thesuch Exercise Delegation Beneficiary ~~of the Clearing Member.~~

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

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

(d) **No Obligation to verify Notices received**

LCH SA shall have no responsibility to verify the contents of any notice received by it from any Clearing Member (or from an Exercise Delegation Beneficiary of a Clearing Member) under the terms of any Cleared Transaction.

14. **DISPUTE RESOLUTION**

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

15. **GOVERNING LAW**

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

APPENDIX I: FORM OF EXERCISE NOTICE

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

[To/Copy to:]

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

[*Date*]

EXERCISE NOTICE:

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

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

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

Sincerely

[*Clearing Member*]

Name:

Title:

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

SCHEDULE

Exercise Cleared Transaction Details

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

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

APPENDIX II: FORM OF ABANDONMENT NOTICE

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

[To/Copy to:]

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

[*Date*]

ABANDONMENT NOTICE:

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

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

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

Sincerely

[*Clearing Member*]

Name:

Title:

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

SCHEDULE

Exercise Cleared Transaction Details

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

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

APPENDIX III: FORM OF CREDIT EVENT NOTICE

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

[To/Copy to:]

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

[*Date*]

CREDIT EVENT NOTICE:

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

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

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

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

Sincerely

[*Clearing Member*]

Name:

Title:

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

SCHEDULE

Swaption Restructuring Cleared Transaction Details

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

⁴ Where different to the relevant SRMP Triggerable Amount

APPENDIX IV: FORM OF NOTICE TO EXERCISE MOVEMENT OPTION

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

[To/Copy to:]

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

[Date]

Dear Sir/Madam

Notice to Exercise Movement Option

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

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

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

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

Yours faithfully,

[Matched Buyer/Matched Seller]

Name:

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

Title:

SCHEDULE

Swaption Restructuring Cleared Transaction Details

Swaption Restructuring Matched Pair ID	Reference Entity	Swaption Trade Date	Auction Settlement Terms
[●]	[●]	[●]	[●]

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

To:

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

[Date]

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

Trade ID: [●]

Dear Sir/Madam

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

Reference is made to Section 8.48.4 (*Disputes as to Notices*) of Part C of the CDS Clearing Supplement. Defined terms shall have the meanings assigned to them in Part C of the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section 8.48.4 (*Disputes as to Notices*) of Part C of the CDS Clearing Supplement, notice is hereby given of the following dispute(s):

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

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

Yours faithfully,

[Matched Buyer]/[Matched Seller]

Name:

Title:

**APPENDIX VI: FORM OF NOTICE OF CLEARING MEMBER COMMUNICATIONS
FAILURE EVENT PURSUANT TO SECTION ~~6.10~~6.10 (Clearing Member
Communications Failure Event) OR CCM CLIENT COMMUNICATIONS FAILURE
EVENT PURSUANT TO MANDATORY PROVISION 5.7 (CCM Client Communications
Failure Event)**

To:

LCH SA

18, rue du Quatre Septembre

75002 Paris

France

[Contact details]

[date]

Dear Sir/Madam

**Notice certifying occurrence of a [Clearing Member Communications Failure Event]
[CCM Client Communications Failure Event]**

Reference is made to [~~Section 6.10(b) (Clearing Member to notify LCH SA of Occurrence of Clearing Member Communications Failure Event)~~6.10(c) (Clearing Member or Exercise Delegation Beneficiary to notify LCH SA of Occurrence of Clearing Member Communications Failure Event) of the CDS Clearing Supplement-] [Mandatory Provision 5.7(b) (Client to notify LCH SA of occurrence of CCM Client Communications Failure Event) in respect of the CDS Clearing Supplement]. Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

~~In accordance with Section 6.10(b) (Clearing Member to notify LCH SA of Occurrence of Clearing Member Communications Failure Event)~~In accordance with Section 6.10(c) (Clearing Member or Exercise Delegation Beneficiary to notify LCH SA of Occurrence of Clearing Member Communications Failure Event) of the CDS Clearing Supplement, notice is hereby given that we are affected by a Clearing Member Communications Failure Event [insert details of such failure]-].]

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

~~Yours faithfully,~~

[In accordance with Mandatory Provision 5.7(b) (Client to notify LCH SA of occurrence of CCM Client Communications Failure Event) in respect of the CDS Clearing Supplement, notice is hereby given that we are affected by a CCM Client Communications Failure Event [insert details of such failure].]

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

Yours faithfully,

[Clearing Member / Exercise Delegation Beneficiary]

Name:

Title:

[Signed by a senior officer (such as a managing director or equivalent) on behalf of the Clearing Member]

/ Exercise Delegation Beneficiary]

APPENDIX VII: FORM OF NOTICE FOR CEASING TO BE SUBJECT TO A CLEARING MEMBER COMMUNICATIONS FAILURE EVENT PURSUANT TO SECTION ~~6.10~~ (Clearing Member 6.10 (Clearing Member Communications Failure Event) OR CCM CLIENT COMMUNICATIONS FAILURE EVENT PURSUANT TO MANDATORY PROVISION 5.7 (CCM Client Communications Failure Event)

To:

LCH SA

18, rue du Quatre Septembre

75002 Paris

France

[Contact details]

[date]

Dear Sir/Madam

Notice ~~that a Clearing Member is no longer subject to~~ of cessation of [Clearing Member Communications Failure Event] [CCM Client Communications Failure Event]

Reference is made to Section ~~6.10(e)~~ 6.10(d) (*Notification of Resolution of Clearing Member Communications Failure Event*) of the CDS Clearing Supplement and the notice certifying the occurrence of a Clearing Member Communications Failure Event delivered by us to LCH SA on [.] (the **Notice of Clearing Member Communications Failure Event**).] [Reference is made to Mandatory Provison 5.7(c) (*Notification of Resolution of CCM Client Communications Failure Event*) in respect of the CDS Clearing Supplement and the notice certifying the occurrence of a CCM Client Communications Failure Event delivered by us to LCH SA on [.] (the **Notice of CCM Client Communications Failure Event**).] Defined terms shall have the meanings assigned to them in the CDS Clearing Supplement, unless otherwise defined herein.

In accordance with Section ~~6.10(e)~~ 6.10(d) (*Notification of Resolution of Clearing Member Communications Failure Event*) of the CDS Clearing Supplement, notice is hereby given that we are no longer subject to the relevant Clearing Member Communications Failure Event described in the Notice of Clearing Member Communications Failure Event.

[In accordance with Mandatory Provision 5.7(c) (*Notification of Resolution of CCM Client Communications Failure Event*) in respect of the CDS Clearing Supplement, notice is hereby given that we are no longer subject to the relevant CCM Client Communications Failure Event described in the Notice of CCM Client Communications Failure Event.]

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

Yours faithfully,

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

~~Yours faithfully,~~

[*Clearing Member / Exercise Delegation Beneficiary*]

Name:

Title:

APPENDIX VIII: CCM CLIENT TRANSACTION REQUIREMENTS

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

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

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

1. **Defined Terms**

Terms used in the Mandatory Provisions and not otherwise defined herein or in the iTraxx® Swaption Standard Terms Supplement as published on 20 March 2017 by Markit Indices Limited (the "**STS Supplement**"), the 2006 ISDA Definitions published by the International Swaps and Derivatives Association (the "**2006 Definitions**") or in the 2014 ISDA Credit Derivatives Definitions published by the International Swaps and Derivatives Association (the "**2014 ISDA Credit Derivatives Definitions**") shall have the meanings given to them in Part C of the CDS Clearing Supplement.

2. **Terms of CCM Client Transactions**

2.1 *2006 Definitions and 2014 ISDA Credit Derivatives Definitions*

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

2.2 *Premium Payment Date*

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

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

2.3 *Abandonment Notices*

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

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

3.1 *Creation of Additional CCM Client Transactions*

Immediately following the creation of Matched Pairs by LCH SA pursuant to Section 9.49.1 (*Creation of Matched Pairs*) of the CDS Clearing Supplement, if a CCM Client Transaction has been specified to have been split into or replaced by two or more separate CCM Client Transactions in the TIW as a result of the creation of such Matched Pairs, such CCM Client Transaction shall be split into or terminated and replaced by two or more (as applicable) corresponding CCM Client Transactions. The Swaption Notional Amount of each such CCM Client Transaction (and the Original Notional Amount for the relevant Underlying Swap Transaction) shall correspond to the Swaption Notional Amount (and the Original Notional Amount) specified in TIW for such CCM Client Transaction.

3.2 *Reversal of Creation of Additional CCM Client Transactions*

If a CCM Client Transaction has been split into two or more CCM Client Transactions pursuant to Mandatory Provision 3.43.1 (*Creation of Additional CCM Client Transactions*) above and the relevant DC Credit Event Announcement in respect of a Restructuring Credit Event that led to the creation of the Matched Pairs is reversed such that Section 5.9 (*Reversal of DC Credit Event Announcements*) of Part C of the CDS Clearing Supplement applies, then, subject to Section 10.2(a)(i) of the 2014 ISDA Credit Derivatives Definitions and provided that no Subsequent Restructuring has occurred, any additional CCM Client Transactions created pursuant to Mandatory Provision 3.43.1 (*Creation of Additional CCM Client Transactions*) above shall be deemed not to have been created. Any Credit Event Notices delivered in connection with such CCM Client Transactions in relation to such Restructuring Credit Event shall be deemed to be ineffective.

3.3 *Compression of CCM Client Transactions*

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

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

4. **Validity of Notices**

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

5. **Designation of CCM Client by CCM for Exercise or Abandonment of Exercise Cleared Transactions**

5.1 *Designation by CCM*

CCM and CCM Client ~~shall~~hereby agree that ~~such~~ CCM shall designate the CCM Client as its Exercise Delegation Beneficiary in respect of the CCM Client Cleared Transaction(s) relating to the CCM Client Transaction(s) between CCM and CCM Client pursuant to Section ~~6.46.4~~ (*Delegation by Clearing Members to CCM Clients*) of Part C of the CDS Clearing Supplement for the purpose of the Exercise (in whole or in part) or Abandonment of such CCM Client Cleared Transactions(s) and receipt of Swaption Notices on its behalf.

~~CCM Client hereby indemnifies and holds LCH SA harmless from and against any and all loss, liability, damage, cost, penalty, fine, tax or expense (including, without limitation, reasonable attorney's fees, costs of collection, and any reasonable cost incurred in successfully defending against any claim) incurred by LCH SA in connection with or arising from the Exercise or Abandonment (or attempted Exercise or Abandonment) of a CCM Client Cleared Transaction by CCM Client. CCM Client hereby agrees that LCH SA shall have enforcement rights in respect of this Mandatory Provision 5.1 under the Contracts (Rights of Third Parties) Act 1999.~~

5.2 *Exercise Notices and Abandonment Notices delivered in respect of CCM Client Cleared Transaction*

Neither the CCM nor CCM Client may deliver Swaption Notices in relation to the CCM Client Transaction corresponding to a CCM Client Cleared Transaction in respect of which CCM Client has been designated by the CCM as its Exercise Delegation Beneficiary in accordance with Mandatory Provision ~~5.45.1~~ (*Designation by CCM*) above. Instead, if CCM Client as Exercise Delegation Beneficiary of the CCM delivers or receives (or is deemed to deliver or receive) a valid Swaption Notice in respect of the CCM Client Cleared Transaction corresponding to such CCM Client Transaction, such notice shall be deemed also to be a valid Swaption Notice for the purposes of such CCM Client Transaction.

5.3 *Exercise and Abandonment by way of EEP*

Subject to Mandatory Provision ~~5.45.4~~ (Consequences of EEP Failure) and Mandatory Provision ~~5.6~~ (5.7 (CCM Client Communications Failure Event) below, any submission of an Option Intent by CCM Client in respect of a CCM Client Cleared Transaction in respect of which such CCM Client has been designated as Exercise Delegation Beneficiary shall be made via its Client Portal Account in the EEP. If (i) the CCM Client submits such an Option Intent via its Client Portal Account ~~in the EEP~~ (ii) the Submission Time of such Option Intent is prior to 4.00 pm. (London time) on the Expiration Date and (iii) LCH SA has completed those steps necessary to make such Option Intent available for viewing in the EEP, including validation of the EEP Controls, such submission shall be deemed to constitute the delivery by the CCM (as Matched Buyer) of a valid Exercise Notice or Abandonment Notice (as applicable) in respect of the CCM Client Cleared Transactions pursuant to Section ~~6.46.4~~ (Delegation by Clearing Members to CCM Clients) of Part C of the CDS Clearing Supplement. An Option Intent shall become irrevocable by CCM Client as from the Submission Time. For the avoidance of doubt, CCM Client shall not be able to require a Force Submission in accordance with Section 5 of the Procedures after 4.00 p.m. (London time), including if the relevant Option Intent is deemed illogical further to EEP Controls carried out at or after 4.00 p.m. (London time). The deemed time of delivery of such Swaption Notice shall be the ~~time~~ Submission Time specified by the EEP in respect of ~~the registration of~~ such Option Intent ~~and such registration shall be irrevocable.~~

5.4 *Consequences of EEP Failure*

If an EEP Failure Event occurs, from (and including) the EEP Failure Event Time to (but excluding) the EEP Resolution Time:

- (a) Mandatory Provision ~~5.3~~ (Delivery of Swaption Notices via ~~5.3~~ (Exercise and Abandonment by way EEP) shall not apply and CCM Client shall deliver Swaption Notices directly to the Matched Seller or its relevant Exercise Delegation Beneficiary (with a copy to the Matched Seller), as applicable, in accordance with Section 6.5(b) (Consequences of EEP Failure) and Section 8 (Delivery of Notices) of Part C of the CDS Clearing Supplement using the notice details provided by LCH SA in the Protected Exercise Matched Pair Report pursuant to Section ~~6.46.1~~ (Creation and Notification of Exercise Matched Pairs) and Section ~~6.5(a)(ii)~~ 6.5(a)(ii) (Access to the Protected Exercise Matched Pair Report) of Part C of the CDS Clearing Supplement;
- (b) If LCH SA does not provide the Protected Exercise Matched Pair Report by the EMP Notification Deadline, (or, where an EEP Failure Event occurs after the EMP Notification Deadline, from the time of such EEP Failure Event until such time as LCH provides the Protected Exercise Matched Pair Report), Mandatory Provision 5.2 (Exercise Notices and Abandonment Notices delivered in respect of CCM Client Cleared Transaction) and Mandatory Provision 5.3 (~~Delivery of Swaption Notices via~~ Exercise and Abandonment by way EEP) and paragraph (a) above shall not apply and accordingly CCM Client shall deliver Swaption Notices to LCH SA on behalf of the CCM;
- (c) any notice delivered via the EEP prior to the EEP Failure Event Time will be valid and will not be affected by such EEP Failure Event; and

- (d) any notice delivered or purported to be delivered via the EEP at or following the EEP Failure Event Time but prior to the EEP Resolution Time will not be valid and effective.

Mandatory Provision 5.2 (*Exercise Notices and Abandonment Notices delivered in respect of CCM Client Cleared Transaction*) and Mandatory Provision ~~5.3 (*Delivery of Swaption Notices via*~~5.3 (*Exercise and Abandonment by way EEP*) shall apply with effect from the EEP Resolution Time.

5.5 *Duty to Deliver Swaption CCM Client Clearing Member Notice*

CCM Client shall notify LCH SA and its CCM or deliver a copy to LCH SA and its CCM of any Swaption Notice delivered by it (as Exercise Delegation Beneficiary of Matched Buyer) to Matched Seller (or to the Client of Matched Seller as Exercise Delegation Beneficiary of Matched Seller on its behalf) in accordance with Mandatory Provision ~~5.4~~5.4 (*Consequences of EEP Failure*) which such CCM Client asserts was effective (such notification, or delivery of such copy, in respect of any relevant notice, a Swaption CCM Client Clearing Member Notice) by no later than 5.00 p.m. on the Expiration Date (the Swaption CCM Client Clearing Member Notice Deadline). If no Swaption CCM Client Clearing Member Notice is delivered by CCM Client (~~or the CCM itself~~) prior to the Swaption CCM Client Clearing Member Notice Deadline, any Exercise Notice sent by CCM Client pursuant to Mandatory Provision ~~5.4 (*Consequences of EEP Failure*)~~5.4 (*Consequences of EEP Failure*) shall, subject to Section 6.8 (*Consequences of no Swaption Clearing Member Notice or Swaption CCM Client Notice being received by LCH SA*) of Part C of the CDS Clearing Supplement, be deemed to be invalid for the purposes of Mandatory Provision 5.2 (*Exercise Notices and Abandonment Notices delivered in respect of CCM Client Cleared Transaction*).

Notwithstanding the above:

- (a) if LCH SA elects to give effect to an Exercise Notice in respect of a Swaption CCM Client Notice that it determines to have been delivered pursuant to Section 6.8 (*Consequences of no Swaption Clearing Member Notice or Swaption CCM Client Notice being received by LCH SA*) of Part C of the CDS Clearing Supplement, then Part C of the CDS Clearing Supplement shall apply as if LCH SA had received a Swaption CCM Client Notice in respect of the relevant Exercise Notice by the Swaption CCM Client Notice Deadline; and
- (b) if LCH SA determines that it is not possible to give effect to the terms of any such Exercise Notice in respect of which no Swaption CCM Client Notice was received by LCH SA by the Swaption CCM Client Notice Deadline, the relevant Clearing Members (or their Exercise Delegation Beneficiaries, as applicable), as identified in the Protected Exercise Matched Pair Report, shall acquire rights as against each other as though party to a bilateral credit default swap transaction on the terms of the relevant Underlying Index Transaction. The Settlement Payment shall be due and payable two Transaction Business Days following the giving of a notice that such amount is due and payable. The relevant Clearing Members (or their Exercise Delegation Beneficiaries, as applicable) shall have enforcement rights as against each other pursuant to the

Contracts (Rights of Third Parties) Act 1999 in respect of any resulting payments and deliveries; LCH SA shall have no liability in respect thereof.

5.6 Delivery of notices to and from LCH SA in case of EEP Failure Event

In the case of the occurrence of an EEP Failure Event, any notice or communication given by LCH SA to the CCM Client or vice versa shall be given to the address or number provided by the CCM Client to LCH SA and vice versa when the relevant CCM registered such CCM Client for the clearing of Index Swaption Cleared Transactions, or any other address or number duly notified thereafter by the such CCM Client to LCH SA or vice versa.

5.6.5.7 CCM Client Communications Failure Event

- (a) *Right to deliver Notices manually following CCM Client Communications Failure Event*

If CCM Client is affected by a significant communications or information technology failure resulting in it being impossible or impractical for it to deliver a Swaption Notice via the EEP (a "**CCM Client Communications Failure Event**") it may, notwithstanding Mandatory Provision ~~5.3~~5.3 (*Exercise and Abandonment by way of EEP*) above, deliver Swaption Notices in respect of the CCM Client Cleared Transaction to LCH SA in accordance with Section ~~6.10(a)~~6.10(a) of Part C of the CDS Clearing Supplement ~~Mandatory~~ and any Option Intent submitted by LCH SA in the EEP (or an alternative internal system of LCH SA) in respect of such Swaption Notice pursuant to Section ~~6.10(b)~~6.10(b) of Part C of the CDS Clearing Supplement with a Submission Time prior to 4.00 p.m. (London time) shall be deemed to have been submitted by CCM Client for the purposes of Mandatory Provision 5.3 (*Exercise and Abandonment by way of EEP*) above.

In respect of any Swaption Notice delivered pursuant to this Mandatory Provision 5.7, LCH SA may determine in its sole discretion that it is not able to submit the relevant Option Intent in the relevant system with a Submission Time prior to 4.00 p.m. (London time) on the Expiration Date. In such case, LCH SA will inform the CCM Client and, subject to Mandatory Provision 5.5 above, such CCM Client will be deemed not to have submitted an Option Intent in respect of the relevant Exercise Cleared Transaction.

- (b) *Client to notify LCH SA of occurrence of CCM Client Communications Failure Event*

Following the occurrence of a CCM Client Communications Failure Event, the CCM Client shall, prior to or at the same time as delivering any Swaption Notice to LCH SA pursuant to sub-paragraph ~~(a)~~(a) above, deliver to LCH SA a notice (in the form set out at Appendix VI to Part C of the CDS Clearing Supplement) signed by ~~a senior officer (such as a managing director or equivalent)~~an authorised signatory certifying that it is affected by a CCM Client Communications Failure Event (or, if CCM Client is unable to deliver such notice in writing, orally by telephone).

~~i.(c)~~ Notification of Resolution of **CCM Client** Communications Failure Event

As soon as reasonably practicable upon CCM Client ceasing to be subject to a **CCM Client** Communications Failure Event, it shall notify LCH SA accordingly (in the form set out at Appendix VII to Part C of the CDS Clearing Supplement) and thereupon sub-paragraph (a) above shall cease to apply.

~~(e)~~(d) Duty to Mitigate

If CCM Client is subject to a **CCM Client** Communications Failure Event, it shall use reasonable endeavours to mitigate the operational impact of any **CCM Client** Communications Failure Event, to cure such **CCM Client** Communications Failure Event as soon as ~~possible~~reasonably practicable and to ensure that the circumstances giving rise to the relevant **CCM Client** Communications Failure Event do not recur.

5.75.8 Confidentiality Waiver

CCM Client hereby agrees and consents to the disclosure of its address, fax number, telephone number, contact email address (and any other applicable notice details provided by it) by CCM to LCH SA and by LCH SA in any Protected Exercise Matched Pair Report in accordance with Section ~~6.16.1~~ (Creation and Notification of Exercise Matched Pairs) and Section ~~6.5(a)(ii)~~ 6.5(a)(ii) (Notification of password or encryption key Access to the Protected Exercise Matched Pair Report) of Part C of the CDS Clearing Supplement.

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

Notwithstanding any provision to the contrary:

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

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

In this Mandatory Provision 7:

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

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

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

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

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

7.1 *Delivery of Notices by Swaption Restructuring CCM Client Buyer*

For the purposes of the delivery by Swaption Restructuring CCM Client Buyer of any notice in respect of a CCM Client Transaction (other than a Swaption Notice to which this Mandatory Provision 7 shall not apply), Section 1.38 (*Requirements Regarding Notices*) of the 2014 ISDA Credit Derivatives Definitions shall be amended so as to provide that, solely in respect of the final day on which such notice could validly be delivered pursuant to the terms of such CCM Client Transaction (including the Mandatory Provisions), any such notice shall be required to be delivered on or prior to 2:00 p.m. (Calculation Agent City time) in order to be effective.

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

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

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

Swaption Restructuring CCM Seller/Matched Buyer undertakes to deliver such a notice to the relevant Matched Seller within two hours of its receipt of the equivalent notice from Swaption Restructuring CCM Client Buyer if such notice is received between 9:00 a.m. (Calculation Agent City time) and 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Seller/Matched Buyer after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM

Seller/Matched Buyer before 9:00 a.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on such Calculation Agent City Business Day. Any such notice delivered on a day that is not a Calculation Agent City Business Day shall be deemed to have been delivered at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day.

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

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

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

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

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

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

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

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

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

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

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

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

Swaption Restructuring CCM Buyer/Matched Seller undertakes to deliver such a notice to Swaption Restructuring CCM Client Seller within two hours of its receipt of the equivalent notice from the relevant Matched Buyer if such notice is received between 9:00 a.m. (Calculation Agent City time) and 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day. Any such notice received by Swaption Restructuring CCM Buyer/Matched Seller after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City

Business Day. Any such notice received by Swaption Restructuring CCM Buyer/Matched Seller before 9:00 a.m. (Calculation Agent City time) on a Calculation Agent City Business Day shall be deemed to have been received at 9:00 a.m. (Calculation Agent City time) on such Calculation Agent City Business Day. Any such notice delivered on a day that is not a Calculation Agent City Business Day shall be deemed to have been delivered at 9:00 a.m. (Calculation Agent City time) on the following Calculation Agent City Business Day.

7.7

8. **Settlement**

8.1 *Creation of Underlying Swap Transaction*

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

8.2 *Creation of Restructuring Single Name Transaction*

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

8.3 *Auction Settlement Date*

If an Event Determination Date has occurred in respect of a Credit Event for a Reference Entity referenced by the Underlying Swap Transaction in accordance with the 'Operation of each Underlying Swap Transaction' section of Part 4 (*Underlying Swap Transaction Terms*) of the STS Supplement, notwithstanding anything to the contrary in the STS Supplement the Auction Settlement Date for any such Event

Determination Date will be deemed to be the later of (i) the Auction Settlement Date that would be determined in accordance with Section 6.3 of the 2014 Credit Derivatives Definitions and (ii) the Transaction Business Day immediately following the Expiration Date.

8.4 *Settlement Payment*

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

9. ***Calculation Agent***

9.1 *Appointment of Calculation Agent*

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

9.2 *Calculations and Determinations of Calculation Agent*

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

10. ***Amendments***

The Mandatory Provisions may be amended from time to time pursuant to Section 4.11 (*Amendments*) of Part C of the CDS Clearing Supplement. The parties agree that any amendments made to the Mandatory Provisions in accordance with Section 4.11 (*Amendments*) of Part C of the CDS Clearing Supplement shall be deemed to apply automatically to the CCM Client Transaction(s) with effect from the date of such amendment to the Mandatory Provisions.