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SECRETARIAT

July 13, 2011

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington DC 20581

CONFIDENTIAL TREATMENT
REQUESTED

RE: CDS Rules: CME Chapter 8H; CME Chapters 800-805; Manual of Operations for CME Cleared Credit Default Swaps; Rule 403.A; 8F004, 8F014; 8F025 CME Submission No. 11-279.

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") pursuant to Commission Regulation 40.6 hereby notifies the Commodity Futures Trading Commission of amendments to CME Chapters 800 through 805 in connection with the CME CDS Clearing initiative. Revisions to the existing Rules were made after discussions with market participants.

Pursuant to Commission Regulations 40.6, Chicago Mercantile Exchange Inc. ("CME") makes this submission to the Commission with regard to the CME clearing house's ("CME Clearing"), offering for clearing credit default swaps ("CDS"). We are self-certifying new rules and rule amendments as follows: new Chapter 8H, amendments to CME Rules 800 through 805, amendments to Rule 403.A and a new Manual of Operations for CME Cleared Credit Default Swaps (the "CDS Manual"). CME certifies that these rule amendments comply with the Commodity Exchange Act and regulations thereunder. The new rules and the amendments will become effective on July 15, 2011.

The new CME Chapter 8H Rules will establish a separate guaranty fund for CDS products and call for utilization of a limited-recourse structure. Pursuant to these rules, non-defaulting clearing firm contributions to the existing, separate financial safeguards package for other CME-cleared products cannot be used to satisfy losses stemming from an CDS default. In this separate-fund, limited-recourse design, it is contemplated that if performance bond collateral posted by a defaulting CDS clearing member to secure CDS commitments to CME Clearing were insufficient to cure the default, then after application of a specified CME contribution, CDS guaranty fund assets of non-defaulting CDS clearing firms would be utilized to cure the default. The CDS guaranty fund will be augmented by assessment powers specific to CDS clearing.

If these resources were insufficient to cure a default, then, in accordance with the limited-recourse structure, CME Clearing would terminate all open CDS contracts, collect mark-to-market funds from those clearing firms that owe monies to it, and make mark-to-market payments to non-defaulting clearing firms that would be haircut to reflect monies so collected plus any remaining portion of the CDS safeguards package. Each clearing firm that received

haircut "collects" from CME Clearing would, in turn, haircut mark-to-market amounts due to individual customers on its own books.

In addition, as outlined in CME Rules 8H26 through 8H27, CME will establish a separate governance structure for our CDS clearing solution. A separate CDS Risk Committee will be formed along with a CDS Default Management Committee. Consistent with CME Rule 300.C, the CDS Risk Committee will be a non-Board level committee and will be chaired by a CME Board member. It will assume responsibility for the Chapter 8H and Chapter 800 rules and will provide guidance on risk-management matters relating to the clearing of CDS products, including extension of clearing services to additional CDS products, guaranty fund management, default management policy, and evaluation of CDS clearing membership applicants. Consequently, Rule 403.A is being amended to remove jurisdiction of CDS from the Clearing House Risk Committee. The CDS Default Management Committee will oversee the development and ongoing administration of CDS default-management practices and standards, and will be responsible for executing various elements of the default management program in the event of an actual default by a CDS clearing member.

CME Chapters 800 through 805 are being further amended in connection with the CDS Clearing initiative. Revisions to the existing Rules were made after discussions with market participants.

Amendments to rules 8F004, 8F014 and 8F025 are being made to delete certain rules relating to CDS that will be reflected in the new Chapter 8H.

The text of the rules amendments are attached in a marked version, with additions underscored and deletions lined-out. New Chapter 8H and the CDS Manual are attached as clean versions. The new rules and rule amendments will be effective on Friday, July 15, 2011.

If you have any question, please contact Tim Doar, Managing Director, Risk Management, at (312) 930-3162 or me at (212) 299-2228.

Sincerely,

/s/ Jason S. Silverstein
Director and Associate General Counsel



CONFIDENTIAL TREATMENT
REQUESTED

August 4, 2011

VIA ELECTRONIC MAIL AND OVERNIGHT MAIL

Assistant Secretary of the Commission for FOI, Privacy and Sunshine Act Compliance
Commodity Futures Trading Commission
FOIA Compliance Office
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

RE: FOIA Confidential Treatment Request

Dear FOIA Compliance Staff:

The Chicago Mercantile Exchange, Inc. (the "Exchange") submitted to the Commodity Futures Trading Commission (the "Commission") rule filings on July 13, 2011 and July 15, 2011 (CME Submissions No. 11-279 and No. 11-279R) (the "Rule Submissions") relating to CDS Rules: CME Chapter 8H; CME Chapters 800-805; Manual of Operations for CME Cleared Credit Default Swaps (the "CDS Manual"); Rule 403.A; 8F004, 8F014; 8F025. The CDS Manual submitted in the Rule Submission No.11-279 contains information that is a trade secret and confidential commercial information of the Exchange.

Accordingly, pursuant to Sections 8 and 8(a) of the Commodity Exchange Act, as amended, ("CEA") and Commission Regulation 145.9(d), the Exchange requests confidential treatment of the CDS Manual (the "Confidential Information") on the grounds that the disclosure of the information contained therein would reveal trade secrets and confidential commercial information of the submitter. The Exchange hereby encloses CME Submission No.11-279RR consolidating the original Rule Submissions and redacting and segregating the CDS Manual with appropriate legend requesting confidential treatment.

Pursuant to Commission Regulation 145.9(d)(1)(ii), the Exchange requests that confidential treatment be maintained for the Confidential Information until further notice from the Exchange.

FOIA Compliance Staff

August 4, 2011

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The Exchange also requests that the Commission notify the undersigned immediately upon receipt of any FOIA request for the Confidential Information or any court order, subpoena or summons for same. Finally, the Exchange requests immediate notification in the event the Commission intends to disclose the Confidential Information to Congress or to any other governmental agency or unit pursuant to Section 8 of the CEA. The Exchange does not waive its notification rights under Section 8(f) of the CEA with respect to any court order, subpoena or summons for the Confidential Information.

Please contact the undersigned at (212) 299-2228 should you have any questions concerning this letter.

Very truly yours,

/s/ Jason S. Silverstein
Director & Associate General Counsel

Enclosure

cc: John C. Lawton, Deputy Director and Chief Counsel, Division of Clearing and Intermediary Oversight

CHAPTER 8-H
CREDIT DEFAULT SWAPS CLEARING

8H01. SCOPE OF CHAPTER

This chapter sets forth the rules governing clearing and settlement of all CDS Products. In the event there is a conflict between a Rule in this Chapter 8H and another Rule in the Rulebooks, the Rule in this Chapter 8H shall supersede the conflicting Rule with respect to CDS Contracts. Rules 8F01-8F25 and 802, 804, 808, 813, 816, 824, 912, 913, 930 and 975 shall not apply to CDS Contracts. Chapter 6 shall be modified for CDS Contracts as set forth below. The Clearing House shall adopt, establish, publish and amend from time to time a Clearing House Manual of Operations for CME Cleared Credit Default Swaps (the "CDS Manual"). The CDS Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements for CDS Products. The CDS Manual and amendments thereto shall constitute part of the Rules. In the event of conflict between the Rules applicable to CDS Products or CDS Clearing Members acting in their capacity as such and the CDS Manual, such Rules will govern.

8H02. DEFINITIONS

AFFILIATE

With respect to a CDS Clearing Member, any person or entity is an Affiliate of such CDS Clearing Member if such person or entity directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such CDS Clearing Member. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

BUSINESS DAY

For purposes of this Chapter 8-H, any day on which commercial banks in New York City are open during regularly scheduled hours.

CDS CLEARING MEMBER

A CDS Clearing Member is an entity that has been approved by the Clearing House to clear CDS Products. A CDS Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member may not clear CME, CBOT, NYMEX or COMEX transactions, as applicable, other than CDS Products.

CDS DEFAULT MANAGEMENT COMMITTEE

The CDS Default Management Committee shall be a committee having the powers set forth in Rule 8H26.

CDS RISK COMMITTEE

The CDS Risk Committee shall be a committee having the powers set forth in Rule 8H27.

8H03. CLASSIFICATION OF CDS POSITIONS

CDS Contracts submitted for clearing by a CDS Clearing Member for its proprietary account shall be assigned to and held in a proprietary account of such CDS Clearing Member. All collateral deposited as performance bond to support positions in the proprietary account of a CDS Clearing Member, all variation margin payments received in respect of positions in such account, any membership-equivalent deposit referenced in Rule 8H04.5, all CDS Guaranty Funds deposited with the Clearing House by such CDS Clearing Member, and any CDS Assessments deposited with the Clearing House by such CDS Clearing Member, including advanced assessments pursuant to Rule 8H802.C, is the property of the CDS Clearing Member and shall be subject to the Clearing House's lien and security rights as described in Rule 8H08.

CDS Contracts submitted for clearing for the account of a CDS Clearing Member's Cleared OTC Derivatives Customers shall be assigned and held in a Cleared OTC Derivatives Sequestered Account of such CDS Clearing Member. All CDS Clearing Members must comply with the requirements set forth in CME Rule 971 for such Cleared OTC Derivatives Sequestered Accounts.

Notwithstanding the foregoing, if the CFTC issues an order permitting CDS Clearing Members to commingle customer funds used to margin particular CDS Contracts that are cleared by CME with other funds held in CEA Section 4d(a)(2) customer segregated accounts, such positions may be held in the customer segregated accounts of a CDS Clearing Member and, if so held, all collateral deposited as performance bond to support such positions and all variation margin payments made from such accounts shall be commingled with similar property of regulated customers. All CDS Clearing Members must comply with the requirements set forth in CME Rule 971 for such customer segregated accounts.

8H04. CDS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

CDS Clearing Members shall be subject to the requirements for CDS Clearing Members set forth in Chapter 8H, all CME Rules applicable to CDS Products, the Clearing House Manual and the CDS Manual unless an exemption has been granted by the CDS Risk Committee. In addition, CDS Clearing Members are subject to all CME, CBOT and NYMEX Rules, as applicable, when clearing products traded on, or subject to the rules of, CME, CBOT or NYMEX. CDS Clearing Members must execute all agreements and documents required by the Clearing House.

A CDS Clearing Member must satisfy the requirements set forth below:

1. A CDS Clearing Member must be registered with its primary regulator and, if relevant under the laws of the jurisdiction of its organization, or incorporation, in "good standing" under each regulatory regime to which it is subject at the time it applies for CDS clearing membership and it must maintain its good standing status, if applicable, while it is a CDS Clearing Member. A CDS Clearing Member and, if applicable, its parent guarantor must be subject to a legal and

insolvency regime acceptable to the Clearing House.

2. A CDS Clearing Member must be in compliance with all applicable regulatory capital requirements and it must:
 - i. if such CDS Clearing Member is not a bank, (a) maintain minimum "adjusted net capital" (as defined in accordance with regulation applicable to such entity or, in the absence of any such regulation, as calculated under CFTC Rule 1.17 as though such entity were a Futures Commission Merchant, including the requirement to prepare and provide to the Clearing House a Form 1-FR-FCM or FOCUS Report as of the times required for Futures Commission Merchants) of \$500 million or satisfy such other capital requirements established by the Clearing House and approved by the CDS Risk Committee or (b) (i) provide an irrevocable and unsubordinated guaranty (in a form satisfactory to the Clearing House and approved by the CDS Risk Committee and in respect of which a legal opinion confirming the enforceability of such guaranty in form and substance acceptable to the Clearing House has been provided to the Clearing House) from its parent that maintains \$500 million adjusted net capital, if such parent is not a bank, or \$5 billion of Tier 1 Capital (as defined below), if such parent is a bank, and such parent guarantor satisfies all other requirements set forth in Rule 8H04 that the Clearing House determines are applicable to guarantors and (ii) maintain minimum adjusted net capital equal to at least such CDS Clearing Member's then-current maximum CDS Assessments or (c) satisfy such other capital requirements established by the Clearing House and approved by the CDS Risk Committee.
 - ii. If such CDS Clearing Member is a bank, maintain Tier 1 Capital (as defined in accordance with regulation applicable to the relevant bank and acceptable to the Clearing House or, in the absence of any such regulation, as defined by the Basel Committee on Banking Supervision of the Bank for International Settlements) of \$5 billion or satisfy such other capital requirements established by the Clearing House and approved by the CDS Risk Committee.

A CDS Clearing Member that fails to satisfy any capital requirement set forth in this Rule 8H04.2 applicable to such CDS Clearing Member or its parent guarantor shall have a 3 Business Day grace period from the date of such failure to achieve compliance.

3. If a CDS Clearing Member (or, if such CDS Clearing Member has provided a guaranty of its parent pursuant to Rule 8H04.2.i(b), such CDS Clearing Member's parent) is not a bank and has adjusted net capital less than \$1 billion, such CDS Clearing Member must deposit with the Clearing House an amount of excess performance bond that is equal to the excess, if any, of (x) twice the amount calculated pursuant to Rule 8H07.1(ii)(a) for such CDS Clearing Member over (y) the amount referenced in Rule 8H07.1(ii)(b).
4. A CDS Clearing Member and any applicant for CDS clearing membership shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a CDS Clearing Member and to perform all other obligations of a CDS Clearing Member as described or referenced in these Rules or in the CDS Manual; provided that, in the event that a CDS Clearing Member does not have the capabilities to perform such responsibilities or obligations, such CDS Clearing Member may contract with a third party (including an Affiliate) to fulfill certain operational or risk requirements; provided that all agreements relating to such service shall be subject to the prior review and approval by the Clearing House staff and the CDS Risk Committee. The Clearing House may impose limitations on CDS Clearing Member utilization of service providers, including limitations on the number of CDS Clearing Members to which a service provider may provide services.
5. A CDS Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with the Clearing House of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of all obligations arising out of CDS Products submitted by it to the Clearing House. Such deposit shall be used only for the purposes described in these Rules.
6. A CDS Clearing Member must comply with the requirements set forth in Rule 970, provided that, if the CDS Clearing Member is regulated by a regulatory authority other than the CFTC, then it shall submit to the Clearing House annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such

statements are provided to its regulator as well as reports of a type and frequency determined by the Clearing House and CDS Risk Committee in order to monitor compliance with the capital requirements described in Rule 8H04.2. All financial statements and other reports shall be in the English language.

7. The books and records of a CDS Clearing Member regarding CDS Products cleared by the Clearing House shall be made promptly available for inspection upon request by the Clearing House and such books and records shall be subject to reasonable standards of confidentiality.
8. Each CDS Clearing Member, regardless of whether it is a Futures Commission Merchant, shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all CDS Products submitted for clearing.
9. Each CDS Clearing Member shall comply with the requirements imposed on CDS Clearing Members in the Charters for the CDS Risk Committee and the CDS Default Management Committee.
10. Each CDS Clearing Member must demonstrate, at all times, either directly or through a approved service provider in accordance with Rule 8H04.4, the operational capabilities and infrastructure necessary to facilitate physical settlement of CDS Products cleared by such CDS Clearing Member.

Rule 8H05.SUBSTITUTION

If a CDS Product or a portfolio of CDS Products (i) is submitted by CDS Clearing Members who are not suspended or in default, (ii) was executed and submitted in accordance with the rules governing such CDS Product and (iii) does not exceed the credit limits established by the Clearing House for the CDS Clearing Member submitting such CDS Product or portfolio of CDS Products, then each original transaction is extinguished, the Clearing House shall substitute itself as the counterparty to each party of each original transaction and there shall be two equal and offsetting contracts for each original transaction as follows: one between the original buyer and the Clearing House, as seller and one between the original seller and the Clearing House, as buyer.

The CDS Clearing Member shall be deemed the principal to the CDS Contract when cleared by such CDS Clearing Member for its own account and shall be deemed a guarantor and agent of the CDS Contract when cleared by such CDS Clearing Member for the account of an affiliate or customer of such CDS Clearing Member.

8H06. [RESERVED]

8H07. CDS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT

1. (i) The Clearing House shall establish a financial safeguards package to support CDS clearing, and each CDS Clearing Member shall make a CDS Guaranty Fund deposit with the Clearing House. A CDS Clearing Member's deposit to the CDS Guaranty Fund and assessments against it pursuant to these Rules may be used to cover losses incurred by the Clearing House if a defaulted CDS Clearing Member's assets available to the Clearing House, including any assets pursuant to any guarantee from a parent or other Affiliate of a defaulted CDS Clearing Member, are insufficient to cover such losses, regardless of the cause of default. The Clearing House shall calculate the requirements for the CDS financial safeguards package, which shall be composed of:
 - (a) a funded portion, determined by the Clearing House using stress test methodology, calculated on a net exposure basis within each of the proprietary account and the customer account, equal to the largest theoretical aggregate losses caused by the default of any two CDS Clearing Members produced by such stress test or such other methodology, also on such a net exposure basis, determined by the CDS Risk Committee (such amount, plus any additional funds required to be deposited by CDS Clearing Members as a result of the minimum contribution requirement below, the "CDS Guaranty

Fund"); and

- (b) an unfunded portion, determined by the Clearing House using the same methodology as in Rule 8H07.1(i)(a) equal to the largest theoretical aggregate losses caused by the default of any two CDS Clearing Members (other than the two CDS Clearing Members selected in Rule 8H07.1(i)(a)) produced by such methodology (and assuming for purposes of the model that already-defaulted CDS Clearing Members will fail to contribute) or such other methodology approved by the CDS Risk Committee. Upon a default, after application of the CDS Guaranty Fund, each CDS Clearing Member (other than an insolvent or defaulted CDS Clearing Member) shall be subject to assessment of its proportionate share of such amount (collectively the "CDS Assessments"), each CDS Clearing Member's proportionate share bearing the same ratio to the aggregate CDS Assessments as such CDS Clearing Member's required CDS Guaranty Fund deposit (as calculated pursuant to Rule 8H07.1(ii)) bears to the aggregate CDS Guaranty Fund, adjusted as provided in Rule 8H07.3.
- (ii) Each CDS Clearing Member's required contribution to the CDS Guaranty Fund shall be the greater of:
 - (a) such CDS Clearing Member's proportionate share of the largest two losses described in 8H07.1(i)(a) above, each CDS Clearing Member's proportionate share being based on the 90-day trailing average of its aggregate performance bond requirements and the 90-day trailing average gross notional open interest outstanding at the Clearing House (or, in either case, such other shorter time interval determined by the CDS Risk Committee); and
 - (b) \$50,000,000.
2. The Clearing House shall calculate the aggregate required CDS Guaranty Fund and CDS Assessments, as well as each CDS Clearing Member's required contribution to the CDS Guaranty Fund and its maximum CDS Assessment, on a monthly basis (other than during a CDS Cooling Off Period). The Clearing House may reset such requirements more frequently than monthly (other than during a CDS Cooling Off Period) should the largest two losses described in Rule 8H07.1(i)(a) above change by more than 10% from the calculation for the prior period and shall reset such requirements (i) following a CDS Cooling Off Period as provided below and (ii) following the termination of CDS Guaranty Fund and CDS Assessments liability of any withdrawing CDS Clearing Member as described in Rule 8H913.B.

Following any recalculation the Clearing House shall, within one Business Day, provide a report to each CDS Clearing Member showing the detail of its required deposit to the CDS Guaranty Fund and its maximum CDS Assessment. The notice shall specify the amount of any required additional deposit or any excess in the then-existing deposit amount. A CDS Clearing Member shall make any required additional deposit within two Business Days after delivery of such report and any reported excess may be withdrawn immediately.

On the first Business Day following (i) a CDS Cooling Off Period or (ii) the day on which the CDS Guaranty Fund and CDS Assessments liability of a withdrawing CDS Clearing Member is terminated, as described in Rule 8H913.B, the Clearing House shall recalculate the required CDS Guaranty Fund and CDS Assessments and shall provide, within one Business Day, a report to each CDS Clearing Member showing the detail of its required deposit to the CDS Guaranty Fund and its maximum CDS Assessment. The notice shall specify the amount of any required additional deposit or any excess in the then-existing deposit amount. Any additional required contribution shall be made by each CDS Clearing Member within two Business Days after delivery of such notice and any reported excess may be withdrawn immediately.

3. If the Clearing House determines that an additional deposit to the CDS Guaranty Fund and increase in the maximum CDS Assessment are required from a CDS Clearing Member due to a material change in the business of such CDS Clearing Member (for example, but without limitation, changes pursuant to a merger or a bulk transfer of customer positions), where such change produces an increase in such CDS Clearing Member's aggregate CDS performance bond requirements of 10% or greater, the Clearing House shall notify such CDS Clearing Member of the additional requirements, which shall equal the requirements that would have been applicable to such CDS Clearing Member if the Clearing House had recalculated the required CDS Guaranty Fund and CDS Assessments upon the occurrence of such material change, and the CDS Clearing Member shall, subject to the following sentence, make any required deposit to the CDS Guaranty Fund no later than the second Business Day following delivery of such notice and be immediately

be subject to the revised maximum CDS Assessment. If such material change occurs during a CDS Cooling Off Period, the CDS Clearing Member may elect to satisfy such additional CDS Guaranty Fund deposit by instead depositing funds equal to such additional CDS Guaranty Fund deposit as performance bond into the proprietary account of such CDS Clearing Member with the Clearing House for the remainder of the CDS Cooling Off Period; provided that, on the first Business Day following the CDS Cooling Off Period, such additional performance bond shall be transferred to and deposited in its CDS Guaranty Fund account with the Clearing House. If a CDS Clearing Member elects to satisfy such increased CDS Guaranty Fund requirement by making such deposit as performance bond, the proportionate share of the aggregate CDS Assessments for each CDS Clearing Member during the CDS Cooling Off Period shall be calculated as if the electing CDS Clearing Member's required CDS Guaranty Fund contribution included such performance bond deposit. For the avoidance of doubt, (i) if the CDS Clearing Member satisfies any additional CDS Guaranty Fund deposit by depositing such funds as performance bond, such additional amounts shall be available to cover losses related only to the default of such CDS Clearing Member and (ii) the CDS Clearing Member's CDS Guaranty Fund requirement and maximum CDS Assessment shall be reset following a CDS Cooling Off Period along with other CDS Clearing Members, as described in Rule 8H07.2.

4. Any changes to the methodology for calculating the CDS Guaranty Fund and CDS Assessments that collectively result in a 15% or greater increase to the aggregate CDS Guaranty Fund and CDS Assessments over a not more than 30 day period shall collectively be effective on the earlier to occur of (i) the 20th Business Day following the date the Clearing House provides notice to CDS Clearing Members of such change and (ii) the date reasonably determined by the CDS Risk Committee (which shall be no less than two Business Days following notice of such change to the CDS Clearing Members) if such increase is due to applicable law, regulation or regulatory request and a shorter period is necessary to comply with such applicable law, regulation or regulatory request. CDS Clearing Members shall make any required additional deposit on or prior to the date such change is effective.

Upon receipt of notice of an at least 15% increase to the CDS Guaranty Fund and CDS Assessments pursuant to the preceding paragraph, a CDS Clearing Member may notify the Clearing House and such CDS Clearing Member's customers of its intent to withdraw from status as a CDS Clearing Member. The notice shall specify that customers must close out or transfer to another CDS Clearing Member their affected open positions, and that the withdrawing CDS Clearing Member shall have the right to liquidate any customer positions that remain open on its books after the lesser of (i) 10 Business Days (or any shorter period determined by the Clearing House in consultation with the CDS Risk Committee) and (ii) the number of Business Days notice given to CDS Clearing Members pursuant to the prior paragraph minus two (in any event, subject to a minimum of two Business Days) have passed from the customers' receipt of such notice. If any customer fails to close out or transfer to another CDS Clearing Member during such period, the CDS Clearing Member shall have the right to liquidate any such customer position that remains open on its books.

For the avoidance of doubt, nothing in this Rule 8H07.4 shall apply to any increase to the CDS Guaranty Fund and CDS Assessments resulting from periodic calculations of the CDS Guaranty Fund and CDS Assessments pursuant to Rule 8H07.2 or any additional deposit to the CDS Guaranty Fund required by or increase in the maximum CDS Assessment of an individual CDS Clearing Member pursuant to Rule 8H07.3.

5. The time for payment of amounts due by a CDS Clearing Member under this Rule 8H07 may be tolled by the Clearing House upon request by such CDS Clearing Member should the Federal Reserve's wire transfer system ("Fedwire") not be available and the Clearing House and CDS Clearing Member are unable, following good faith efforts, to make alternate arrangements satisfactory to the Clearing House for the relevant deposit.

8H08. LIEN ON CDS COLLATERAL

Each CDS Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien to secure all obligations of such CDS Clearing Member to the Clearing House against any property and collateral deposited with the Clearing House by the CDS Clearing Member. Such lien shall be automatically released upon return of such property to the CDS Clearing Member. CDS Clearing Members shall execute any documents reasonably required by the Clearing House to create and enforce such lien, and the Clearing House shall execute any documents reasonably required by the

CDS Clearing Member to effectuate any release of such lien.

8H09. CUSTOMER REGISTRATION

All CDS Contracts including, but not limited to, give-ups or transfers that are cleared at the Clearing House shall be identified with an account number which identifies the originator of that transaction, specifying whether the transaction was executed as a proprietary transaction of the CDS Clearing Member or its affiliate or arises from a transaction by a customer. CDS Clearing Members shall register, on Clearing House approved forms, each "ultimate" (or end) customer.

8H10. RISK MANAGEMENT

CDS Clearing Members will be subject to risk management and monitoring practices by the Clearing House relating to transactions submitted to the Clearing House. CDS Clearing Members shall promptly provide all information requested by Clearing House staff, including, without limitation, information respecting risk, settlement, liquidity, and operational issues.

In limited circumstances, the Clearing House may decline to accept certain CDS trades or migration positions if the Clearing House determines in good faith that, based on the exercise of prudent risk management standards, the Clearing House should not accept the CDS trades or migration positions. In the event that the Clearing House declines to accept certain CDS trades or migration positions, it shall promptly provide notice to affected CDS Clearing Members, but shall incur no further liability with respect to the trades and positions that are not accepted. It shall be the sole responsibility of the CDS Clearing Members who are parties to such trades or positions to take action as they deem necessary or proper for their own protection.

In addition, if the Clearing House determines in good faith that, based on the exercise of prudent risk management standards, a CDS Clearing Member poses undue risk to the Clearing House based on its portfolio of CDS Contracts, the Clearing House may take any or all of the following actions with respect to such CDS Clearing Member: 1) impose an additional performance bond requirement; 2) prohibit the addition of any new CDS positions, or 3) require the reduction or unwinding of CDS positions.

CDS Clearing Members shall permit on-site risk reviews in accordance with CME Rules and subject to reasonable standards of confidentiality. CDS Clearing Members will also be subject to on-going oversight by the CDS Risk Committee regarding their activities related to the Clearing House. All such inquiries shall be conducted in a manner consistent with oversight of CME Clearing Members and in accordance with reasonable standards of confidentiality.

8H11. FINANCIAL REQUIREMENTS

A. Subject to exceptions granted by Clearing House staff regarding Clearing House imposed financial requirements, CDS Clearing Members shall immediately notify the Audit Department when it:

- (i) Fails to maintain minimum capital requirements;
- (ii) Fails to maintain current books and records; or
- (iii) Changes its fiscal year.

- B. Clearing House staff may prescribe reasonable additional accounting, reporting, and other financial and/or operational requirements and CDS Clearing Members shall comply with such requirements. All CDS Clearing Members shall provide immediate notice to the Audit Department of a failure to comply with such additional accounting, reporting, financial, and/or operational requirements.

- C. Clearing House staff may grant exceptions to the other financial requirements of Rule 970 if it is determined that such exceptions will not jeopardize the financial integrity of the Clearing House.

8H12-13. [RESERVED]

8H14. MITIGATION OF CDS LOSS

In the event of a default by a CDS Clearing Member, all CDS Clearing Members shall work cooperatively with their customers, other CDS Clearing Members and the Clearing House to administer, the mitigation of any losses that may occur as a result of such default and shall ensure that non-financial resources required to be provided by CDS Clearing Members to the CDS Default Management Committee are promptly made available.

In the event of a default by a CDS Clearing Member, the Clearing House shall work cooperatively with the CDS Risk Committee to convene the CDS Default Management Committee to manage the process of the liquidation and risk mitigation of such defaulted CDS Clearing Member's CDS Contracts in accordance with the CDS Default Management Plan. CDS Clearing Members shall work cooperatively with the Clearing House, the CDS Risk Committee and the CDS Default Management Committee, to (i) mitigate any losses that may occur as a result of a default, (ii) liquidate the defaulted CDS Clearing Member's CDS Contracts, (iii) bid in an auction of the defaulted CDS Clearing Member's CDS Contracts and (iv) take any other action reasonably requested by the CDS Risk Committee.

8H15. CDS TRADE SUBMISSION

A. This Rule governs all CDS Products that the Clearing House has designated as eligible for clearing that are submitted for clearing via CME ClearPort or any other submission platform approved by the Clearing House and that are not extinguished and replaced by positions in regulated futures and options ("Transactions"). The parties to a Transaction and any person authorized under Section C of this Rule with brokering capability or trade submission authority (generically defined as "Broker" or "Brokers") must comply with applicable registration procedures for participation in CME ClearPort or other submission platform approved by the Clearing House and must continue to comply with applicable registration procedures for CDS Products, as may be amended from time to time. Transactions are also subject to the other Rules in this chapter.

B. Each Transaction must be submitted in accordance with the procedures established by the Clearing House for this purpose, as amended from time to time. The parties to a Transaction and any Brokers authorized to submit Transactions on behalf of any such party to the Clearing House and perform other related activities shall be exclusively responsible, both individually and jointly, for accurately confirming the terms of such Transaction to the Clearing House. Once submitted, all Transactions shall be deemed final. Neither the Clearing House nor a CDS Clearing Member carrying the account of either party will have any responsibility in the confirmation of trade terms for Transactions.

C. Each CDS Clearing Member must register with the Clearing House in the manner required for any customer authorized by the CDS Clearing Member to submit transactions to the Clearing House pursuant to this Rule, and must also register with the Clearing House the applicable account numbers for each such customer. For each such account, the CDS Clearing Member carrying that account also must submit to the Clearing House (in the manner required by the Clearing House) the name of any Broker who has registered with the Clearing House for services provided under this Rule, and who is authorized by the customer to act on its behalf in the submission of Transactions pursuant to this Rule and related activity. For any such Broker(s) authorized by the customer and submitted to the Clearing

House by the CDS Clearing Member, such submission to the Clearing House of the Broker's information by the CDS Clearing Member will not constitute an endorsement or ratification of the customer's authorization of the Broker. Moreover, submission of a Broker authorized by a customer will not mean that the CDS Clearing Member is in privity with, has a relationship with or is otherwise standing behind any of the customer's authorized Brokers, and the CDS Clearing Member will have no responsibility for any such Brokers selected by the customer and no duty or obligation to supervise the activities of any such Brokers.

D. For each account number that has been registered with the Clearing House pursuant to Section C of this Rule, a credit check or explicit clearing member acceptance or rejection of a transaction must occur depending on the transaction type.

8H16. CDS FINANCIAL CALCULATIONS

Financial calculations required for CDS Products will be performed by the Clearing House on the date such CDS Products are cleared by the Clearing House in accordance with the Clearing House's procedures. Financial calculations for CDS Products that are received and processed after the daily clearing cycle will be performed on the next Business Day.

8H17. CDS CLEARING SERVICE ACCESS

CME shall provide open access to its CDS Contract clearing services for any execution venue or trade processing or confirmation service that desires to facilitate the submission of CDS Product transactions to the Clearing House for clearing, subject to the Clearing House's normal operational requirements applied to all such third-party services, including the requirement, in this instance, that a CDS Clearing Member guaranty all transactions in CDS Products that are submitted to the Clearing House for clearing.

8H18-25. [RESERVED]

8H26. CDS DEFAULT MANAGEMENT COMMITTEE

The CDS Default Management Committee shall be comprised of the President of the Clearing House, the Chairman of the CDS Risk Committee and representatives of such CDS Clearing Members as may be appointed by the Board. In the event of a potential or actual default with respect to CDS Contracts, a CDS Default Management Committee shall be convened, which shall provide the Clearing House with advice regarding such potential or actual default of a CDS Clearing Member and the management of the liquidation and/or transfer of such CDS Clearing Member's portfolio of CDS Contracts, including advice relating to the hedging of risk associated with such CDS Clearing Member's portfolio, the structuring of such CDS Clearing Member's portfolio for liquidation or transfer, and the administration of the related default auction process.

In the event of an actual or potential default of a CDS Clearing Member, the Clearing House will undertake a series of processes to protect itself and its counterparties as further set forth in the CDS Manual (such processes, the "CDS Default Management Plan"), as amended from time to time in consultation with the CDS Default Management Committee and the CDS Risk Committee..

8H27. CDS RISK COMMITTEE

There shall be a CDS Risk Committee which shall serve to provide guidance to the Clearing House on general matters relating to CDS Products including risk management policies and practices. In addition

to the responsibilities set forth in these Rules, the CDS Risk Committee shall have the composition, responsibilities and other characteristics as set forth in its Charter.

The CDS Risk Committee may conduct investigations, issue charges and consider offers of settlement with respect to violations of these Rules as relate to CDS Clearing on its own initiative or by referral from Clearing House staff, as further set forth in the CDS Risk Committee Charter.

If the CDS Risk Committee determines that a CDS Clearing Member fails to meet the requirements for being a CDS Clearing Member or is in a financial or operational condition which jeopardizes or may jeopardize the integrity of the Clearing House, the CDS Risk Committee may, by majority vote:

1. Order the CDS Clearing Member or its customers to deposit such additional performance bond with the Clearing House as deemed appropriate to protect the integrity of open contracts;
2. Prescribe such additional capital or other financial requirements as it deems appropriate;
3. Impose position limits on CDS Clearing Members based on their regulatory capital and such other criteria as it deems appropriate;
4. Suspend a CDS Clearing Member, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, the Chairman of the CHRC or the Chief Operating Officer;
5. Order the CDS Clearing Member to cease and desist from the conduct found to be contrary to the best interests of the Clearing House; and/or
6. Order the liquidation or transfer of all or a portion of the open positions of the CDS Clearing Member; provided that all costs associated with any such liquidation and/or transfer shall solely be obligations of the CDS Clearing Member.

No person shall serve on the CDS Risk Committee unless he has agreed in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the CDS Risk Committee, except when reporting to the Board or to a committee concerned with such information or to the Legal Department, Audit Department or Market Regulation Department, when requested by the CFTC or other governmental agency or self regulatory organization or when compelled in any judicial or administrative proceeding.

All information and documents provided to the CDS Risk Committee and all deliberations and documents related thereto shall be treated as non-public and confidential and, subject to the provisions in the previous paragraph, shall not be disclosed, except as necessary to further a Clearing House investigation or as required by law.

The CDS Risk Committee shall have jurisdiction to enforce Rules pertaining to the following:

1. Financial integrity of CDS Clearing Members; and
2. Business conduct of and compliance with Rules by CDS Clearing Members.

8H28. WIND UP OF CDS CLEARING OPERATIONS

1. The Exchange may wind-up clearing operations for CDS Products in the following situations:
 - (a) As a result of a default in which the CDS financial safeguards package is exceeded, producing a CDS Termination Event, as defined in Rule 8H802.B.2. In such case, the Clearing House shall close out all open CDS Contracts in accordance with the provisions of Rule 8H802.B.3.
 - (b) Following resolution of a default of a CDS Clearing Member, during a CDS Cooling Off Period, as defined in Rule 8H802.H, with the approval of the CDS Risk Committee. In such case, the Clearing House shall provide such advance notice of termination as it determines, in consultation with the CDS Risk Committee, to be reasonable and may establish other risk-reducing requirements, with the approval of the CDS Risk Committee. In such case, the Clearing House shall work cooperatively with the CDS Risk Committee and CDS Clearing Members to provide for bulk porting of CDS Contracts and collateral to another clearing house that is willing to receive such positions and, to the extent bulk porting is not practicable under the circumstances, liquidation and/or termination of CDS Contracts. The final close-out of any open CDS Contracts on the termination date shall be conducted in accordance with Rule 8H28.2.

- (c) Upon the determination by the Exchange to cease providing clearing services for CDS Products for any reason not specified in (a) or (b) above, except where there is a Bankruptcy Event or other default of the Exchange under Rule 818. In such case, the Clearing House shall propose a plan to wind-up clearing operations for CDS Products, which shall include provisions for the bulk porting of CDS Contracts and collateral to another clearing house that is willing to receive such positions, and, to the extent bulk porting is not practicable under the circumstances, liquidation and/or termination of CDS Contracts in addition to a planned timeline for such wind-up (the "Wind-up Plan"). If the CDS Risk Committee approves the Wind-up Plan, the Clearing House shall provide not less than 90 days written notice to CDS Clearing Members and market participants of the final date of liquidation and/or termination. If the CDS Risk Committee does not approve the Wind-up Plan, the Clearing House shall provide not less than 180 days written notice to CDS Clearing Members and market participants of the final date of liquidation and/or termination. The Clearing House shall work cooperatively with CDS Clearing Members to ensure an orderly termination process, including providing for bulk porting of CDS Contracts and collateral to another clearing house that is willing to receive such positions, and, if necessary, liquidation and/or termination of CDS Contracts. The final close-out of any open CDS Contracts on the termination date shall be conducted in accordance with Rule 8H28.2.
2. If clearing services for CDS Products are terminated pursuant to paragraphs (b) or (c) above, on the effective date of termination specified in the notice, the Clearing House shall fix a U.S. dollar amount (the "Close-out Value") to be paid to or received from the Clearing House in respect of all CDS Contracts to be terminated, by conducting a special settlement cycle to determine a final settlement price for all open CDS Contracts, as further detailed in the CDS Manual. Using such Close-out Value, the Clearing House shall determine for each CDS Clearing Member its total net pay obligation to, or net collect obligation from, the Clearing House in respect of each of its terminated proprietary and customer positions in CDS Contracts, if any. The Clearing House shall make payment to each CDS Clearing Member with a net collect, and each CDS Clearing Member with a net pay shall pay such amount to the Clearing House. The Clearing House may require pays from CDS Clearing Members to be funded immediately prior to making payment on collects. If any CDS Clearing Member fails to make a final payment to the Clearing House pursuant to this Rule 8H28, it may be declared in default and the Clearing House shall process the default in accordance with Rule 8H802 as part of the final termination process. Promptly following such payments from CDS Clearing Members with respect to pays and payments from the Clearing House with respect to collects, the Clearing House shall return to non-defaulted CDS Clearing Members any performance bond or other collateral posted with the Clearing House by such non-defaulted CDS Clearing Members. Promptly following the termination of all open CDS Contracts pursuant to this Rule 8H28 the Clearing House shall release to CDS Clearing Members their contributions to the CDS Guaranty Fund and, if applicable, any advance CDS Assessments and member-equivalent deposits.

8H29-599. [RESERVED]

8H600. DISPUTES RELATING TO CDS PRODUCTS

Neither the Clearing House nor any committee of the Exchange shall address disputes among CDS Clearing Members and/or CDS Participants relating to any matter regarding the execution of any CDS Contract or any CDS Product. It is contrary to the objectives and policy of the Clearing House for CDS Clearing Members to litigate certain Clearing House-related disputes. Disputes and claims between and among CDS Clearing Members, clients and/or CME relating to the submission of CDS Products for clearing at the Clearing House and other matters related to clearing at the Clearing House shall be subject to mandatory arbitration in accordance with the Rules of Chapter 6; provided that bilateral disputes solely between CDS Clearing Members and their customers shall not be subject to arbitration pursuant to this Rule 8H600 or Chapter 6. An arbitration panel selected to hear and decide a dispute relating to CDS Products shall consist of individuals with expertise in CDS Products. Other than as set forth in this Rule 8H600, disputes shall be administered in accordance with Chapter 6.

8H601-801. [RESERVED]

8H802. PROTECTION OF CLEARING HOUSE

8H802.A. Default by CDS Clearing Member

The Clearing House shall establish the CDS Guaranty Fund as a separate guaranty fund for CDS Contracts. Each CDS Clearing Member shall contribute to the CDS Guaranty Fund in accordance with the requirements of Rule 8H07. A non-defaulted CDS Clearing Member's deposit to the CDS Guaranty Fund may be applied by the Clearing House in accordance with this Rule 8H802 to mitigate any loss to the Clearing House attributable to CDS Contracts and will not be applied to losses in any other product classes.

1. *Default by CDS Clearing Member*

- a. If a CDS Clearing Member or its parent guarantor (i) fails to promptly discharge any obligation to the Clearing House or (ii) becomes subject to any bankruptcy, reorganization, arrangement, insolvency, moratorium, or liquidation proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law, the Clearing House may declare such CDS Clearing Member to be in default. Upon a default, the Clearing House may, in consultation with the CDS Default Management Committee and the CDS Risk Committee, take any or all actions permitted by these Rules. The Clearing House may engage in any commercially reasonable transaction to eliminate or reduce the risk created by the default and all obligations, costs and expenses incurred thereby shall be an obligation of the defaulted CDS Clearing Member to the Clearing House.
- b. Defaults by different CDS Clearing Members will each be considered a separate default event. After a CDS Clearing Member has been declared in default, subsequent failures by such defaulted CDS Clearing Member to discharge any obligation shall be considered part of the same default and shall not be considered separate default events, unless and until the original default has been fully resolved and such CDS Clearing Member has been restored to good standing.
- c. The Clearing House in consultation with the CDS Default Management Committee shall act promptly to mitigate any loss caused by a default. The Clearing House may (i) hedge, liquidate in the ordinary course, or sell all or any portion of the portfolio of the defaulting CDS Clearing Member and its customers, if applicable and (ii) to the extent permitted by applicable law, transfer open customer positions in CDS Contracts and associated performance bond collateral with respect to any customer account class in which there is no default on payment obligations to one or more other non-defaulted CDS Clearing Members that agree to such transfer. The Clearing House may mitigate or eliminate the risks incurred by it as a result of offsetting or terminating such open CDS Contracts by any one or more of the following means: 1) replace all or a portion of the CDS Contracts of the defaulting clearing member by entering into a transaction with a solvent clearing member(s); 2) replace all or a portion of the CDS Contracts of the defaulting CDS Clearing Member by entering into CDS Contracts for its own account in the open market; and/or 3) enter into CDS Contracts (or exchange-traded contracts) to hedge the economic risks imposed on it as a result of offsetting or terminating such CDS Contracts by any commercially reasonable means. The Clearing House may also replace any CDS Contracts it enters into to replace or hedge economic risks from any terminated transaction by substituting a transaction with a solvent clearing member(s) that offsets the original terminated transaction.

Any amount incurred by the Clearing House in liquidating, transferring and establishing, adjusting and/or replacing positions resulting from the defaulted CDS Clearing Member's default will be deducted from the defaulting CDS Clearing Member's collateral held by CME. In the event the collateral of the defaulting CDS Clearing Member is not sufficient to satisfy

such amounts, the unsatisfied costs will be a claim by the Clearing House against the defaulting CDS Clearing Member.

The defaulted CDS Clearing Member shall not take any action that would interfere with the ability of the Clearing House to mitigate the loss or to apply the assets of the defaulted CDS Clearing Member to offset any loss. The defaulted CDS Clearing Member shall not file any action in any court seeking to stay the actions of the Clearing House with respect to the default.

- d. A defaulted CDS Clearing Member shall immediately make up any deficiencies in its CDS Guaranty Fund deposit resulting from such default and in any event no later than the close of business on the Business Day following demand by the Clearing House.

2. *Application of Defaulted CDS Clearing Member's Collateral and CDS Customer Collateral; Rights and Obligations of Clearing House*

Upon the default of a CDS Clearing Member, all assets of such defaulting CDS Clearing Member that are available to the Clearing House, including without limitation CDS Guaranty Fund deposits including any excess amounts, performance bond amounts for CDS Contracts including any excess amounts, any partial payment amounts or settlement variation gains in respect of CDS Contracts, membership requirements relating to CDS Contracts pursuant to 8H04.5 and any other amounts on deposit with the Clearing House for CDS Contracts but *excluding* amounts carried in any customer account class (collectively, the "CDS Collateral") shall be available to the Clearing House to discharge any loss to the Clearing House associated with such default (a "CDS Loss") in accordance with and subject to this Rule 8H802. A CDS Loss shall include, but shall not be limited to, costs associated with the liquidation, transfer and managing of CDS Contracts of the defaulted CDS Clearing Member, hedging costs and other costs incurred by the Clearing House related to managing the risk surrounding the default of the CDS Clearing Member.

A CDS Loss arising in the defaulted CDS Clearing Member's proprietary account class shall be satisfied from the CDS Collateral. A CDS Loss arising in the defaulted CDS Clearing Member's customer account class shall be satisfied by application of performance bond, excess performance bond and settlement variation gains (collectively, the "CDS Customer Collateral") held in the customer account class in which the CDS Loss is generated and by any excess CDS Collateral remaining after finalizing the CDS Loss of the defaulted CDS Clearing Member's proprietary account as set forth below.

During the clearing cycle in which the default occurs and any subsequent clearing cycles in which the Clearing House is managing and/or liquidating open positions in respect of the defaulted CDS Clearing Member, the Clearing House shall satisfy any settlement variation payment obligations related to CDS Contracts owed by the defaulted CDS Clearing Member to the Clearing House, or other realized losses of or expenses to the Clearing House with respect to the default, only from the CDS Collateral, CDS Customer Collateral (with respect to customer positions only) or other assets allocated to CDS Contracts unless and until assets from other product classes become available pursuant to the Rules governing default management for such other product classes.

After finalizing the CDS Loss of the defaulted CDS Clearing Member's proprietary account and application of the CDS Collateral to satisfy such CDS Loss, the Clearing House shall reserve any excess CDS Collateral that remains *first*, to satisfy any CDS Loss arising in the defaulted CDS Clearing Member's customer account class for CDS Contracts, and *second*, to satisfy any losses to the Clearing House from such CDS Clearing Member with respect to other product classes, including, but not limited to, pursuant to Rule 818; provided, however, that such excess CDS Collateral shall not be applied to a CDS Loss arising in the defaulted CDS Clearing Member's customer account class until after application of CDS Customer Collateral held in such customer account class.

Any gains or excess performance bond amounts or other collateral within the defaulted CDS

Clearing Member's customer account class following final resolution of the defaulted CDS Clearing Member's CDS Loss in such customer account class shall remain in such customer account class, where it may be used to satisfy losses to the Clearing House arising in such customer account class with respect to other product classes, including, but not limited to, pursuant to Rule 818. Such assets shall not be added to the defaulted CDS Clearing Member's CDS Collateral generally. For the avoidance of doubt, as set forth in 8H802.G, the Clearing House shall not use performance bond amounts or other collateral in any customer account class of the defaulted CDS Clearing Member to satisfy a payment obligation to the Clearing House in respect of the defaulted CDS Clearing Member's proprietary account.

Should a CDS Loss continue to exist after application of the amounts set forth above, any remaining deficiency shall be satisfied pursuant to the procedures in Rule 8H802.B. Any such amount shall continue to be a liability of the defaulted CDS Clearing Member to the Clearing House, which the Clearing House may collect from any other assets of such clearing member or by process of law.

8H802.B. Satisfaction of Clearing House Obligations

1. Application of Clearing House and non-defaulting CDS Clearing Member contributions

If the CDS Collateral, the CDS Customer Collateral, and any excess assets from other product classes made available to cover CDS Losses, as described in Rule 8H802.A, is insufficient to cover the CDS Loss produced by the default, the Clearing House shall cover, or reduce the size of, such CDS Loss by applying the following funds to such losses in the order of priority as follows (the "CDS Priority of Payments"):

First, the corporate contribution of CME for CDS Products (the "CME CDS Contribution"), which shall be equal to the greater of (x) \$50 million and (y) 5% of the CDS Guaranty Fund, up to a maximum of \$100 million; provided that in addition to the CME CDS Contribution, CME may choose to contribute additional amounts in its sole discretion;

Second, the CDS Guaranty Fund (excluding the contribution of the defaulted CDS Clearing Member), which shall be applied pro rata to each non-defaulted CDS Clearing Member's deposit to the CDS Guaranty Fund in accordance with Rule 8H07; and

Third, CDS Assessments against all CDS Clearing Members (excluding any previously defaulted CDS Clearing Members), which shall be assessed against each CDS Clearing Member pro rata in proportion to their required deposit to the CDS Guaranty Fund in accordance with Rule 8H07, including any calculation adjustment as provided in Rule 8H07.3. Assessments against a CDS Clearing Member shall be subject to the maximum CDS Assessment assigned to such CDS Clearing Member pursuant to Rule 8H07 at the time of the default, and also subject to the limits set forth in Rule 8H802.H in the case of multiple successive defaults.

In addition, during a CDS Cooling Off Period and to the extent permitted by applicable law, the Clearing House shall additionally assess each CDS Clearing Member that has previously defaulted during such CDS Cooling Off Period (and each such CDS Clearing Member shall pay to the Clearing House) an amount equal to such previously defaulted CDS Clearing Member pro rata share of CDS Assessments determined as if such CDS Clearing Member had not defaulted. Any amounts received from such previously defaulted CDS Clearing Member shall be distributed to CDS Clearing Member that paid CDS Assessments during the related CDS Cooling Off Period on a pro rata basis in proportion to the CDS Assessments paid by CDS Clearing Members during such period

Non-defaulted CDS Clearing Members and their customers shall not take any action that would interfere with the ability of the Clearing House to collect and apply assets and proceeds in accordance with this Rule 8H802.B, including, but not limited to, attempting to obtain a court order. Determinations under this Rule 8H802.B that are based upon a CDS Clearing Member's CDS Guaranty Fund deposit and/or CDS Assessment requirement shall be based upon the requirement in effect at the commencement of the related CDS Cooling Off Period; provided that, if a CDS

Clearing Member's CDS Guaranty Fund requirement and maximum CDS Assessment exposure is increased during a CDS Cooling Off Period due to a material change in such CDS Clearing Member's business (as described in Rule 8H07.3), then (i) such determinations shall factor in such CDS Clearing Member's revised maximum CDS Assessment and (ii) such determinations shall factor in such CDS Clearing Member's revised CDS Guaranty Fund deposit (x) for all purposes, if such CDS Clearing Member does not elect to satisfy such increase in its CDS Guaranty Fund requirement by depositing funds as performance bond pursuant to Rule 8H07.3 or (y) solely for purposes of adjusting such CDS Clearing Member's proportionate share of any CDS Assessment, as provided in Rule 8H07.3, if such CDS Clearing Member elects to satisfy such increase in its CDS Guaranty Fund requirement by depositing funds as performance bond pursuant to Rule 8H07.3.

The CDS Guaranty Fund and CDS Assessments of non-defaulted CDS Clearing Members shall not be available to satisfy losses in product classes other than CDS.

2. CDS Product Limited Recourse

If a default occurs, CDS Collateral, excess defaulted CDS Clearing Member assets from other product classes made available to cover CDS losses ("Non-CDS Proprietary Collateral"), CDS Customer Collateral and the CDS Priority of Payments shall be the sole source of payments to cover the CDS Loss until the default is fully and finally resolved, as applicable. In the event the CDS Collateral, Non-CDS Proprietary Collateral, CDS Customer Collateral and the CDS Priority of Payments are insufficient to cover the CDS Loss, regardless of whether the CME is able to require a CDS Clearing Member to cure a deficiency in the CDS Guaranty Fund because of the occurrence of a Bankruptcy Event (as such term is defined in Rule 818.A.), CDS Clearing Members and the holders of CDS Contracts shall have no recourse to any other funds or any other entity, including without limitation the guaranty funds that support clearing of other products, CME, CME Group Inc. or any of its affiliates, other than any amounts recovered as described in Rule 8H802.E.

If at any time following a default: (a) the Clearing House is unable to cover a settlement variation payment obligation when due and has no expectation of accessing funds to permit it to cover such payment obligation (for example through access to credit lines or assessment funds), (b) the Clearing House determines (after consultation with the CDS Risk Committee) that the available CDS Collateral, Non-CDS Proprietary Collateral, CDS Customer Collateral and the CDS Priority of Payments will be insufficient to satisfy auction bid results received for the defaulted CDS Clearing Member's portfolio, (c) the Clearing House otherwise determines (after consultation with the CDS Risk Committee and with the approval of the CDS Risk Committee if such determination occurs prior to conducting an auction) that the CDS Loss will exceed the available CDS Collateral, Non-CDS Proprietary Collateral and CDS Priority of Payments or (d) a Bankruptcy Event of the Exchange (each a "CDS Termination Event"), then all CDS Contracts shall be terminated and the CDS Collateral and CDS Priority of Payments shall be distributed in accordance with Rule 8H802.B.3. below.

If the CDS Customer Collateral in the customer account class of the defaulted CDS Clearing Member is sufficient to satisfy the CDS Loss in respect of such account class, the CDS Customer Collateral shall be so applied and any remaining CDS Customer Collateral shall remain in such customer account class for application to satisfy other losses arising in such account class, including, but not limited to, pursuant to Rule 818. Following application of such remaining CDS Customer Collateral to satisfy any other such losses, any excess remaining CDS Customer Collateral shall be returned to the defaulted CDS Clearing Member, who shall return such CDS Customer Collateral to its customers in accordance with applicable law. If the CDS Customer Collateral in any customer account class of a defaulting CDS Clearing Member is insufficient to satisfy the CDS Loss to the Clearing House arising in such account class and a CDS Termination Event occurs, then such CDS Customer Collateral shall be applied to the termination process set forth in Rule 8H802.B.3 below.

No CDS Clearing Member and no customer of a CDS Clearing Member shall institute against, or join any other person in instituting against, the Exchange any bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or examinership proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law arising out of any claimed default by the Clearing House on a CDS Contract as a result of the termination of such CDS Contract and related payments in accordance with these Rules.

3. Termination of CDS Contracts; Netting and Offset

If a CDS Termination Event occurs as described in Rule 8H802.B.2, all CDS Contracts shall be closed

promptly and the Clearing House shall determine the amount to be paid to or collected from each non-defaulted CDS Clearing Member as follows:

- (i) The net obligation of the Clearing House to a non-defaulted CDS Clearing Member (a "collect"), or the net obligation of a non-defaulted CDS Clearing Member to the Clearing House (a "pay"), shall be determined separately for (a) its proprietary positions in CDS Contracts on a net basis, across all proprietary positions and (b) the positions of each of its customers in CDS Contracts, calculated separately for each customer on a net basis, using the Close-Out Value (as defined in Rule 8H802.B.4 below) for such CDS Contracts. The sum of all of the Clearing House's obligations to CDS Clearing Members so determined shall be the "Aggregate Collects".
- (ii) The Clearing House shall determine the amount of each non-defaulted CDS Clearing Member's remaining payment obligations, if any, in respect of CDS Assessments. The sum of any such remaining CDS Assessments plus any pays owed to the Clearing House from CDS Clearing Members under paragraph (i) above shall be the "Aggregate Pays". The sum of any remaining CME CDS Corporate Contribution, any remaining CDS Guaranty Fund amounts and any remaining previously funded CDS Assessments, shall constitute the "Remaining CDS Financial Safeguards")
- (iii) In the event (x) the sum of the Aggregate Pays, remaining CDS Collateral of defaulted CDS Clearing Members, CDS Customer Collateral (if applicable as described in Rule 802.B.2. above) and Remaining CDS Financial Safeguards (collectively, the "Remaining CDS Funds") equals or exceeds (y) the sum of the Aggregate Collects and any remaining Clearing House liabilities associated with CDS, then after satisfaction in full of all liabilities and obligations to the Clearing House associated with CDS Contracts, the Clearing House shall pay all Aggregate Collects from the Remaining CDS Funds, reimburse any excess in reverse order of the CDS Priority of Payments and return all performance bond funds to each non-defaulting CDS Clearing Member; provided that the Clearing House may require payments from CDS Clearing Members to be funded immediately prior to making payments. If any CDS Clearing Member fails to make a payment pursuant to the immediately prior sentence, the Clearing House may declare such CDS Clearing Member to be in default and the Clearing House shall process the defaults in accordance with Rule 8H802 and may adjust payments as necessary to account for such defaults.
- (iv) In the event (x) the Remaining CDS Funds is less than (y) the sum of the Aggregate Collects and any remaining Clearing House liabilities associated with CDS, then the Clearing House shall haircut the Aggregate Collects for the proprietary account of each CDS Clearing Member and each customer on a pro rata basis based on the Remaining CDS Funds. The amount of such collect (after haircut) for each proprietary account or customer as the case may be shall be the "Allocated CDS Collect" for such proprietary account or customer.

The Clearing House shall then determine a Final CDS Customer Account Collect or Final CDS Customer Account Pay for each customer account and a Final CDS Proprietary Account Collect or Final CDS Proprietary Account Pay for each proprietary account and make payments from the Remaining CDS Funds and receive payments in accordance with the normal operations of the Clearing House; provided that the Clearing House may require payments from CDS Clearing Members to be funded immediately prior to making payments. If any CDS Clearing Member fails to make a payment pursuant to the immediately prior sentence, the Clearing House may declare such CDS Clearing Member to be in default and the Clearing House shall process the defaults in accordance with Rule 8H802 and may adjust payments as necessary to account for such defaults. CDS Clearing Members shall calculate the net obligation owed to or payable from each of its customers using the calculations determined by the Clearing House for such net customer positions pursuant to 8H802.B.3(i) above, as adjusted by the haircut described in the immediately preceding paragraph.

"Final CDS Customer Account Collect" shall mean the amount payable by the Clearing House to the customer account class of a non-defaulted CDS Clearing Member equal to the excess, if any, of (x) the aggregate Allocated CDS Collects for such customer account class and any performance bond funds held for such customer account class for CDS positions

over (y) the aggregate pays owed to the Clearing House in respect of CDS positions in such customer account class.

"Final CDS Customer Account Pay" shall mean the amount payable by the customer account class of a non-defaulted CDS Clearing Member to the Clearing House equal to the excess, if any, of (x) the aggregate pays owed to the Clearing House in respect of CDS positions in such customer account class over (y) the aggregate Allocated CDS Collects for such customer account class and any performance bond funds held for such customer account class for CDS positions.

"Final CDS Proprietary Account Collect" shall mean the amount payable by the Clearing House to the proprietary account of a non-defaulted CDS Clearing Member equal to the excess, if any, of (x) the aggregate Allocated CDS Collects for such proprietary account and any performance bond funds held for such proprietary account for CDS positions over (y) the aggregate pays owed to the Clearing House in respect of CDS positions in such proprietary account.

"Final CDS Proprietary Account Pay" shall mean the amount payable by the proprietary account of a non-defaulted CDS Clearing Member to the Clearing House equal to the excess, if any, of (x) the aggregate pays owed to the Clearing House in respect of CDS positions in such proprietary account over (y) the aggregate Allocated CDS Collects for such proprietary account and any performance bond funds held for such proprietary account for CDS positions.

- (v) Upon the completion of payments, all CDS Contracts shall be extinguished, and the Clearing House shall have no further access to funds or collateral in respect of CDS Contracts or CDS clearing activity of a non-defaulting CDS Clearing Member. CDS Clearing Members, their Affiliates and their customers shall have no claim against any other guaranty fund established by the Exchange, CME Group Inc. or any of its affiliates with respect to losses suffered as a result of the application of this Rule 8H802.B, nor shall any beneficial holder of a CDS Contract have any claim against its non-defaulting CDS Clearing Member as a result of the application of this Rule 8H802.B.

4. Valuation of CDS Contracts

As promptly as reasonably practicable, the Clearing House shall, in a manner that is consistent with the requirements of the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation) Part 190 of the Regulations, if applicable, fix a U.S. dollar amount (the "Close-out Value") to be paid to or received from the Clearing House in respect of all CDS Contracts to be terminated by conducting a special settlement cycle to determine a final settlement price for all open CDS Contracts, as further detailed in the CDS Manual.

5. Fedwire and Satisfaction of CDS Assessments

All amounts assessed by the Clearing House against a CDS Clearing Member pursuant to this Chapter where notice of such assessment is delivered to a CDS Clearing Member during the hours in which the Fedwire is in operation shall be paid to the Clearing House by such CDS Clearing Member prior to the close of the Fedwire on such day; provided, however, that where notice of such assessment is delivered to a CDS Clearing Member within one (1) hour prior to the close of Fedwire or after the close of Fedwire shall be paid to the Clearing House within one (1) hour after Fedwire next opens; provided, further, that the time for payment of amounts due by a CDS Clearing Member may be tolled by the Clearing House should the Fedwire not be available and the Clearing House and CDS Clearing Member are unable, following good faith efforts, to make alternate arrangements satisfactory to the Clearing House for the relevant payment.

Any CDS Clearing Member that does not satisfy an assessment shall be subject to the default provisions described in Rule 8H802.A.1.a. Any loss that occurs as a result of any such default shall itself be assessed by the Clearing House to non-defaulted CDS Clearing Members pursuant to Rule 8H802.A and 8H802.B and subject to the maximums set forth in 8H802.H.

After payment of a CDS Assessment pursuant to Rule 8H802.B, a CDS Clearing Member shall charge other CDS Clearing Members for whom it clears CDS Contracts or carries CDS positions on its books to recover their proportional share of the assessment. Such other CDS Clearing Members shall promptly pay the charge.

6. Details of Implementation

While adherence to the provisions of this Rule 8H802.B shall be mandatory, the detailed implementation of the process of finalizing a CDS Loss with respect to a default, including the liquidation, auction or sale of positions or assets of the defaulted CDS Clearing Member, shall be conducted by the Clearing House in consultation with the CDS Default Management Committee.

8H802.C. Limited Advance Assessment Authority

If a default occurs and the collateral for outstanding CDS Contracts of the defaulted CDS Clearing Member (including any CDS Contracts entered into by the Clearing House to hedge such defaulted Clearing Members' CDS Contracts pursuant to Rule 8H802.A.1.c ("CDS Hedge Contracts")) held by the Clearing House (after taking into account settlement variation payment obligations) together with any remaining CME CDS Contribution and any remaining CDS Guaranty Fund is less than 50 percent of the performance bond requirement for such CDS Contracts at the time of default plus the then-current performance bond requirement for any outstanding CDS Hedge Contracts, the Clearing House, after consultation with the CDS Risk Committee, may issue an advance assessment demand to non-defaulted CDS Clearing Members up to an aggregate maximum of the amount that would be necessary to bring the collateral of the defaulted CDS Clearing Member to 100% of the relevant requirement. Any such assessment shall be (w) paid no later than the close of the Fedwire on the Business Day following the date of the demand, (x) subject to any cap on assessments pursuant to Rule 8H802.B and 8H802.H, (y) made pro rata among CDS Clearing Members on the same basis as assessments under Rule 8H802.B and (z) subject to tolling due to the unavailability of the Fedwire as described in Rule 8H802.B.5. After satisfaction of all losses to the Clearing House resulting from the defaulted CDS Clearing Member, the Clearing House shall return any advance assessments not used to satisfy such default as soon as practicable but, in any event, no later than the close of the Fedwire on the Business Day following the date all losses relating to such default have been determined, subject to tolling due to the unavailability of the Fedwire as described in Rule 8H802.B.5. Any such return shall be made on a pro rata basis relative to the amount of advance assessment paid.

8H802.D. Restoration of Funds Following Final Determination of Losses

If, after the default of a CDS Clearing Member is finally resolved, the Clearing House determines that CDS Collateral, CDS Customer Collateral, the CME CDS Contribution, CDS Guaranty Funds, CDS Assessments, or any other assets were employed in a manner different from what would have occurred had all assets been secured and liquidated immediately and the CDS Loss finalized simultaneously, then the Clearing House shall make distributions or rebalancing allocations to non-defaulted CDS Clearing Members, the CDS Guaranty Fund, CME (with respect to the CME CDS Contribution) or the customer account class of the defaulted CDS Clearing Member, as appropriate, to reflect the manner in which such assets would otherwise have been employed.

8H802.E. Rights of Clearing House for Recovery of Loss

Losses caused by the default of a CDS Clearing Member are amounts due to the Clearing House from such CDS Clearing Member and shall remain legal obligations thereof notwithstanding the Clearing House's recourse to the loss-mutualization provisions of this Rule 8H802 and Rule 802. The Clearing House shall take commercially reasonable steps to recover such loss amounts (including claims submitted in bankruptcy court). If a loss amount to which the CDS Guaranty Fund or CDS Assessments have been applied is subsequently recovered by the Clearing House in whole or in part, the amount of such recovery (net of any related expenses incurred by the Clearing House) shall be credited to the non-defaulting CDS Clearing Members (whether or not they are still CDS Clearing Members at the time of recovery) in reverse order of the CDS Priority of Payments and in proportion to the CDS Clearing Member's CDS Guaranty Fund deposit and CDS Assessments as such CDS Guaranty Fund and CDS Assessments were in effect when such loss-mutualization provisions were applied.

If a CDS Clearing Member clears contracts or carries positions for other CDS Clearing Members and such other CDS Clearing Members were subject to a CDS Assessment pursuant to Rule 8H802.B.5, the receiving CDS Clearing Member shall return to such other CDS Clearing Members a pro rata share of any recoveries received by such CDS Clearing Member, which shall be calculated on the basis of the CDS Assessment amount paid by the other CDS Clearing Member.

8H802.F. CDS Guaranty Fund Contributions to be Restored

In the event it shall become necessary to apply all or part of the CDS Guaranty Fund to meet obligations to the Clearing House pursuant to this Rule 8H802, CDS Clearing Members shall restore their deposits to the CDS Guaranty Fund to previously required level prior to the close of the Fedwire on the next Business Day after notice that such amount is due from the Clearing House, subject to the maximum obligations to contribute to the CDS Guaranty Fund and to fund CDS Assessments set forth in Rule 8H802.H and tolling due to unavailability of the Fedwire as described in Rule 8H802.B.5.

8H802.G. Default Management Across Account Classes

The procedures set forth in 8H802.A and 8H802.B shall be conducted separately by the Clearing House with respect to open positions and associated performance bond deposits for different account classes and shall be conducted separately from any other product class cleared by the Clearing House. Upon a default, the Clearing House may act immediately to attempt to transfer all customer positions and associated performance bond collateral with respect to any customer account class in which there is no default on payment obligations, in accordance with applicable law to one or more other non-defaulted CDS Clearing Members that agree to such transfer. The Clearing House shall not apply CDS Customer Collateral to any payment obligations or realized loss or expense of a defaulted CDS Clearing Member arising from a default in any proprietary account or any other customer account class. If a default occurs in the defaulted CDS Clearing Member's customer account class, the Clearing House has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in such customer account class of the defaulted Clearing Member. Accordingly, positions and performance bonds deposited by customers not causing the default are at risk if there is a default in the applicable customer account class of their Clearing Member. If the Clearing House liquidates positions and/or collateral in a customer account class, funds associated with the liquidation of positions in or collateral supporting CDS Contracts in the customer account class shall be applied first to satisfy the CDS Loss attributable to the applicable customer account class. After CDS Loss attributable to the applicable customer account class are fully resolved, any remaining funds may be applied to satisfy losses to the Clearing House associated with positions in other product classes that are held in the same customer account class. Any collateral remaining after all losses to the Clearing House in respect of such customer account class have been satisfied shall be reserved to such customer account class in order to satisfy the claims of non-defaulted customers in accordance with applicable law. For the avoidance of doubt, if a CDS Clearing Member is not in default with the Clearing House, performance bond of such non-defaulting CDS Clearing Member (both proprietary and customer) will not be used to satisfy a CDS Loss.

8H802.H. CDS Cooling Off Period and Multiple Defaults

The provisions set forth in Rule 8H802.A and 8H802.B shall apply with respect to each default by a CDS Clearing Member. If more than one CDS Clearing Member default occurs at a time or in close sequence, including a default that occurs by reason of a CDS Clearing Member's failure to satisfy an assessment demand, the Clearing House shall manage the defaults separately. Upon any default, non-defaulted CDS Clearing Members shall be subject to a maximum obligation during the relevant CDS Cooling Off Period to contribute to the CDS Guaranty Fund and to fund CDS Assessments, included advanced assessments, equal to the aggregate amounts set forth in Rule 8H07. This maximum shall apply from the date of the original default until the later of (i) the 25th Business Day thereafter and (ii) if another CDS Clearing Member defaults during the 25 Business Days following the initial or any subsequent default, the 25th Business Day following the last such default (such period, the "CDS Cooling Off Period"), regardless of the number of defaults that occur during such CDS Cooling Off Period.

The maximum does not limit CDS Clearing Members' obligations to restore their CDS Guaranty Fund contributions as set forth in Rule 8H802.F, except that if the CDS Clearing Member's required CDS Guaranty Fund contribution would exceed such maximum, the CDS Clearing Member's CDS Guaranty Fund requirement shall be reduced accordingly for the remainder of the CDS Cooling Off Period. Following a CDS Cooling Off Period, the Clearing House shall notify each CDS Clearing Member of its CDS Guaranty Fund deposit obligation and its CDS Assessment exposure.

The aggregate maximum contribution for the CDS Cooling Off Period shall be based upon each CDS Clearing Member's CDS Guaranty Fund requirement and CDS Assessment exposure in effect at the commencement of the CDS Cooling Off Period; provided that, if a CDS Clearing Member's CDS Guaranty Fund requirement and maximum CDS Assessment exposure is increased during a CDS Cooling Off Period due to a material change in such CDS Clearing Member's business (as described in Rule 8H07.3), then (i) the maximum contribution of such CDS Clearing Member for the CDS Cooling Off

Period shall be based on such revised maximum CDS Assessment and (ii) if such CDS Clearing Member does not elect to satisfy such increase by depositing funds as performance bond pursuant to Rule 8H07.3, the maximum contribution of such CDS Clearing Member for the CDS Cooling Off Period shall be based on such revised CDS Guaranty Fund requirement.

The CME CDS Contribution shall be limited to an aggregate maximum as set forth in Rule 8H802.B.1 during the CDS Cooling Off Period (including any amounts applied to the original default pursuant to Rule 8H802.B), regardless of the number of defaults that occur during such CDS Cooling Off Period.

8H803-812. [RESERVED]

8H813. CDS SETTLEMENT PRICE

Settlement prices for CDS Contracts shall be determined each Business Day pursuant to the procedures set forth in the CDS Manual. Notwithstanding the above, in the case of inaccuracy or unavailability of a settlement prices for CDS Contracts, or if a settlement price for CDS Contracts creates risk management concerns for the Clearing House, the Clearing House reserves the right to calculate settlement variation using an alternate price determined by the Clearing House.

8H814-823. [RESERVED]

8H824. ADDITIONAL CDS PERFORMANCE BOND

Whenever, in the opinion of the CDS Risk Committee, the President of the Clearing House or, in his absence, his delegate, unstable conditions relating to one or more products exist, they may from time to time, call for additional performance bond collateral from CDS Clearing Members. Such additional performance bond calls may be as much as or more than the original performance bond collateral. The performance bond collateral thus called for may be for one or more CDS Contract(s) from one or more CDS Clearing Member(s) and on long positions, short positions or both; provided that the Clearing House shall at all times continue to apply portfolio margining as described in the CDS Manual or such other model approved by the CDS Risk Committee.

In the event market conditions and price fluctuations at any time shall cause the CDS Risk Committee or the President of the Clearing House or, in his absence, his delegate, to conclude that additional performance bond collateral is required to maintain an orderly market or to preserve fiscal integrity, the CDS Risk Committee or the President of the Clearing House or his delegate may call for additional performance bond collateral to be deposited with the Clearing House during the next banking hour after demand therefor, or at such times as may be specified. Such additional performance bond collateral called for may be on long positions, short positions or both; provided that the Clearing House shall at all times continue to apply portfolio margining as described in the CDS Manual or such other model approved by the CDS Risk Committee.

When the CDS Risk Committee or the President of the Clearing House or, in his absence, his delegate, shall be of the opinion that any CDS Clearing Member is carrying commitments or incurring risk in its proprietary, customer and/or cross-margin accounts that are larger than is justified by the financial condition of that CDS Clearing Member, then the CDS Risk Committee, the President of the Clearing House or, in his absence, his delegate, may require additional performance bond collateral of such CDS Clearing Member which shall be deposited with the Clearing House during the next banking hour after demand therefor, or at such time as may be specified, or a portion of the open positions of such CDS Clearing Member may be required to be transferred to the books of one or more other non-defaulted CDS Clearing Members that agree to such transfer.

8H825-911. [RESERVED]

8H912. APPROVAL

An applicant for clearing membership receiving a majority vote of the full membership of the CDS Risk Committee shall be approved effective immediately.

An applicant that fails to receive a majority vote shall be informed by the CDS Risk Committee chairman and shall have 10 days thereafter to file an appeal to the Board seeking further consideration. The Board may approve the applicant by a majority vote if it is satisfied that the CDS Risk Committee's decision was arbitrary, capricious or an abuse of the CDS Risk Committee's discretion.

8H913. WITHDRAWAL FROM CDS CLEARING MEMBERSHIP

8H913.A. Voluntary Withdrawal

A CDS Clearing Member that intends to withdraw from clearing membership for CDS Products shall provide written notice of such intent to the Clearing House and the CDS Risk Committee. A CDS Clearing Member's withdrawal shall be effective on the earlier of (i) the date Clearing House Staff approves such withdrawal and (ii) the 10th Business Day following the date of the clearing cycle in which the withdrawing CDS Clearing Member liquidates or transfers to an appropriate CDS Clearing Member all of its open customer and house positions in CDS Contracts (such earlier date, the "CDS Withdrawal Date"); provided that the withdrawing CDS Clearing Member shall remain liable for CDS Guaranty Fund contributions and CDS Assessments in accordance with Rule 8H913.B. . Promptly following the CDS Withdrawal Date, the Clearing House shall post a notice of the CDS Clearing Member's withdrawal.

A CDS Clearing Member may withdraw from serving as a CDS Clearing Member clearing CDS Products without withdrawing as a CME, CBOT, NYMEX or COMEX clearing member for any other products, if applicable,

8H913.B. Release of Guaranty Fund Deposit, Membership and Assignments

When a CDS Clearing Member withdraws from clearing membership for CDS Products (whether voluntarily or involuntarily), its funded CDS Guaranty Fund deposit or any other deposits required by the Clearing House, and any remaining assets available to the Clearing House associated with CDS Products will be released when Clearing House staff determines that the following has occurred: (1) all contracts and obligations with the Clearing House relating to CDS Products have been settled and paid, (2) all sums owing to the Clearing House relating to CDS Products have been paid, (3) all obligations to other members and customers arising out of claims directly related to CDS Contracts have been paid or otherwise provided for, (4) all obligations to other members and customers arising out of other arbitration claims relating to CDS Products filed pursuant to Chapter 6 or Rule 8H600 have been paid or otherwise provided for and (5) the requisite liquidity providers for the Clearing House have released any security interest they hold in such CDS Clearing Member's "assets" associated with the clearing of CDS Products in accordance with the terms of the liquidity facility described in Rule 817; provided, however, that in the event that Clearing House staff determines that all of the foregoing other than (4) have occurred, the CDS Risk Committee may in its discretion authorize the release of such property.

Generally, no such property shall be released prior to the 60th day following the CDS Withdrawal Date for the withdrawing CDS Clearing Member; provided that the Clearing House may release any such property in excess of the amount the Clearing House determines, in its sole discretion, is in excess of any expected obligations such CDS Clearing Member may have to the Clearing House. Any such release of collateral shall not release the CDS Clearing Member from any obligations it may have to the Clearing House and shall not be construed as a waiver of any rights the Clearing House may have against such CDS Clearing Member.

Further, for purposes of this Rule 8H913.B, if the withdrawing CDS Clearing Member will not remain a clearing member in any other capacity with the Exchange, all obligations of the withdrawing CDS Clearing Member to the Exchange, of whatever nature or kind, shall be accelerated and become due and payable upon the CDS Withdrawal Date for the withdrawing CDS Clearing Member . If the CDS Clearing Member will remain a clearing member for other product classes other than CDS Products, the foregoing sentence shall apply only to obligations related to the clearing of CDS Products.

A CDS Clearing Member will not be required to bid in an auction for any defaulted CDS Clearing Member's positions where the default occurs after the CDS Withdrawal Date for the withdrawing CDS Clearing Member.

For purposes of Rules 8H802 and 8G07, the CDS Guaranty Fund contributions and CDS Assessments of a non-defaulted CDS Clearing Member that has withdrawn shall not be accessible by the Clearing House to satisfy any losses in respect of the default of another CDS Clearing Member where such default occurs after (i) if the date on which the withdrawing CDS Clearing Member liquidates or transfers to an appropriate CDS Clearing Member all of its open customer and house positions in CDS Contracts occurs on a date that that is not during a CDS Cooling Off Period, the CDS Withdrawal Date or (ii) if the

date on which the withdrawing CDS Clearing Member liquidates or transfers to an appropriate CDS Clearing Member all of its open customer and house positions in CDS Contracts occurs during a CDS Cooling Off Period, the Business Day following the completion of such CDS Cooling Off Period. For the avoidance of doubt, a withdrawing CDS Clearing Member shall be subject to CDS Assessments for all defaults occurring during the CDS Cooling Off Period in which the CDS Withdrawal Date for such CDS Clearing Member occurs.

8H913.C. Customer Positions of Withdrawing Clearing Member Following a Default

If, following a default that causes mutualized losses under Rule 8H802.B, a CDS Clearing Member notifies the Clearing House during the applicable CDS Cooling Off Period of its intent to withdraw from status as a CDS Clearing Member, the CDS Clearing Member shall promptly notify its customers in writing of such decision. The notice shall specify that customers must close out or transfer to another CDS Clearing Member their affected open positions, and that the withdrawing CDS Clearing Member shall have the right to liquidate any customer positions that remain open on its books after 10 Business Days have passed from the customers' receipt of such notice. If any customer fails to close out or transfer to another CDS Clearing Member during such 10 Business Day period, the CDS Clearing Member shall have the right to liquidate any such customer position that remains open on its books. The CDS Clearing Member shall cooperate with customers and with the Clearing House on any proposed transfer of customer positions, and shall include in its notice to customers such information as the Clearing House may require at the time regarding other CDS Clearing Members that may receive transfers of customer positions. With respect to customer positions in products that are listed for electronic trading on any exchange for which the Clearing House provides clearing services, the CDS Clearing Member shall liquidate such positions in the open market unless otherwise agreed with the customer. With respect to customer positions in CDS products that are not so listed for electronic trading, the CDS Clearing Member may liquidate such positions by submitting to the Clearing House for clearing an offsetting trade executed at a price reflecting the clearing member's side of the market (*i.e.*, the bid side if liquidating a long position and the offer side if liquidating a short position), taking into account any pricing information that is available to it in the market at the time, which pricing information shall be shared with the Clearing House and the customer. Each CDS Clearing Member shall promptly provide any impacted customers reasonable detail concerning the manner in which it determined the liquidation amount for any liquidation effected pursuant to this Rule 8H913.C.

8H914-929. [RESERVED]

8H930. CDS PERFORMANCE BOND REQUIREMENTS

8H930.A. Performance Bond System

A Performance Bond System will be adopted by the Clearing House and specified in the CDS Manual.

Performance bond systems other than the Clearing House adopted system may be used to meet Clearing House performance bond requirements if the CDS Clearing Member can demonstrate that its system will always produce a performance bond requirement equal to or greater than the Clearing House performance bond requirements.

8H930.B. Performance Bond Rates for CDS Products

Clearing House staff shall determine minimum initial and maintenance performance bond rates used in determining Clearing House performance bond requirements.

8H930.C. Acceptable Performance Bond Deposits for CDS Products

CDS Clearing Members may, without limitation upon other assets accepted by any such CDS Clearing Member, accept from their account holders as performance bond cash currencies of any denomination,

readily marketable securities (as defined by SEC Rule 15c3-1(c)(11) and applicable SEC interpretations), money market mutual funds allowable under CFTC Regulation 1.25, bank-issued letters of credit and "London Good Delivery" gold, as defined by the London Bullion Market Association.

CDS Clearing Members shall not accept as performance bond from an account holder securities that have been issued by the account holder or an affiliate of the account holder unless the CDS Clearing Member files a petition with and receives permission from Clearing House staff.

Bank-issued letters of credit must be in a form acceptable to the Clearing House. Such letters of credit must be drawable in the United States. CDS Clearing Members shall not accept as performance bond from an account holder letters of credit issued by the account holder, an affiliate of the account holder, the clearing member, or an Affiliate of the clearing member.

All assets deposited by account holders to meet performance bond requirements must be and remain unencumbered by third party claims against the depositing account holder.

Except to the extent that Clearing House staff shall prescribe otherwise, cash currency performance bond deposits shall be valued at market value. All other performance bond deposits other than letters of credit shall be valued at an amount not to exceed market value less applicable haircuts as set forth in SEC Rule 240.15c3-1.

8H930.D. Acceptance of Positions

CDS Clearing Members may accept positions for an account provided sufficient performance bond is on deposit in the account or is forthcoming within a reasonable time.

For an account that (i) has been subject to calls for performance bond for an unreasonable time or (ii) has been in debit for an unreasonable time, CDS Clearing Members may only accept positions that reduce the performance bond requirements of existing positions in the account.

Clearing members may not accept positions for an account that has been in debit an unreasonable time.

8H930.E. Calls for Performance Bond

1. CDS Clearing Members must issue calls for performance bond that would bring an account up to the initial performance bond requirement: a) when performance bond equity in an account initially falls below the maintenance performance bond requirement; and b) subsequently, when performance bond equity plus existing performance bond calls in an account is less than the maintenance performance bond requirement.

Such calls must be made within one Business Day after the occurrence of the event giving rise to the call. CDS Clearing Members may call for additional performance bond at their discretion. Notwithstanding the foregoing, a CDS Clearing Member is not required to, but may in its discretion, call for or collect performance bond for day trades.

2. CDS Clearing Members shall only reduce a call for performance bond through the receipt of performance bond deposits permitted under subsection C. of this Rule. CDS Clearing Members may cancel a call for performance bond through: a) the receipt of performance bond deposits permitted

under subsection C. of this Rule only if such deposits equal or exceed the amount of the total performance bond call; or b) inter-day favorable market movements and/or the liquidation of positions only if performance bond equity in the account is equal to or greater than the initial performance bond requirement. CDS Clearing Members shall reduce an account holder's oldest outstanding performance bond call first.

3. CDS Clearing Members must maintain written records of all performance bond calls issued and satisfied in whole or in part.

8H930.F. Release of Excess Performance Bond

Subject to exceptions granted by the Clearing House staff, CDS Clearing Members may only release performance bond deposits from an account if such deposits are in excess of initial performance bond requirements.

8H930.G. Loans to Account Holders

CDS Clearing Members may not make loans to account holders to satisfy their performance bond requirements unless such loans are secured as defined in CFTC Regulation 1.17(c)(3). The proceeds of such loans must be treated in accordance with CFTC Regulation 1.30.

8H930.H. Aggregation of Accounts and Positions

CDS Clearing Members may aggregate and net positions in accounts under identical ownership within the same classifications of customer segregated, customer secured, customer sequestered and non-segregated for performance bond purposes. CDS Clearing Members may compute performance bond requirements on identically owned concurrent long and short positions on a net basis.

8H930.I. Liquidation of Accounts

If an account holder fails to comply with a performance bond call within a reasonable time (the CDS Clearing Member may deem one hour to be a reasonable time), the CDS Clearing Member may close out the account holder's trades or sufficient contracts thereof to restore the account holder's account to required performance bond status. CDS Clearing Members shall maintain full discretion to determine when and under what circumstances positions in any account shall be liquidated.

8H930.J. Clearing House Authority to Require Additional CDS Performance Bond

The Clearing House, in its sole discretion, has the authority to require CDS Clearing Members to collect additional performance bond from specific account holders in circumstances deemed necessary by the Clearing House.

8H831-974. [RESERVED]

8H975. CDS EMERGENCY FINANCIAL CONDITIONS

If the President of the Exchange or the President of the Clearing House determines that the financial or operational condition of a CDS Clearing Member or one of its Affiliates is such that to allow that CDS Clearing Member to continue its operation would jeopardize the integrity of the Clearing House, or negatively impacts the financial markets by introducing an unacceptable level of uncertainty, volatility or

risk, whether or not the CDS Clearing Member continues to meet the required minimum financial requirements, he may empanel the Chief Executive Officer, the President of the Exchange, Chairman of the Board, the Chairman of the CDS Risk Committee and the President of the Clearing House (the "CDS Emergency Financial Committee"). Such committee shall be duly authorized and, upon a unanimous vote of the panel, be empowered to order (a) an immediate position limitation, (b) an immediate suspension of the CDS Clearing Member, (c) that all open trades of said clearing member be for liquidation only, (d) the liquidation or transfer of all or a portion of the open positions of the clearing member, (e) additional performance bond to be deposited with the Clearing House and/or (f) any other action necessary to protect the financial integrity of the Clearing House. The CDS Clearing Member affected by action taken shall be notified and may request a hearing before the Board as provided in Rule 412. In the event of suspension, the Chief Executive Officer shall, promptly after a suspension, set the matter for hearing before the Board for final determination. To the extent that the CDS Emergency Financial Committee orders that all open trades of a clearing member be for liquidation only, or the panel orders the liquidation or transfer of all of the open positions of a CDS Clearing Member, Rule 8H913.B. shall apply and the clearing member shall be treated as a withdrawing clearing member.

In the event the CDS Risk Committee is unable to convene due to a failure to satisfy the quorum requirements set forth in the CDS Risk Committee Charter, the CDS Emergency Financial Committee shall also be empowered to take any action of the CDS Risk Committee until a quorum of the CDS Risk Committee can be achieved.

~~Chapter 800~~
Chapter 800

OVER-THE-COUNTER DERIVATIVES

~~80000.~~**80000.** **DEFINITIONS**

In Chapters ~~800-806~~800-805 the capitalized terms listed below shall have the meaning ascribed to them below. All other capitalized terms used in this Chapter ~~800~~800 which are not otherwise defined in these Rules shall have the meaning ascribed to them in the Credit Derivatives Definitions and the DC Rules.

80000.A. ~~80000.A.~~ **Acceptance Date**

_____ Has the meaning given to such term in Rule 80103.D.

_____ ~~80000.B.~~ In respect of a CDS Contract, the date on which the Acceptance Time occurs.

_____ Has the meaning given to such term in Rule 80103.D.

80000.B. ~~80000.C.~~ **Acceptance Time**

In respect of a CDS Contract, the time at which the Clearing House notifies the relevant CDS Clearing Member that such CDS Contract has been matched.

80000.C. **Buyer**

_____ In respect of a CDS Contract, the Fixed Rate Payer.

_____ ~~80000.D.~~ **CAB**

_____ Has the meaning given to such term in Rule 80105.

80000.D. ~~80000.E.~~ **CDS Clearing Member**

A Clearing Member of the Clearing House that is authorized to enter into CDS Contracts pursuant to these Rules.

80000.E. ~~80000.F.~~ **CDS Contract**

Any CDX Index Untranchcd CDS Contract (including any CDX Component Transaction thereof) or North American Single Name CDS Contract.

80000.G. CDS Dealer

~~A CDS Clearing Member that is, or is an Affiliate of, a primary member of ISDA that regularly engages in the business of making offers to customers to either buy or sell positions in Credit Default Swaps.~~

80000.F. 80000.H. CDS Participant

A market participant on whose behalf a CDS Clearing Member holds a position in a CDS Contract, including an Affiliate of such CDS Clearing Member.

80000.G. 80000.I. CDS Product

A Credit Default Swap that the Clearing House has designated as eligible for clearing.

80000.H. CDS RC

Has the meaning given such term in Rule 0.

80000.I. CDS RC Party

Any member of the CDS RC and any CDS Participant or CDS Clearing Member (or any Affiliate of such CDS Participant or CDS Clearing Member) that designated or is the employer of any member of the CDS RC.

80000.J. CDX Component Transaction

~~_____~~ Has the meaning given to such term in Rule ~~80204.80201.~~

80000.K. 80000.J. CDX Index Untranching CDS Contract

~~_____~~ Has the meaning given to such term in Rule ~~80204.80201.~~

80000.L. 80000.K. CDX Untranching Terms

~~_____~~ Has the meaning given to such term in Rule ~~80204.80201.~~

~~**80000.L. CME Determinations Board**~~**80000.M. ~~A CME Board that has~~ Change in Law**

Has the right and obligation meaning given to make Determinations such term in Rule 80203.B.

80000.N. Clearing Business Day

Any day on which ~~are applicable~~ the Clearing House is open to CME's clearing of process and settle CDS Contracts, the composition, powers and duties of which are set out in Chapter 804.

80000.M. Contract Elections**80000.O. Clearing Effective Date**

In respect of a CDS Contract:

- (a) where the Acceptance Time for such CDS Contract is prior to 8:00 p.m. (New York time) on a Clearing Business Day, the Clearing Business Day immediately following the Acceptance Date for such CDS Contract; and
- (b) where the Acceptance Time for such CDS Contract is at or after 8:00 p.m. (New York time) on a Clearing Business Day or occurs on a day other than a Clearing Business Day, the second Clearing Business Day immediately following the Acceptance Date for such CDS Contract.

80000.P. CME Credit Event Resolution Request Date

With respect to a Determination pursuant to Chapter 804 that an event which constitutes a Credit Event for the purposes of a CDS Contract has occurred, the day that the CDS RC determines to be the first day on which the relevant Issue was raised with the CDS RC in accordance with Rule 0 and on which the Chairman of the CDS RC was in possession of Publicly Available Information.

80000.Q. CME Succession Event Resolution Request Date

With respect to a Determination pursuant to Chapter 804 that an event which constitutes a Succession Event for the purposes of a CDS Contract has occurred, the day that the CDS RC determines to be the first day on which the relevant Issue was raised with the CDS RC in accordance with Rule 0.

80000.R. Contract Elections

In respect of a CDS Contract, the elections made by the relevant CDS Clearing Members ~~(both expressly and pursuant to the selection of a clearing product code from the Product Reference File on the relevant Acceptance Date as required by the Clearing House)~~ when the relevant bilateral CDS transaction is submitted to the Clearing House for clearing by them in accordance with the provisions of the Clearing House CDS Manual from time to time. Such elections will be made by selection of a clearing product code from the Product Reference File, selection of a scheduled termination date and selection of a fixed rate and specification of whether the

CDS Clearing Member is acting as Buyer or Seller, the Original Notional Amount or Floating Rate Payer Calculation Amount, the Trade Date, the Initial Amount Payer (if any), the Initial Payment Amount (if any) and any other specification required at the time when such bilateral CDS transaction is submitted to the Clearing House. In respect of a North American Single Name CDS Contract, selection of a clearing product code uniquely determines the Reference Entity, the Reference Obligation and certain additional provisions applicable to such North American Single Name CDS Contract. In respect of a CDX Index Untranching CDS Contract, selection of a clearing product code uniquely determines the specific Index, Index series, Index version and Annex Date.

80000.S. ~~80000.N.~~ — Credit Default Swap (“CDS”)

A transaction in which one party pays either a single fixed amount and/or periodic fixed amounts determined by reference to a specified notional amount, and the other party may pay a single fixed amount and assumes settlement obligations contingent upon the occurrence of certain defined credit events with respect to one or more reference entities (or obligations thereof) and the satisfaction of certain conditions to settlement. Following the occurrence of a credit event the transaction may be cash settled, auction settled or physically settled.

80000.T. ~~80000.O.~~ — Credit Derivatives Definitions

The 2003 ISDA Credit Derivatives Definitions as supplemented by ~~the 2005 Matrix Supplement to the 2003 Credit Derivatives Definitions and~~ the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions (published on July 14, 2009), each as published by ISDA.

80000.P. ~~DB Party~~

~~Each of the Clearing House, the Board Chairman, a Board Member and any CDS Participant or CDS Clearing Member (or any Affiliate of such CDS Participant or CDS Clearing Member) that designated any Board Member.~~

80000.U. ~~80000.Q.~~ — DC Rules

The Credit Derivatives Determinations Committees Rules, defined as the “Rules” in Section 1.22 of the Credit Derivatives Definitions.

80000.V. ~~80000.R.~~ Declaration of Credit Event

Has the meaning given to such term in Rule 0 or 80202.K, as applicable.

80000.W. Declaration of Succession Event

Has the meaning given to such term in Rule 0 or 0, as applicable.

80000.X. Determination

A decision by the ~~CME Determinations Board~~ CDS RC related to an Issue.

80000.Y. ~~80000.S.~~ Eligible Contract Participant ("ECP")

An Eligible Contract Participant as defined in ~~section 1a(12) of the~~ Commodity Exchange Act, as amended.

80000.Z. ~~80000.T.~~ Fungibility Date

Has the meaning given to such term in Rule 0.

80000.AA. Governmental Authority

Any supra national body, the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government. For the avoidance of doubt, neither the Clearing House nor any Affiliate thereof shall be deemed a Governmental Authority.

80000.BB. ISDA

The International Swaps and Derivatives Association, Inc. or its successor.

80000.U. ~~Issue~~

Shall have the meaning given to such term in Rule 80401.

80000.CC. ~~80000.V.~~ ~~Launch~~ Initial Payment Date

~~The date upon which the Clearing House begins clearing CDS Contracts.~~

~~80000.W.~~ ~~North American Single Name CDS Contract~~

~~In respect of a CDS Contract, the Clearing Effective Date.~~

80000.DD. Initial Processing Date

Either, as determined by the Clearing House, (i) the date of determination of an Event Determination Date or (ii) the Clearing Business Day following the date of determination of such Event Determination Date.

80000.EE. Issue

Has the meaning given to such term in Rule ~~80304.0.~~

80000.FF. ~~80000.X.~~ New York Business Day

Any day on which commercial banks are open for business in New York.

80000.GG. North American Single Name CDS Contract

Has the meaning given to such term in Rule 80301.

80000.HH. Product Reference File

On any day, a comprehensive list published by the Clearing House on or immediately prior to such day, that ~~identifies~~provides the complete specifications for the CDS Contracts eligible available for clearing by the Clearing House on such day and, including the corresponding clearing product code of ~~for~~ each such CDS ~~Contracts~~Contract.

80000.II. ~~80000.Y.~~ Proposal

A proposal submitted by a member of the CDS RC or submitted in writing by another CDS Clearing Member to address and resolve an Issue being considered by the ~~CME Determinations Board~~ CDS RC, pursuant to the Determination process set forth in Rule ~~80405.B.0.~~

80000.JJ. ~~80000.Z.~~ Protocol Cut-off Time

Has the meaning given to such term in Rule 80203.C.

80000.KK. Recovery Trade Date

The Clearing Business Day following the Initial Processing Date.

80000.LL. Seller

_____In respect of a CDS Contract, the Floating Rate Payer.

80000.MM. 80001. Submission Date

In respect of a CDS Contract:

- (a) except as provided in (c) below, where the Submission Time for such CDS Contract is prior to 7:00 p.m.(New York time) on a Clearing Business Day, the date on which such Submission Time occurs;
- (b) except as provided in (c) below, where the Submission Time for such CDS Contract is (i) after or at 7:00 p.m.(New York time) on a Clearing Business Day or (ii) on a day that is not a Clearing Business Day, the Clearing Business Day immediately following the day on which such Submission Time occurs; and
- (c) for the purposes of Rule 80202.K, Rule 0 and the first paragraph of Rule 0, where the Submission Time for such CDS Contract is during the period beginning at 12:00 a.m. (New York time) on a Clearing Business Day and ending at, but excluding, 12:00 a.m. (New York time) on the next day, the date on which such Submission Time occurs.

80000.NN. Submission Time

In respect of a CDS Contract, the time at which the bilateral CDS transaction and all required elections have been received by the Clearing House in accordance with the rules governing such CDS Contract and the Clearing House CDS Manual.

80000.OO. Tax

Any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

80001. INTERPRETATION

For the purposes of any CDS Contract, references in the Credit Derivatives Definitions or the CDX Untranchéd Terms to:

(a) ~~(a)-a~~ "Confirmation" shall be deemed to be references to the terms of the relevant CDS Contract as set out in these Rules;

(b) ~~(b)~~ "Physical Settlement" shall be deemed to be references to CME CDS Physical Settlement pursuant to ~~Chapter 805~~ Chapter 805 of these Rules;

(c) ~~(c)~~ "Credit Derivative Transaction" shall be deemed to be references to a CDS Contract; and

(d) ~~(d)~~ "Trade Date" shall be deemed to be references to the date identified in the relevant Acceptance Date Contract Election.

~~80002.~~ ~~80002.~~ **NOTICES AND CLEARING HOUSE SYSTEM FAILURES**

Any notice, document, communication, filing or form to be served on, filed with, ~~or made to~~ or provided by the Clearing House to a CDS Clearing Member pursuant to these Rules or in relation to any CDS Contract shall be served, filed, ~~made or provided in accordance with these Rules at~~ and the address, fax number or e-mail address and shall be marked for the attention of the person or department last specified by such CDS Clearing Member to relevant procedures set forth in the Clearing House CDS Manual from time to time.

Any notice, document, communication, filing or form to be served on, filed with, ~~or made to~~ or provided to the Clearing House pursuant to these Rules or in relation to any CDS Contract shall be served, filed, made or provided in accordance with these Rules ~~at~~ and the address, fax number or e-mail address and shall be marked for the attention of the person or department last specified by relevant procedures set forth in the Clearing House to CDS Clearing Members for such purpose Manual from time to time.

~~80003.~~ Notwithstanding any other provision of these Rules, for so long as the Clearing House is unable to receive or deliver, or a CDS Clearing Member is unable to receive or deliver, any notice, payment or delivery as a result of a failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination or any other failure of all or any part of any of the relevant Clearing House systems, the time periods for delivery by such CDS Clearing Member of any such notice, payment or delivery will be tolled and any applicable deadlines shall be extended accordingly.

80003. ISDA DISCLAIMER

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Chapter 801~~Chapter 801~~**CDS CONTRACTS****CDS CONTRACTS****80101.** ~~80101.~~ **SCOPE OF CHAPTER**

The scope of this Chapter is limited in application to CDS Contracts. The procedures for trading, clearing and settlement of CDS Contracts and any other matters not specifically covered herein shall be governed by the other Chapters of these Rules, including, but not limited to, Chapter 8-F (Over-the-Counter Derivatives Clearing) and Chapter 8-H (Credit Default Swaps Clearing), to the extent applicable. Capitalized terms in this Chapter not otherwise defined in this Chapter shall have the meaning given to such terms in the other Chapters of these Rules, the Credit Derivatives Definitions or the DC Rules.

80102. ~~80102.~~ **ELIGIBLE CONTRACT PARTICIPANT**

In order to transact in CDS Contracts, a CDS Participant must be an ECP. A CDS Clearing Member ~~that clears CDS Contracts must confirm that~~ must obtain a representation from each CDS Participant for which it provides clearing services is an ECP at all times clearing services are provided for that such CDS Participant is an ECP on each day on which a Credit Default Swap or CDS Contract is entered into. If any person responsible for CDS clearing at a CDS Clearing Member becomes aware that a CDS Participant for which it provides clearing services no longer qualifies as an ECP, the CDS Clearing Member must notify the Clearing House and work with the CDS Participant to close out any open CDS Contracts as soon as possible. provided that violations of this rule may subject the relevant CDS Clearing Member to fines and other disciplinary action.

CDS Clearing Members and CDS Participants must register with the Clearing House in order to participate in the clearing of CDS Contracts through the Clearing House. CDS Clearing Members and CDS Participants must complete all applicable on-boarding agreements required by the Clearing House to satisfy the registration process.

80103. ~~80103.~~ **SUBMISSION OF CDS CONTRACTS TO THE CLEARING HOUSE**

~~80103.A.~~ **Trade Booking Facility**

80103.A. CDS Submission Methods

~~Bilateral CDS transactions may be submitted to the Clearing House through a trade booking facility (the "Trade Booking Facility"). The Trade Booking Facility permits participants to submit bilateral CDS transactions, which are executed on the date of submission, to the Clearing House for further trade processing and clearing through the Clearing House through conversion of such bilateral CDS transactions to CDS Contracts. Upon acceptance of the contracts by the Clearing House for clearing pursuant to Rule 80103.D., new CDS Contracts are created with the Clearing House as the central counterparty in accordance with these Rules.~~

80103.B. (a) the Clearing House Migration Utility

~~Bilateral CDS transactions may be submitted to the Clearing House through a migration utility (the "Migration Utility"). The Migration Utility permits participants to submit bilateral CDS transactions, which were not executed on the date of submission to the Clearing House for further trade processing and clearing through the Clearing House through conversion of such bilateral CDS transactions to CDS Contracts. The Migration Utility includes pre-submission credit checks on the relevant CDS Clearing Members. Upon acceptance of the bilateral CDS transaction by the Clearing House for clearing pursuant to Rule 80103.D., new CDS Contracts are created with the Clearing House as the central counterparty in accordance with these Rules.~~

80103.C. Other CDS Submission Methods

~~Bilateral CDS transactions may be submitted to the Clearing House for clearing from all standard sources including: (a, (b) the Clearing House ClearPort GUI and API; ~~(b)~~ and (c) any other broker facility or trade negotiation platforms platform approved by the Clearing House; and ~~(c)~~ directly from CDS Clearing Members. from time to time, as subsequently captured in the Clearing House Front End Clearing System (the "FEC System"). To the extent not specified elsewhere in these Rules, the Clearing House will specify the terms and conditions under which bilateral CDS transactions may be submitted to the Clearing House for clearing through procedures defined in the Clearing House CDS Manual.~~

80103.B. 80103.D. Acceptance of CDS by the Clearing House and creation of CDS Contracts

~~Any bilateral CDS transaction submitted to the Clearing House for clearing will be accepted for clearing and will result in two CDS Contracts each between the Clearing House and the applicable CDS Clearing Member at the point when (i) the bilateral CDS transaction and all required elections have been received and accepted by the Clearing House and (ii) both CDS Clearing Members have explicitly accepted the resulting CDS Contracts (provided that where CDS Clearing Members are using a trade platform that has been approved by the Clearing House for straight through trade processing such approval will be deemed to have been given when the bilateral CDS transactions are submitted to the Clearing House) (the date on which such conditions are satisfied being the "Acceptance Date" and time at which such conditions are satisfied being the "Acceptance Time"). From the relevant Acceptance Time a CDS Clearing Member will be deemed to have entered into a CDS Contract with the Clearing House, provided that, where the Clearing House determines in good faith, based upon its internal risk management standards, that a bilateral CDS transaction submitted to the Clearing House for clearing was not negotiated at prevailing market prices or results from a bilateral CDS transaction submitted for clearing through the Migration Utility (a) the Clearing House guarantee does not apply until settlement banks for both CDS Clearing Members have approved the payment of any initial cash flows and/or initial performance bond collateral calls relating to such CDS Contracts and (b) if settlement banks for both CDS Clearing Members have not approved the payment of any initial cash flows and/or initial performance bond collateral calls relating to such CDS~~

~~Contracts the Clearing House may reject such CDS Contracts by notice to the relevant CDS Clearing Members prior to 9 a.m. (Chicago time) on the Business Day immediately following the relevant Acceptance Date.~~

~~CDS Contracts may only be for accounts registered by the relevant CDS Clearing Members, and must be explicitly accepted by the relevant CDS Clearing Members if not submitted via a platform or other facility approved by the Clearing House that performs pre-submission credit checks according to limits specified by each CDS Clearing Member.~~

Any bilateral CDS transaction (i) that is submitted to the Clearing House in accordance with the Rules and with all required elections, (ii) that satisfies the conditions in Rule 8H05, (iii) that is eligible for clearing pursuant to Rules 0 and 80104 and (iv) where both CDS Clearing Members have accepted the resulting CDS Contracts, will be accepted for clearing and will result in two CDS Contracts in accordance with Rule 8H05. From the relevant Acceptance Time, a CDS Clearing Member will be deemed to have entered into a CDS Contract with the Clearing House.

Notwithstanding any provision to the contrary in the Rules or in the Exchange User License Agreement (as may be amended from time to time), the parties to a bilateral CDS transaction submitted for clearing ~~for and which the conditions has not been accepted~~ for clearing by the Clearing House pursuant to these Rules ~~have not been satisfied or which has been rejected by the Clearing House pursuant to these Rules~~ may separately agree that such trade is a valid, binding agreement between the parties which is un-cleared and which has no affiliation with the Clearing House.

80103.C. ~~80103.E.~~ **Eligible CDS**

On any day ~~the only contracts~~ a bilateral CDS transaction submitted to the Clearing House for clearing shall be eligible to be accepted for clearing by the Clearing House ~~will be these~~ only if it would give rise to CDS Contracts identified by a clearing product code in the Product Reference File on the Submission Date in respect of such ~~day~~ bilateral CDS transaction.

Any bilateral single name CDS transaction that would otherwise be eligible for clearing by the Clearing House shall cease to be eligible if it would give rise to North American Single Name CDS Contracts on clearing in respect of which ~~(a) a No Auction Announcement Date or an Auction Cancellation Date has occurred or Declaration of Credit Event has been issued or (b) an Auction Final Price Determination Date has occurred.~~, (a) on the Submission Date in respect of such bilateral single name CDS transaction, the Fallback Settlement Method is applicable or (b) the Submission Time in respect of such bilateral single name CDS transaction occurs on or after 7:00 p.m. (New York time) on the Auction Final Price Determination Date; provided that, the Clearing House may, by written notice to all CDS Clearing Members following

consultation with the CDS RC, designate an acceptance cut-off time later than the time determined pursuant to the foregoing clauses (a) and (b).

Any bilateral index CDS transaction that would otherwise be eligible for clearing by the Clearing House shall cease to be eligible if it would give rise to CDX Index Untranching CDS Contracts on clearing ~~in respect~~ which references a version of the relevant CDX Index including a Reference Entity in respect of which (a) a No Auction Announcement on the Submission Date or an Auction Cancellation Date has occurred or Declaration of Credit Event has been issued in respect of such bilateral index CDS transaction, the Fallback Settlement Method is applicable or (b) an the Submission Time in respect of such bilateral index CDS transaction occurs on or after 7:00 p.m. (New York time) on the Auction Final Price Determination Date has occurred; provided that the Clearing House may, by written notice to all CDS Clearing Members following consultation with the CDS RC, designate an acceptance cut-off time later than the time determined pursuant to the foregoing clauses (a) and (b).

80104. CDS Contracts may only be for accounts registered with the Clearing House by the relevant CDS Clearing Members.

80104. CLEARING SELFREFERENCING SELF-REFERENCING CDS CONTRACTS

80104.A. 80104.A. Clearing Through Clearing Member's Member's House (or Proprietary) Account

North American Single Name CDS Contracts

A CDS Clearing Member is prohibited from clearing through its house (or proprietary) account a bilateral transaction in respect of a proposed North American Single Name CDS Contract where the Reference Entity in respect of such North American Single Name CDS Contract is such CDS Clearing Member or an Affiliate of such CDS Clearing Member (any such CDS Contract an "Affected CDS Contract" and the relevant CDS Clearing Member, an "Affected CDS Clearing Member"). Any breach solely of the first paragraph of this Rule 0 by a CDS Clearing Member shall not, ~~subject as provided below,~~ be considered a default but may be subject the relevant CDS Clearing Member to Clearing House disciplinary action, including the imposition of a fine fines or, for continuing or serious violations of this Rule, review by the Clearing House Risk

~~Committee~~ CDS RC of the CDS Clearing Member's compliance with clearing member eligibility criteria for CDS Clearing.

A CDS Clearing Member shall notify the Clearing House as soon as reasonably practicable if any bilateral single name CDS transaction submitted by it for clearing is, or prior to the relevant Acceptance Time becomes, ineligible for clearing pursuant to this paragraph. Any bilateral single name CDS transaction which is submitted for clearing but which is, or becomes before the relevant Acceptance Time, ineligible for clearing may be rejected by the Clearing House.

Any Affected CDS Contract which arises from a bilateral single name CDS transaction submitted by a CDS Clearing Member which was or becomes ineligible for clearing pursuant to these Rules at the Acceptance Time must be closed out within ~~one~~ five Clearing Business Day Days from the date on which any person responsible for CDS clearing at such CDS Clearing Member becomes aware of the fact of such ineligible North American Single Name CDS Contract. Any breach of this Rule by a CDS Clearing Member shall not be considered a default but may, at At the discretion of the Clearing House, a breach of this provision may result in the Clearing House imposing a daily fine on such Clearing Member for so long as such breach is continuing.

A CDS Clearing Member shall, subject to any restrictions on such disclosure imposed by applicable laws or regulations, notify the Clearing House as soon as reasonably practicable if such CDS Clearing Member or a Reference Entity in respect of a CDS Contract (a "**Relevant Reference Entity**") consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Relevant Reference Entity or such CDS Clearing Member, as applicable, or such CDS Clearing Member and a Relevant Reference Entity are or become the same entity or are or become Affiliates, or such CDS Clearing Member is subject to an agreement that has been publicly disclosed and pursuant to which any of the foregoing is reasonably likely to occur.

~~Where~~ After becoming aware of any Affected CDS Contract has not been closed out within 5 Business Days of a request from the ~~Contracts,~~ the Clearing House to will (i) notify the Affected CDS Clearing Member thereof (unless the Affected CDS Clearing Member had notified the Clearing House of the Affected CDS Contracts) and (ii) give the Affected CDS Clearing Member a specified period of time to close out such Affected CDS Contract (or Contracts before the auction process described below may commence, which will be a minimum of 5 Clearing Business Days from the date of notice of such longer specified period as the Clearing House, acting and will be determined in consultation consultation with the Default Management Committee, ~~determines),~~ taking into account the size and nature of the Affected

CDS Contracts in question, market conditions prevailing at the time, the potential market effects of closing-out such Affected CDS Contracts and such other circumstances as it deems relevant.

If after such specified period, any such Affected CDS Contract has not been closed out, the Clearing House will, to the extent permitted in accordance with these Rules, net positions in the Affected CDS Contracts within the Affected Clearing Member. The In order to transfer or liquidate the remaining positions in the Affected CDS Contracts after such netting process may be transferred to an eligible CDS Clearing Member or liquidated through transactions with an eligible CDS Clearing Member. In order to determine the price at which (the "Remaining Affected CDS Contracts will be transferred or liquidated"), the Clearing House shall conduct an auction by requesting firm bid and offer quotations from all CDS Clearing Members (each auction in such process, a "Single Name Auction"). The Clearing House shall determine the timing and other particular characteristics of each Single Name Auction in consultation with the Default Management Committee, including determining the size of the bid/offer spread of the CDS Contracts to be auctioned, whether one or more Single Name Auctions are to be held and the timing and structure of such auctions (including the frequency at which firm bid and firm offer Quotationsquotations will be requested), the transaction size (i.e. the Floating Rate Payer Calculation Amount) and whether CDS Clearing Members (excluding the Affected CDS Clearing Member) will be required (as opposed to requested) to submit actionable quotations in a Single Name Auction, provided that CDS Clearing Members will not be notified of whether the open position of the Affected CDS Clearing Member in such Remaining Affected CDS Contracts is as buyer or seller.

Amounts owed by the The Remaining Affected CDS Contracts shall be transferred to eligible CDS Clearing Member to (Members or receivable by it from) liquidated through transactions between the Clearing House and eligible CDS Clearing Members in connection with any such liquidation or transfer shall be the notional sizes and at the prices determined by the Clearing House by reference pursuant to the Single Name Auction(s). In addition, any Any initial payments, margin or other payments or deliveries owed (including the dates of settlement with respect thereto) relating to the North American Single Name CDS Contracts increased, created, reduced or terminated pursuant to this paragraph shall be as determined by the Clearing House with reference to the Single Name Auction(s).

In the event that the Single Name Auction(s) fail, or the Clearing House is unable to effect the transfer or liquidation of some or all of the Remaining Affected CDS Contracts in accordance with the Single Name Auction(s), the Clearing House, in consultation with the Default Management Committee, will have the right to determine the appropriate fallback for establishing the price at method

pursuant to which the relevant Remaining Affected CDS Contracts will be terminated, transferred or liquidated.

A CDS Clearing Member must, following notice by the Clearing House of the amount, fully collateralize its exposure to the Clearing House in respect of any Affected CDS ~~Contract~~ Contracts. For this purpose exposure shall be deemed to be either (a) if the CDS Clearing Member is a Seller under ~~an~~ such Affected CDS ~~Contract~~ Contracts, the Floating Rate Payer Calculation Amount of such Affected CDS ~~Contract~~ Contracts and (b) if the CDS Clearing Member is a Buyer under ~~a~~ such Affected CDS ~~Contract~~ Contracts, the aggregate of all future Fixed Amounts which may become due under such Affected CDS ~~Contract~~ Contracts.

CDS Contracts Referencing Indices

If, as a consequence of CDX Index Untranching CDS Contracts, a CDS Clearing Member holds a net exposure in its house (or proprietary) account to itself or any of its Affiliates, with such exposure calculated on a cross-index and cross-maturity basis and across the net positions held by such CDS Clearing Member and its Affiliates, in excess of the lesser of either:

- ~~i)~~ (i) \$50 million notional; or
- ~~ii)~~ ii) 1% of its tentative net capital;
- (ii) 1% of its adjusted net capital (as defined in accordance with regulation applicable to such entity or, in the absence of any such regulation, as calculated under CFTC Rule 1.17 as though such entity were a Futures Commission Merchant, including the requirement to prepare and provide to the Clearing House a Form 1-FR-FCM or FOCUS Report as of the times required for Futures Commission Merchants);

then, in addition to any existing collateral requirements (other than in relation to the CDX Component Transaction referencing the relevant Reference Entity), the CDS Clearing Member must, following notice by the Clearing House of the amount, fully collateralize its exposure in excess of this amount in accordance with the Rules. For this purpose exposure shall be deemed to be either (a) if the CDS Clearing Member is a Seller under ~~a~~ such CDX Index Untranching CDS ~~Contract~~ Contracts, the portion of the Floating Rate Payer Calculation Amount of such CDX Index Untranching CDS ~~Contract~~ Contracts attributable to the relevant Reference Entity and (b) if the CDS Clearing Member is a Buyer under ~~a~~ such CDX Index Untranching CDS ~~Contract~~ Contracts, the aggregate of the portion of all future Fixed Amounts which may become due under such CDX Index

Untranched CDS ~~Contract~~Contracts and which are attributable to the relevant Reference Entity.

80104.B. ~~80104.B.~~ **Clearing Through Clearing Member's** Member's
Customer Account

North American Single Name CDS Contracts

A CDS Clearing Member shall use reasonable efforts not to submit for clearing for a ~~customer~~CDS Participant through such CDS Clearing ~~Member's~~Member's customer account, and a CDS Participant must not request that a CDS Clearing Member submit for clearing on its behalf through such account, a bilateral CDS transaction in ~~respect~~respect of a proposed North American Single Name CDS Contract where the Reference Entity in respect of such North American Single Name CDS Contract is such ~~customer-firm~~CDS Participant, such CDS Clearing Member, an Affiliate of such CDS Participant or an Affiliate of such ~~customer-firm~~ CDS Clearing Member (any such CDS Contract whether such circumstances exist at the time of submission or arise thereafter, an "Affected Customer CDS Contract".) and the relevant CDS Participant, an "Affected Customer"). Any breach solely of the first paragraph of this Rule 0 by a CDS Clearing Member shall not, ~~subject as provided below~~Without more, be considered a default but may be subject the relevant CDS Clearing Member to Clearing House disciplinary action, including the imposition of a ~~fine~~ fines as described below or, for continuing or serious ~~violation~~ violations of this Rule, review by the ~~Clearing House Risk Committee~~CDS RC of the CDS Clearing Member's compliance with clearing member eligibility criteria for CDS clearing.

~~A CDS Clearing Member~~Following notice by the Clearing House to the relevant CDS Clearing Member of the amount of margin with respect to an Affected Customer CDS Contract, such CDS Clearing Member must fully collateralize ~~its~~the Clearing House's exposure in respect of any Affected Customer CDS ~~Contract~~Contracts and such requirement to provide full collateralization shall constitute a performance bond requirement applicable to the Affected Customer. For this purpose exposure shall be deemed to be either (a) if the CDS Clearing Member is agent for a Seller under ~~an~~such Affected Customer CDS ~~Contract~~Contracts, the Floating Rate Payer Calculation Amount of such Affected Customer CDS ~~Contract~~Contracts and (b) if the CDS Clearing Member is agent for a Buyer under ~~a~~such Affected Customer CDS ~~Contract~~Contracts, the aggregate of all future Fixed Amounts which may become due under such Affected Customer CDS ~~Contract~~Contracts.

A CDS Clearing Member may require any CDS Contract which was an Affected Customer CDS Contract at the Acceptance Time or later becomes an Affected

Customer CDS Contract to be closed out by the Affected Customer within five Clearing Business Days from the date on which any person responsible for CDS clearing at such Affected Customer becomes aware of such an Affected Customer CDS Contract. Upon becoming aware of an Affected Customer CDS Contract, the CDS Clearing Member must notify the Clearing House and the Affected Customer and work with the Affected Customer to close out such Affected Customer CDS Contract, in each case, as soon as practicable; provided that, if the Affected Customer does not complete the close out of all such Affected Customer CDS Contracts within five Clearing Business Days of the CDS Clearing Member's notice to the Affected Customer thereof, the CDS Clearing Member shall, within three Clearing Business Days, terminate and/or liquidate any such remaining open Affected Customer CDS Contracts of the Affected Customer either (a) in the open market, if such Affected Customer CDS Contract is listed for electronic trading on an exchange or execution facility for which the Clearing House provides clearing services or (b) at a commercially reasonable price reflecting the CDS Clearing Member's side of the market, if such Affected Customer CDS Contract is not listed for electronic trading on an exchange or execution facility for which the Clearing House provides clearing services.

If after such specified period, any such Affected Customer CDS Contract has not been closed out, the Clearing House will, to the extent permitted in accordance with these Rules, net positions in the Affected Customer CDS Contracts within the Affected Customer's CDS Clearing Member. In order to transfer or liquidate the remaining positions in the Affected Customer CDS Contract after such netting process (the "**Remaining Affected Customer CDS Contract**"), the Clearing House shall conduct a Single Name Auction and shall determine the timing and other particular characteristics of each Single Name Auction in consultation with the Default Management Committee, including determining the size of the bid/offer spread of the Remaining Affected Customer CDS Contracts to be auctioned, whether one or more Single Name Auctions are to be held and the timing and structure of such auctions (including the frequency at which firm bid and firm offer quotations will be requested), the transaction size (i.e. the Floating Rate Payer Calculation Amount) and whether CDS Clearing Members (excluding the CDS Clearing Member for the Affected Customer) will be required (as opposed to requested) to submit actionable quotations in a Single Name Auction, provided that CDS Clearing Members will not be notified of whether the open position of the Affected Customer in such Remaining Affected Customer CDS Contracts is as buyer or seller.

The Remaining Affected Customer CDS Contracts shall be transferred to eligible CDS Clearing Members or liquidated through transactions between the Clearing House and eligible CDS Clearing Members in the notional sizes and at the prices determined by the Clearing House pursuant to the Single Name Auction(s). Any initial payments, margin or other payments or deliveries owed

(including the dates of settlement with respect thereto) relating to the North American Single Name CDS Contracts increased, created, reduced or terminated pursuant to this paragraph shall be as determined by the Clearing House with reference to the Single Name Auction(s).

In the event that the Single Name Auction(s) fail or the Clearing House is unable to effect the transfer or liquidation of some or all of the Remaining Affected Customer CDS Contracts in accordance with the Single Name Auction(s), the Clearing House, in consultation with the Default Management Committee, will have the right to determine the appropriate fallback method pursuant to which the relevant Remaining Affected Customer CDS Contracts will be terminated, transferred or liquidated.

CDS Contracts Referencing Indices

If a CDS Clearing Member clears positions in CDX Index Untranching CDS Contracts for a customer through such CDS Clearing ~~Member's~~Member's customer account and such positions result in a net exposure on the part of its customer to such customer or any of such ~~customer's~~customer's Affiliates, with such exposure calculated on a cross-index and cross-maturity basis and across the net positions held by such customer and its Affiliates, in excess of the lesser of either:

- ~~i)~~(i) \$25 million notional; or
- ~~ii)~~ 0.5% of such CDS Clearing Member's tentative net capital,
- (ii) 0.5% of such CDS Clearing Member's adjusted net capital (as defined in accordance with regulation applicable to such entity or, in the absence of any such regulation, as calculated under CFTC Rule 1.17 as though such entity were a Futures Commission Merchant, including the requirement to prepare and provide to the Clearing House a Form 1-FR-FCM or FOCUS Report as of the times required for Futures Commission Merchants).

then, in addition to any existing collateral requirements (other than in relation to the CDX Component Transaction referencing the relevant Reference Entity), the CDS Clearing Member must fully collateralize such ~~customer's~~customer's exposure in excess of this amount in accordance with these Rules, and such requirement to provide full collateralization shall constitute a performance bond requirement applicable to the customer or its affiliates, as applicable. For this purpose exposure shall be deemed to be either (a) if the CDS Clearing Member is agent for a Seller under a such CDX Index Untranching CDS ContractContracts, the portion of the Floating Rate Payer Calculation Amount of such CDX Index Untranching CDS ~~Contract~~Contracts attributable to the relevant Reference Entity and (b) if the CDS Clearing Member is agent for a Buyer under a such CDX Index Untranching CDS ContractContracts, the aggregate of the portion of all

future Fixed Amounts which may become due under such CDX Index Untranchcd CDS ~~Contract~~Contracts and which are attributable to the relevant Reference Entity.

80105. CDS ADVISORY BOARD

~~A. — There shall be a CDS Advisory Board (the "CAB") which shall serve to provide guidance to the Clearing House and the Clearing House Risk Committee on issues relevant to CDS Contracts and shall meet at least quarterly. In addition to the advice provided above, the CAB shall have review and/or approval rights over aspects of CDS trading as detailed below. The CAB shall be comprised of each CDS Dealer Founding Member, CDS Clearing Members who achieve certain financial commitment criteria as may be established by the Clearing House (subject to a maximum of 12 CDS Clearing Members (including the CDS Dealer Founding Members)), and up to three other persons representative of the CDS Non-Dealer Founding Members. Unless otherwise specified in this Rule, actions of the CAB shall not be effected unless approved by a majority of the CDS Dealer Founding Members and CDS Clearing Members on the CAB (collectively, the "Clearing Voting Members") and by the affirmative vote of at least one CDS Non-Dealer Founding Member.~~

~~B. — The CAB shall be provided advanced notice and be consulted prior to the implementation of or changes to the following: (i) the risk management model for CDS Contracts, (ii) default management rules and procedures for CDS Contracts, (iii) other clearing practices or procedures specific to CDS Contracts that are being submitted to the Clearing House Risk Committee for review and consideration, and (iv) termination of the ability of a market venue, or refusal to permit a market venue to submit transactions in CDS for clearing on behalf of CDS Clearing Members. This excludes changes that the Clearing House is making on an emergency basis (subject as provided below) or that the Clearing House is required to implement by any regulatory or governmental authority, although the Clearing House will still notify the CAB (and the Clearing House Risk Committee) of such changes as soon as practicable. The Clearing House Risk Committee will deliver any relevant recommendation of the CAB to the Clearing House Risk Committee for consideration, and a member of the CAB will have the opportunity to present the views of the CAB during the portion of the Clearing House Risk Committee meeting in which the matter is discussed. For the avoidance of doubt, any proposed material changes that have not been so disclosed to CAB, and on which the CAB has not been consulted, may not be implemented (except as required in emergencies or by any governmental or regulatory authority).~~

~~C. — The Clearing House shall not implement or enact the following measures unless the approval of the CAB is received. Only the Clearing Voting Members are permitted to vote with respect to items specified below. With respect to subsection (i) below, approval shall be received by unanimous approval of the Clearing Voting Members and with respect to subsections (ii) — (vi), approval shall be received by a simple majority of the Clearing Voting Members.~~

~~(i) — a decision not to adhere to a DC Resolution, by either expressly overruling a DC Resolution or deciding upon an Issue prior to a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has resolved not to determine the matters relating to such Issue. Notwithstanding any provision to the contrary contained in these Rules, nothing in this subsection (i) shall be subject to the "emergency" authority of the Clearing House or any other emergency authority contemplated by the Rules;~~

~~(ii) — a change to the CDS Clearing Member eligibility criteria that reduces the minimum net capital, minimum guaranty fund or minimum excess margin contributions that are required;~~

~~(iii) — (x) a change to the default management structure or procedures that would reduce the amount or impair the availability of the guarantee fund or the Clearing House's assessment authority with respect to, or otherwise reduce to any material extent the credit support that is available for, satisfying losses to the Clearing House associated with the CDS product class or satisfying losses associated with the CDS product class or (y) a reduction in the Clearing House performance bond requirements for CDS products below the amount consistent with a 99% confidence level that such performance bond rates would provide 5-day coverage for cleared portfolios;~~

~~(iv) a change to the price-quality auction methodology if such change would increase the calculation of notional size for forced "crossing" of trades or impose other new penalty provisions on, or otherwise increased the liabilities or obligations of, or~~

~~(v) a decision (x) not to provide market participants the option of having the Clearing House send information with respect to their transactions in CDS products to a transaction information warehouse in accordance with the framework set forth by the CAB, or (y) to change the arrangements established pursuant to such framework for the generation and maintenance of a "gold" record of each transaction submitted to the Clearing House for clearing (and/or resulting from the netting of such transactions).~~

~~D. The composition of the CAB may not be altered, nor its authority as set forth in this Rule reduced (by rule change or otherwise), except upon a 2/3 super-majority approval of the Clearing Voting Members, in addition to the affirmative vote of at least one of the CDS Non-Dealer Founding Members.~~

~~E. A Dealer Founding Member shall be allowed to discontinue its participation as a member of the CAB by notice to the Clearing House if it determines in good faith, based on the advice of external counsel, that it would be prudent to do so.~~

Chapter 802**80105. TAXES**

- A** All payments on any CDS Contract will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law. If the Clearing House or a CDS Clearing Member is required to deduct or withhold, then the Clearing House or the CDS Clearing Member (each, a “payor”) will: (i) promptly notify the recipient of such requirement; (ii) pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a CDS Clearing Member as payor, including the full amount required to be deducted or withheld from any amount paid by the CDS Clearing Member to the Clearing House under Rule 80105.B, 80105.C or 80105.D) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against the recipient; and (iii) promptly forward to the recipient an official receipt (or a certified copy), or other documentation reasonably acceptable to the recipient, evidencing such payment to such authorities.
- B** In the event that any payment made by a CDS Clearing Member to the Clearing House under any CDS Contract is subject to deduction or withholding (including the full amount required to be deducted or withheld from any amount paid by the CDS Clearing Member to the Clearing House under Rule 80105.B, 80105.C or 80105.D), either at the time of such payment or in the future, for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the Clearing House), then the CDS Clearing Member shall pay to the Clearing House an amount (such amount, together with any additional amount paid pursuant to Rule 80105.G, the “Additional Amount”), in addition to the payment to which the Clearing House is otherwise entitled under these Rules on any CDS Contract, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the CDS Clearing Member or the Clearing House), will equal the full amount the Clearing House would have received in the absence of any such deduction or withholding.

However, a CDS Clearing Member will not be required to pay any Additional Amount to the Clearing House under this Rule 80105.B to the extent that it would not be required to be paid but for the failure by the Clearing House to provide to the CDS Clearing Member such forms and documents as required under Rule 80105.E, provided that (A) the relevant CDS Clearing Member has notified the Clearing House in writing of such failure and (B) the Clearing House

has failed to provide such forms or documents within five Clearing Business Days after the receipt of such notice.

- C If (i) a CDS Clearing Member is required by any applicable law to make any deduction or withholding from any payment made to the Clearing House under any CDS Contract for or on account of any Tax, in respect of which the CDS Clearing Member would be required to pay an Additional Amount to the Clearing House under Rule 80105.B; (ii) the CDS Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the CDS Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the CDS Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs) and any tax imposed on the Clearing House with respect to the indemnity payments under this Rule 80105.C such that the amount actually received by the Clearing House will equal the full amount the Clearing House would have received in the absence of any such tax imposed on the indemnity payments made under this Rule 80105.C.
- D If (i) the Clearing House is required by any applicable law to make any deduction or withholding from any payment made to a CDS Clearing Member under any CDS Contract for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the CDS Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the CDS Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and cost, provided that such related liability would not have been imposed but for the failure of the CDS Clearing Member to comply with any of its obligations under Rule 0) and any tax imposed on the Clearing House with respect to the indemnity payments under this Rule 80105.D such that the amount actually received by the Clearing House will equal the full amount the Clearing House would have received in the absence of any such tax imposed on the indemnity payments made under this Rule 80105.D
- E The Clearing House shall provide to each CDS Clearing Member (i) the tax forms and documents specified in Rule **Error! Reference source not found.**(i) and (ii) any other form or document reasonably requested in writing by the CDS Clearing Member in order to allow the CDS Clearing Member to make a payment under these Rules or any CDS Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in this

clause (ii) would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).

- F Each CDS Clearing Member shall provide to the Clearing House (i) the tax forms and documents specified in Rule **Error! Reference source not found.** (ii) and (ii) any other form or document reasonably requested in writing by the Clearing House in order to allow the Clearing House to make a payment under any CDS Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not, in the CDS Clearing Member's judgment, materially prejudice the legal or commercial position of such CDS Clearing Member). For the avoidance of doubt, in the event that any payment made by the Clearing House to a CDS Clearing Member under any CDS Contract is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, the Clearing House is not required to pay any additional amount in respect of such deduction or withholding. The Clearing House will, at the CDS Clearing Member's expense, use commercially reasonable efforts to cooperate with a CDS Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).
- G Each CDS Clearing Member will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with any CDS Contract and will indemnify the Clearing House against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that the Clearing House is not able, in the Clearing House's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of any agreement, contract or transaction in connection with any CDS Contract. Any payment required to be made by a CDS Clearing Member to the Clearing House under this Rule 80105.G shall include an additional amount equal to any Tax levied or imposed on the Clearing House as a result of the receipt of any payment under this Rule 80105.G (including this sentence).
- H Each CDS Clearing Member shall promptly notify the Clearing House in writing upon learning that any payment made by the Clearing House to the CDS Clearing Member or by the CDS Clearing Member to the

Clearing House under any CDS Contract is subject to any Tax, other than any Tax imposed or levied based on the net income of the CDS Clearing Member or the Clearing House, as applicable.

- I CDS Clearing Members shall not have any termination or other special rights in respect of CDS Contracts as a result of the occurrence of adverse Tax consequences, it being understood that CDS Clearing Members may, in accordance with these Rules, submit for clearing CDS Contracts with other CDS Clearing Members (including with any Affiliate that is a CDS Clearing Member) that, if accepted, would fully offset its existing open CDS Contracts, which offset would cause a full termination of such CDS Contract (in each case in accordance with the process set forth in the CDS Manual) for all legal and tax purposes. If so requested by a CDS Clearing Member for the purpose of reducing adverse Tax consequences to such CDS Clearing Member, the Clearing House shall use reasonable efforts to expeditiously review an application for status as a CDS Clearing Member submitted by an Affiliate of such requesting CDS Clearing Member.
- J (i) The Clearing House agrees to complete and deliver to each CDS Clearing Member an Internal Revenue Service Form W-9 (or any successor form) on or prior to the date on which such CDS Clearing Member joins and (so long as the Clearing House remains eligible to do so) thereafter prior to the date on which such Form would become invalid, and (ii) the CDS Clearing Members agree to complete and deliver to the Clearing House on or prior to the date on which the Clearing Member joins and (so long as each remains eligible to do so) thereafter prior to the date on which such Form would become invalid, an Internal Revenue Service Form W-9 or any successor form (in the case of a CDS Clearing Member that is a U.S. person) or an Internal Revenue Service Form W-8BEN or W-8IMY or any successor form (in the case of a CDS Clearing Member that is a non-U.S. person), as applicable.

Chapter 802

CDX Index Untranching CDS Contracts

80201. ~~80201.~~ SCOPE OF CHAPTER

This Chapter sets forth the terms and conditions of CDX Index untranching CDS Contracts ("**CDX Index Untranching CDS Contracts**"). The terms and conditions of each CDX Index Untranching CDS Contract will be the CDX Untranching Transactions Standard Terms Supplement, as published by Markit North America, Inc. ~~(formerly known as CDS IndexCo LLC) on March 20, 2008, as amended and supplemented by the amendments to the CDX Untranching Terms specified in Part 13 of Schedule 1 to the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring CDS Protocol (the~~ on January 31, 2011 (the "**CDX Untranching Terms**"), as supplemented pursuant to the relevant Contract Elections and as supplemented and amended by the provisions of these Rules.

In the event of any inconsistency between the CDX Untranching Terms and the provisions of these Rules, such documents and provisions shall prevail for the purposes of CDX Index Untranching CDS Contracts in the following order: first, these Rules; and second, the CDX Untranching Terms.

~~Notwithstanding the second paragraph of the CDX Untranching Terms, each party to a CDX Index Untranching CDS Contract agrees that each time they enter into a CDX Index Untranching CDS Contract, they enter into a separate and independent CDS Contract in respect of each Reference Entity listed in the Relevant Annex (each, a "CDX Component Transaction"). Each CDX Component Transaction constitutes an independent CDS Contract for the purposes of these Rules, shall not be affected by any other CDX Component Transaction entered into by the relevant Buyer and Seller and shall operate independently of each other CDX Component Transaction in all respects. Any reference in the CDX Untranching Terms to a Component Transaction shall be deemed to be a reference to a "**CDX Component Transaction**."~~ For the avoidance of doubt, no CDX Component Transaction will be fungible with a North American Single Name CDS Contract.

All CDX™ and the CDX Indices are service marks of Markit North America, Inc. and have been licensed for use by the Clearing House. Each Index specified as applicable to a CDX Index Untranching CDS Contract is the property of Markit North America, Inc. ~~(the "Index Sponsor")~~ and has been licensed for use by the Clearing House in connection with CDX Index Untranching CDS Contracts. Without limiting the disclaimers in the CDX Untranching Terms, the following shall apply to CDX Index Untranching CDS Contracts.

Each CDS Participant or CDS Clearing Member acknowledges and agrees that CDX Index Untranching CDS Contracts are not sponsored, endorsed or promoted by the Index Sponsor. The Index Sponsor make no representation whatsoever, whether express or implied, and hereby expressly ~~disclaim~~disclaims, all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular ~~disclaim~~disclaims any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index and/or the composition of the Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Index at any particular time on any particular date or otherwise. The Index Sponsor shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Sponsor is under no obligation to advise the parties or any person of any error therein.

The Index Sponsor makes no representation whatsoever, whether express or implied, as to the advisability of entering into, CDX Index Untranching CDS Contracts, the ability of the Index to track relevant markets' performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Sponsor has no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. No party entering into CDX Index Untranching CDS Contracts, nor the Index Sponsor, shall have any liability to any party for any act or failure to act by the Index Sponsor in connection with the determination, adjustment, calculation or maintenance of the Index. Each party acknowledges that the other party or one of its ~~Affiliates~~affiliates may be, or may be affiliated with, ~~the an~~ Index Sponsor and, as such, may be able to affect or influence the determination, adjustment or maintenance of the Index. The Index Sponsor and its affiliates may deal in any obligations that compose the Index, and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the issuers of such obligations or their ~~Affiliates~~affiliates, and may act with respect to such business as if the Index did not exist, regardless of whether such action might adversely affect the Index or any CDX Index Untranching CDS Contract. The Index Sponsor and its ~~Affiliates~~affiliates may be in possession of information in relating to components of the Index that may or may not be publicly available or known to any other party, and each party entering into CDX Index Untranching CDS Contracts agrees that such CDX Index Untranching CDS Contract does not create any obligation on the part of the Index Sponsor or its ~~Affiliates~~affiliates to disclose any such information.

80202. 80202. CONTRACT TERMS**80202.A. 80202.A. Currency**

The settlement currency in respect of CDX Index Untranchcd CDS Contracts shall be USD and the Original Notional Amount in respect of CDX Index Untranchcd CDS Contracts will be specified in USD.

80202.B. 80202.B. CDX Indices

Each CDX Index Untranchcd CDS Contract will reference one of the indices (the "**CDX Indices**") listed in Appendix 1 hereto. The "**Source of Relevant Annex**" for each CDX Index Untranchcd CDS Contract will be "**Publisher**" and will, on the Acceptance Date, be the list for the relevant Index and Annex Date determined pursuant to the relevant Contract Elections."

80202.C. 80202.C. Initial Payment

Notwithstanding Section 5.8 of The Initial Payment Amount will be paid to or by the Credit Derivatives Definitions and the CDX Untranchcd Terms, **Clearing House on the Initial Payment Date** will be the Business Day immediately following the Acceptance Date.

80202.D. 80202.D. Calculation Agent

The Clearing House will be the sole Calculation Agent for all purposes in relation to CDX Index Untranchcd CDS Contracts and the Calculation Agent City will be New York. References in the Credit Derivatives Definitions to the Calculation Agent making determinations "**acting "after consultation with the parties"**" shall be deemed to be replaced with "**after consultation with the parties and/or the CME Determinations Board, CDS RC**". The Calculation Agent may (where it is not otherwise required) consult with the CME Determinations Board **CDS RC** in accordance with Chapter 804804 in respect of any determination or calculation action it is required to make **take** in connection with a CDX Index Untranchcd CDS Contract. All determinations of the Calculation Agent in respect of a CDX Index Untranchcd CDS Contract shall be binding on the parties to such CDX Index Untranchcd CDS Contract.

80202.E. Any determination made or other action taken by the Clearing House in its capacity as Calculation Agent in respect of a CDX Index Untranchcd CDS Contract may be disputed by any CDS Clearing Member by

referring the determination or other action to the CDS RC no later than the fifth Clearing Business Day following notification of the relevant determination made or action taken. Any disputed Calculation Agent determination or other action is binding on the applicable parties pending a Determination in respect of such disputed determination or other action. If any such disputed Calculation Agent determination or other action results in a payment being owed by the Clearing House to a CDS Clearing Member for its own account or for the account of a CDS Participant, as applicable, under a CDX Index Untranching CDS Contract pending a Determination, the performance bond requirement with respect to such CDX Index Untranching CDS Contract will be increased by an amount equivalent to the disputed portion of the payment for so long as such Determination is pending, and the Clearing House, in lieu of paying any such disputed payment to the CDS Clearing Member, may retain such payment in satisfaction of such increased performance bond requirement.

Promptly following a Determination in respect of a disputed Calculation Agent determination or other action, the Clearing House shall, in its capacity as Calculation Agent, make such adjustments and payments as it determines necessary to give effect to the relevant Determination. The Calculation Agent will determine, and notify each affected CDS Clearing Member of, (i) the adjustment payment, if any, that is payable to reflect any change to the amount payable under the relevant CDX Index Untranching CDS Contract, whether or not the relevant CDX Index Untranching CDS Contract is still outstanding (the "Adjustment Amount"), (ii) the date on which any such Adjustment Amount is payable, which shall be as soon as reasonably practicable following such notification (the "Adjustment Payment Date") and (iii) the party to the relevant CDX Index Untranching CDS Contract that is obliged to pay any such Adjustment Amount (the "Adjustment Amount Payer"). The Adjustment Amount Payer shall pay the Adjustment Amount on the relevant Adjustment Payment Date. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.

80202.E. Fixed Rate

The Fixed Rate in respect of a CDX Index Untranching CDS Contract will be the fixed rate for the relevant CDX Index and series as specified by the Index Sponsor on its website or otherwise at the time the relevant CDX Index series is established and identified for the relevant CDX Index Untranching CDS Contract pursuant to the relevant Contract Elections.

80202.F. ~~80202.F.~~ Credit Event Backstop Date

_____ For the purposes of a CDX Index Untranching CDS Contract:

_____Section 1.23 of the Credit Derivatives Definitions shall be restated as follows:

“Credit Event Backstop Date” means (a) for purposes of any event that constitutes a Credit Event ~~with respect to a~~ for purposes of the relevant CDX Component Transaction, as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date ~~related~~ or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the CME Credit Event Resolution Request Date, if it occurs prior to or on the date that is fourteen calendar days after the Extension Date and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in Sections 1.24(a) and (b) are satisfied in accordance with the DC Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such Credit Event (determined by reference to Greenwich Mean Time) matters and (C) the CME Credit Event Resolution Request Date occurs not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

_____For the purposes of any determination as to whether a Credit Event has occurred in respect of a CDX Component Transaction and the relevant a Reference Entity (or an Obligation thereof):

(i) ~~(i)~~ _____ at any time up to but excluding June 20, 2009; or

(ii) ~~(ii)~~ _____ if a Credit Event Resolution Request Date occurs before June 20, 2009,

the Credit Event Backstop Date with respect to such determination shall be deemed to be the effective date of the Index, as specified in the Relevant Annex applicable to the relevant CDX Index Untranchcd CDS Contracts.

80202.G. Method for Determining Obligations

Section 4.232.19 of the Credit Derivatives Definitions shall be deemed not amended by inserting the words “or the Issue submitted to apply to CDX Index Untranchcd the CDS Contracts. RC resulting in the occurrence of the CME Credit Event Resolution Request Date” after the reference to “Credit Event Resolution Request Date”.

80202.H. ~~80202.G.~~ **Settlement Method**

The Settlement Method with respect to a CDX Component Transaction will be Auction Settlement, with clauses (c), (d) and (e) of Section 12.1 of the Credit Derivative Derivatives Definitions being deemed deleted and replaced with “(c) an Event Determination Date was determined as a result of a Declaration of Credit Event” and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after the date of such Declaration of Credit Event”. For the avoidance of doubt, the Fallback Settlement Method will be CME CDS Physical Settlement pursuant to Chapter ~~805.~~805.

80202.I. ~~80202.H.~~ **Declaration of Credit Events**

The Clearing House shall issue a declaration of a Credit Event (each, a “**Declaration of Credit Event**”) with respect to a CDX Component Transaction if the ~~CME Determinations Board~~CDS RC determines pursuant to Chapter ~~804~~804 that an event which constitutes a Credit Event for the purposes of such CDX Component Transaction has occurred with respect to the Reference Entity applicable to such CDX Component Transaction (or Obligation thereof) on or after the Credit Event Backstop Date (determined by reference to Greenwich Mean Time) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time). The relevant Declaration of Credit Event will be issued as soon as reasonably practicable but no later than the Clearing Business Day immediately following the date that the ~~CME Determinations Board~~CDS RC makes the relevant Determination. A Declaration of Credit Event will be deemed not to have been issued with respect to a CDX Component Transaction unless (i) the CME Credit Event Resolution Request Date with respect to the relevant Credit Event occurred on or prior to the end of the last day described in Section 1.23(b)(i) or 1.23(b)(ii)(C) of the Notice-Delivery-Period Credit Derivatives Definitions (as amended above), as applicable, including prior to the Acceptance Date (determined by reference to Greenwich Mean Time) and (ii) the Acceptance Submission Date, or such date as is notified by the Clearing House in consultation with the CDS RC in accordance with Rule 0, occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

80202.J. ~~80202.I.~~ **Event Determination Date**

Section 1.8 of the Credit Derivatives Definitions shall be amended by:

(a) the deletion of Section 1.8(a)(i) and;

(b) ~~the insertion of the words “or a Declaration of Credit Event has been issued” in the first sentence of Section 1.8(a)(ii) after the words “has occurred”;~~ and

(c) ~~80202.J,~~ the insertion of the words “or, where the Credit Event Backstop Date is determined by reference to the CME Credit Event Resolution Request Date, the CME Credit Event Resolution Request Date” in the line of Section 1.8(a)(ii)(A) after the words “Credit Event Resolution Request Date”.

80202.K. Succession ~~Events~~ Event Backstop Date

~~For the purposes of a CDX Index Untranching CDS Contract:~~

~~Section 2.1 and Section 2.2(i) of the Credit Derivatives Definitions shall be restated as follows:~~

~~“Reference Entity” means the entity or entities identified as such in the Index and listed in the Relevant Annex for the purposes of the CDX Index Untranching CDS Contract. Any Successor to a Reference Entity either (a) specified in a Declaration of Succession Event effective on or following the Acceptance Submission Date in respect of such CDX Index Untranching CDS Contract or (b) unless the Relevant Annex already reflects the applicable Succession Event, in respect of which ISDA publicly announces on or following the Acceptance Submission Date in respect of such CDX Index Untranching CDS Contract that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the DC Rules shall, in each case, be the relevant Reference Entity for the relevant CDX Component Transaction or a New NEW CDX Component Transaction as determined pursuant to such Section 2.2 of the Credit Derivatives Definitions. If the Clearing House determines that a bilateral CDS transaction in respect of a CDX Index Untranching CDS Contract submitted for clearing would have been subject to a Succession Event but that such Succession Event is not given appropriate effect because of the timing of applicable Product Reference File updates, the Clearing House shall take such action, if any, as it deems necessary and reasonably practicable, to ensure that such Succession Event is given the effect which the Clearing House determines is appropriate with respect to such CDX Index Untranching CDS Contract.~~

~~“Succession Event Backstop Date” means (A) for purposes of any event that constitutes a Succession Event with respect to a for purposes of the relevant CDX Component Transaction, as determined by DC Resolution or a Determination of the CME Determinations Board, the date that is 90 calendar days prior to the Succession Event Resolution Request Date related to such Succession Event (determined by reference to Greenwich Mean Time). The) or (B) otherwise, the~~

date that is 90 calendar days prior to the earlier of (I) the CME Succession Event Backstop Resolution Request Date shall not be subject and (II) in circumstances where (1) the conditions to convening a Credit Derivatives Determinations Committee to adjustment Resolve the matters described in Sections 2.2(j)(i) and (j)(ii) are satisfied in accordance with the DC Rules, (2) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (3) the CME Succession Event Resolution Request Date occurs not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

~~any Business Day Convention.~~

_____ For the purposes of any determination as to whether a Succession Event has occurred in respect of a CDX Component Transaction and the relevant a Reference Entity ~~(or an Obligation thereof):~~

(i) ~~(i)~~ _____ at any time up to but excluding June 20, 2009; or

(ii) ~~(ii)~~ _____ if a Succession Event Resolution Request Date occurs before June 20, 2009,

the Succession Event Backstop Date with respect to such Reference Entity shall be deemed to be the effective date of the Index, as specified in the Relevant Annex applicable to the relevant CDX Index Untranchured CDS Contracts.

~~Section 2.1 and 2.2(i) of the Credit Derivatives Definitions shall be deemed not to apply to CDX Index Untranchured CDS Contracts.~~

80202.L. _____ 80202.K. _____ Declaration of Succession Events

_____ The Clearing House shall issue a declaration of a Succession Event (each, a **“Declaration of Succession Event”**) with respect to a CDX Component Transaction if the ~~CME Determinations Board~~ CDS RC determines pursuant to Chapter ~~804~~ 804 that a Succession Event has occurred ~~on or following the Succession Event Backstop Date (determined by reference to Greenwich Mean Time)~~ with respect to the relevant Reference Entity. The relevant Declaration of Succession Event will be issued as soon as reasonably practicable but no later than the Clearing Business Day immediately following the date that the ~~CME Determinations Board~~ CDS RC makes the relevant Determination.

~~80202.L. Auction Settlement Date~~

80202.M. ~~For the purposes of a CDX Index Untranch~~ed CDS
Contract: Versions

~~"Auction Settlement Date" means a day selected by the Clearing House and notified to CDS Clearing Members falling in the period from, and including the Auction Final Price Determination Date to, and including, the date falling 5 Business Days after the Auction Final Price Determination Date.~~

~~Section 12.3 of the Credit Derivatives Definitions shall be deemed not to apply to CDX Index Untranch~~ed CDS Contracts.

~~80202.M. CDX Index versions~~

Where, in respect of a CDX Index Untranch

ed CDS Contract, (a) the Index Sponsor publishes one or more subsequent versions or annexes of the relevant CDX Index series following a Credit Event or a Succession Event with respect to a Reference Entity included in such CDX Index series, and (b)(i) in the case of publication of one or more subsequent versions or annexes of the relevant CDX Index series following a Credit Event, the Clearing House determines that an Auction Settlement Date has occurred in respect of the relevant CDX Component Transaction or the relevant CDX Component Transaction has otherwise settled in accordance with the applicable Settlement Method ~~then such~~ and (ii) in all cases, the Clearing House determines that CDX Index Untranched CDS ~~Contract~~ Contracts referencing the earlier version or annex of such CDX index series ~~shall become~~ are fungible with CDX Index Untranch

ed CDS ~~Contract~~ Contracts referencing ~~the latest~~ a later version or annex of such CDX Index series and so notifies the CDS Clearing Members, CDX Index Untranched CDS Contracts referencing the earlier version or annex of such CDX Index series, ~~as the case may be, shall become~~ CDX Index Untranched CDS Contracts referencing such later version or annex of such CDX Index series on the date determined by the Clearing House (the "Fungibility Date").

~~80202.N. CDX Untranch~~ed Terms

80202.N. ~~Paragraphs 6.5 and~~ De Minimis Cash Settlement

Paragraph 6.6 of the CDX Untranch

ed Terms shall be deemed not to apply to CDX Index Untranch

ed CDS Contracts.

80203. ~~80203.~~ **CONTRACT MODIFICATIONS**

80203.A. ~~80203.A.~~ **Rules**

~~Subject to satisfaction of any applicable notification, consultation and/or approval obligations prescribed by these Rules, the terms of any CDX Index Untranchéd CDS Contract may be modified by the Clearing House, with such modification to become part of these Rules and be applicable to such existing or future CDX Index Untranchéd CDS Contracts as the Clearing House shall determine. For the avoidance of doubt, where such modification applies to future CDX Index Untranchéd CDS Contract any such CDX Index Untranchéd CDS Contract entered into after the relevant date of modification shall not be fungible with any CDX Index Untranchéd CDS Contract entered prior to the relevant date of modification.~~

~~80203.B. ——— Except as provided in Rules 0, 80203.B and 80203.C, the Clearing House may not amend, modify or make any change to the terms and conditions of a CDX Index Untranchéd CDS Contract if such amendment, modification or change would, in the CDS RC's determination, (i) reasonably be expected to have a material effect on the mark-to-market price of such CDX Index Untranchéd CDS Contract or (ii) materially increase the basis risk of such CDX Index Untranchéd CDS Contract relative to the over-the-counter agreement equivalent to such CDX Index Untranchéd CDS Contract (any such amendment, modification or change that satisfies (i) or (ii) above, an "Index Contract Modification") unless the Clearing House provides all CDS Clearing Members at least ten Clearing Business Days' notice prior to the effective date of such Contract Modification (an "Index Contract Modification Effective Date"), provided that, nothing herein shall affect the Clearing House's ability to add new CDS Products from time to time.~~

~~An Index Contract Modification shall not apply to CDX Index Untranchéd CDS Contracts that have an Acceptance Date on or prior to the relevant Index Contract Modification Effective Date and such CDX Index Untranchéd CDS Contracts may not be offset against other Index Untranchéd CDS Contracts with an Acceptance Date after such Index Contract Modification Effective Date.~~

80203.B. Change in Law or Regulation

~~If any governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these Rules, the Clearing House may, subject to satisfaction of any applicable notification, consultation and/or approval obligations prescribed by these Rules, make such amendments and modifications to these Rules as it deems appropriate in order to reflect the application of such order, ruling, directive or law, and such changes to these Rules shall be applicable to all CDX Index Untranchéd CDS Contracts that are open as of, or entered into subsequent to, the relevant date of issuance.~~

~~80203.C. ——— If any Governmental Authority issues an order, ruling, directive or law that conflicts with the requirements of these Rules (any such order, ruling, directive or law, a "Change in Law"), the Clearing House shall propose such changes to these Rules as are necessary to reflect the application of such Change in Law, while minimizing to the extent reasonably practicable the economic effect of such Rule changes on existing CDX Index Untranchéd CDS Contracts. The CDS RC shall promptly review such proposal and, if adopted by majority vote, (i) the Clearing House shall, to the extent practicable taking into account the nature of such Change in Law, provide all CDS Clearing Members with at-least 5 Clearing Business Days' notice prior to the effective date of such~~

changes to these Rules ("Rule Change Effective Date") and (ii) such changes to these Rules shall be applicable to all CDX Index Untranching CDS Contracts that are open as of, or entered into subsequent to, the Rule Change Effective Date. If the Clearing House determines, in consultation with the CDS RC, that any such Rule change has a material effect on the mark to market price (a "MTM Change") of such CDX Index Untranching CDS Contract (such CDX Index Untranching CDS Contract, an "Adjusted CDX Index Untranching CDS Contract"), the Clearing House will determine the payment, if any, that is payable to reflect the MTM Change in respect of open positions in such Adjusted CDX Index Untranching CDS Contract (the "Adjusted Index Payment Amount") by reference to a poll of CDS Clearing Members on such terms as it deems appropriate in consultation with the CDS RC. The Clearing House will notify each affected CDS Clearing Member of (i) the Adjusted Index Payment Amount, (ii) the date on which such Adjusted Index Payment Amount is due (the "Adjusted Index Payment Amount Date") and (iii) the party to the relevant CDX Index Untranching CDS Contract that is obliged to pay any such Adjusted Index Payment Amount (the "Adjusted Index Payment Amount Payer"). The Adjusted Index Payment Amount Payer shall pay the Adjusted Index Payment Amount on the Adjusted Index Payment Amount Date.

80203.C. Industry Protocol

Subject to satisfaction of any applicable notification, consultation and/or approval obligations prescribed by these Rules, the terms of any CDX Index Untranching CDS Contract may shall be modified by the Clearing House in accordance with (i) any relevant CDS industry-sponsored protocol (or other multilateral agreement process) or (a) to which CDS Clearing Members holding (in their respective proprietary or customer account) at least 80% of the Clearing House's total open interest in the relevant CDS Index Untranching CDS Contracts covered by such protocol or other multilateral agreement process as at 5:00 p.m. (New York time) on the originally scheduled closing date of such protocol or other multilateral agreement process (such time "Protocol Cut-off Time"), or their designated Affiliated CDS Participants, agree to adhere or (b) which is adopted by the CDS RC by majority vote or (ii) any Resolution of a Convened DC relating to the matters described in section Section 3.8(a) of the DC Rules, (March 29, 2011 Version or any equivalent provision relating to questions of interpretation and amendments relating to the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement CDS Protocol (the "March 2009 Protocol") or the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring CDS Protocol (the "July 2009 Protocol")), with such modification to become part of these Rules and be applicable to such existing or future CDX Index Untranching CDS Contracts as the Clearing House shall determine set forth in such protocol or other multilateral agreement process or Resolution.

Chapter 803

Chapter 803

North American Single Name CDS Contracts

80301. ~~80301.~~ SCOPE OF CHAPTER

This Chapter sets forth the terms and conditions of North American single name CDS Contracts ("**North American Single Name CDS Contracts**"). The terms and conditions of each North American Single Name CDS Contract will be as set out in the definitions and provisions of the Credit Derivatives Definitions, the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions published on March 7, 2005 (the "Matrix Supplement") and the provisions of these Rules, as supplemented pursuant to the relevant Contract Elections.

In the event of any inconsistency between the Credit Derivatives Definitions, the Matrix Supplement and the provisions of these Rules, such documents and provisions shall prevail for the purposes of North American Single Name CDS Contracts in the following order: first, these Rules; ~~and second, the Matrix Supplement; and third, the Credit Derivatives Definitions.~~

80302. ~~80302.~~ CONTRACT TERMS

80302.A. ~~80302.A.~~ Currency

The settlement currency in respect of North American Single Name CDS Contracts will be USD.

~~80302.B.~~ Reference Entity

~~Each North American Single Name CDS Contract will reference one of the Reference Entities listed in Appendix 2 (or any Successor thereto).~~

80302.B. ~~80302.C.~~ Initial Payment

~~Notwithstanding Section 5.8 of~~ The Initial Payment Amount will be paid to or by the Credit Derivatives Definitions, Clearing House on the Initial Payment Date ~~will be the Business Day immediately following the Acceptance Date.~~

80302.C. ~~80302.D.~~ **Calculation Agent**

~~The Clearing House will be the sole Calculation Agent for all purposes in relation to North American Single Name CDS Contracts and the Calculation Agent City will be New York. References in the Credit Derivatives Definitions to the Calculation Agent making determinations "after consultation with the parties" shall be deemed to be replaced with "after consultation with the parties and/or the CME Determinations Board". The Calculation Agent may consult with the CME Determinations Board in accordance with Chapter 804 in respect of any determination or calculation it is required to make in connection with a North American Single Name CDS Contract. All determinations of the Calculation Agent in respect of a North American Single Name CDS Contract shall be binding on the parties to such North American Single Name CDS Contract.~~

The Clearing House will be the sole Calculation Agent for all purposes in relation to North American Single Name CDS Contracts and the Calculation Agent City will be New York. References in the Credit Derivatives Definitions to the Calculation Agent making determinations "acting "after consultation with the parties"" shall be deemed to be replaced with ""after consultation with the parties and/or the CME Determinations Board". CDS RC". The Calculation Agent may (where it is not otherwise required) consult with the CME Determinations Board CDS RC in accordance with Chapter ~~804~~804 in respect of any ~~determination or calculation~~action it is required to ~~make~~take in connection with a North American Single Name CDS Contract. All determinations of the Calculation Agent in respect of a North American Single Name CDS Contract shall be binding on the parties to such North American Single Name CDS Contract.

~~80302.E.~~ Any determination made or other action taken by the Clearing House in its capacity as Calculation Agent in respect of a North American Single Name CDS Contract may be disputed by any CDS Clearing Member by referring the determination or other action to the CDS RC no later than the fifth Clearing Business Day following notification of the relevant determination or other action taken. Any disputed Calculation Agent determination or other action is binding on the applicable parties pending a Determination in respect of such disputed determination or other action. If any such disputed Calculation Agent determination or other action results in a payment being owed by the Clearing House to a CDS Clearing Member for its own account or for the account of a CDS Participant, as applicable, under a North American Single Name CDS Contract pending a Determination, the performance bond requirement, with respect to such North American Single Name CDS Contract will be increased by an amount equivalent to the disputed portion of the payment for so long as such Determination is pending, and the Clearing House, in lieu of paying any such disputed payment to the CDS Clearing Member, may retain such payment in satisfaction of such increased performance bond requirement.

Promptly following a Determination in respect of a disputed Calculation Agent determination or other action, the Clearing House shall, in its capacity as Calculation Agent, make such adjustments as it determines necessary to give effect to the relevant Determination. The Calculation Agent will determine, and notify each affected CDS Clearing Member of, (i) the adjustment payment, if

any, that is payable to reflect any change to the amount payable under the relevant North American Single Name CDS Contract, whether or not the relevant North American Single Name CDS Contract is still outstanding (the "Adjustment Amount"), (ii) the date on which any such Adjustment Amount is payable, which shall be as soon as reasonably practicable following such notification (the "Adjustment Payment Date") and (iii) the party to the relevant North American Single Name CDS Contract that is obliged to pay any such Adjustment Amount (the "Adjustment Amount Payer"). The Adjustment Amount Payer shall pay the Adjustment Amount on the relevant Adjustment Payment Date. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.

80302.D. Fixed Rate Payer Payment Dates

Each March 20, June 20, September 20 and December 20 in each year will be the Fixed Rate Payer Payment Dates.

80302.E. ~~80302.F.~~ Initial Fixed Rate Payer Calculation Period

Notwithstanding Section 2.9 of the Credit Derivatives Definitions, the initial Fixed Rate Payer Calculation Period shall commence on, and include, the Fixed Rate Payer Payment Date (determined taking into account the Business Day Convention) falling on or immediately prior to the calendar day immediately following the Acceptance Date. For purposes of this provision, Section 2.10 of the Credit Derivatives Definitions shall be deemed amended by deleting the words "during the term of the ~~transaction.~~ Transaction."

80302.F. ~~80302.G.~~ Fixed Rate

The Fixed Rate in respect of a North American Single Name CDS Contract with a Submission Time that occurs prior to the Recovery Trade Date will be 5.0% or 1.0% as determined pursuant to the relevant Contract Elections. The ~~Day-Count Fraction~~ Fixed Rate in respect of ~~each~~ a North American Single Name CDS Contract ~~will~~ with a Submission Time that occurs on or after the Recovery Trade Date shall be ~~Actual/360.~~ deemed to be 0%, notwithstanding any Contract Elections to the contrary.

80302.G. ~~80302.H.~~ Transaction Type

The Transaction Type in respect of a North American Single Name CDS Contract will be Standard North American Corporate.

80302.H. ~~80302.I.~~ **Credit Event Backstop Date**

~~For the purposes of a North American Single Name CDS Contract:~~

~~Section 1.23 of the Credit Derivatives Definitions shall be restated as follows:~~

~~"Credit Event Backstop Date" means (a) for purposes of any event that constitutes a Credit Event with respect to a for purposes of the relevant North American Single Name CDS Contract, as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date (determined by reference to Greenwich Mean Time) or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the CME Credit Event Resolution Request Date, if it occurs prior to or on the date that is fourteen calendar days after the Extension Date and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in Sections 1.24(a) and (b) are satisfied in accordance with the DC Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the CME Credit Event Resolution Request Date occurs not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.~~

80302.I. **Method for Determining Obligations**

~~Section 1.23~~2.19 of the Credit Derivatives Definitions shall be ~~deemed not amended~~ by inserting the words "or the Issue submitted to apply to North American Single Name the CDS Contracts. RC resulting in the occurrence of the CME Credit Event Resolution Request Date" after the reference to "Credit Event Resolution Request Date".

80302.J. ~~80302.J.~~ **Settlement Method**

The Settlement Method with respect to a North American Single Name CDS Contract will be Auction Settlement, with clauses (c), (d) and (e) of Section 12.1 of the Credit ~~Derivative~~Derivatives Definitions being deemed deleted and replaced with "(c) an Event Determination Date was determined as a result of a Declaration of Credit Event~~2~~, and no Credit Event Resolution Request Date has

occurred on or prior to the date falling three Business Days after the date of such Declaration of Credit Event". For the avoidance of doubt, the Fallback Settlement Method will be CME CDS Physical Settlement pursuant to Chapter 805-805.

80302.K. ~~80302.K.~~ Declaration of Credit Events

The Clearing House shall issue a declaration of a Credit Event (each, a "Declaration of Credit Event") with respect to a North American Single Name CDS Contract if the ~~CME Determinations Board~~ CDS RC determines pursuant to Chapter 804 that an event which constitutes a Credit Event for the purposes of such North American Single Name CDS Contract has occurred with respect to the Reference Entity applicable to asuch North American Single Name CDS Contract (or Obligation thereof) on or after the Credit Event Backstop Date (determined by reference to Greenwich Mean Time) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time). The relevant Declaration of Credit Event will be issued as soon as reasonably practicable but no later than the Clearing Business Day immediately following the date that the ~~CME Determinations Board~~ CDS RC makes the relevant Determination. A Declaration of Credit Event will be deemed not to have been issued with respect to a North American Single Name CDS Contract unless (i) the CME Credit Event Resolution Request Date with respect to the relevant Credit Event occurred on or prior to the end of the last day described in Section 1.23(b)(i) or 1.23(b)(ii)(C) of the Notice-Delivery-Period Credit Derivatives Definitions (as amended above), as applicable, including prior to the Acceptance Date ~~(determined by reference to Greenwich Mean Time)~~ and (ii) the Acceptance Submission Date, or such date as is notified by the Clearing House in consultation with the CDS RC in accordance with Rule 0, occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

80302.L. ~~80302.L.~~ Event Determination Date

Section 1.8 of the Credit Derivatives Definitions shall be amended by:

(a) the deletion of Section 1.8(a)(i) and;

(b) the insertion of the words "or a Declaration of Credit Event has been issued" in the first sentence of Section 1.8(a)(ii) after the words "has occurred"; and

(c) ~~80302.M.~~ the insertion of the words “or, where the Credit Event Backstop Date is determined by reference to the CME Credit Event Resolution Request Date, the CME Credit Event Resolution Request Date” in the line of Section 1.8(a)(ii)(A) after the words “Credit Event Resolution Request Date”.

80302.M. Succession Events Event Backstop Date

For the purposes of a North American Single Name CDS Contract:

“Section 2.1 and Section 2.2(i) of the Credit Derivatives Definitions shall be restated as follows:

“Reference Entity:” means the entity or entities identified as such pursuant to the relevant Contract Elections for the purposes of the North American Single Name CDS Contract. Any Successor to a Reference Entity either (a) specified in a Declaration of Succession Event effective on or following the Acceptance Submission Date in respect of such North American Single Name CDS Contract or (b) in respect of which ISDA publicly announces on or following the Acceptance Submission Date in respect of such North American Single Name CDS Contract that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the DC Rules shall, in each case, be the relevant Reference Entity for the relevant North American Single Name CDS Contract or a ~~New CDS Contract as determined pursuant to such Section 2.2 of the Credit Derivatives Definitions~~ new North American Single Name CDS Contract as determined pursuant to such Section 2.2 of the Credit Derivatives Definitions. If the Clearing House determines that a bilateral CDS transaction in respect of a North American Single Name CDS Contract submitted for clearing would have been subject to a Succession Event but that such Succession Event is not given appropriate effect because of the timing of the applicable Product Reference File updates, the Clearing House shall take such action, if any, as it deems necessary and reasonably practicable, to ensure that such Succession Event is given the effect which the Clearing House determines is appropriate with respect to such North American Single Name CDS Contract.

“Succession Event Backstop Date” means (A) for purposes of any event that constitutes a Succession Event ~~with respect to a~~ for purposes of the relevant North American Single Name CDS Contract, as determined by DC Resolution ~~or a Determination of the CME Determinations Board,~~ the date that is 90 calendar days prior to the Succession Event Resolution Request Date ~~related to such Succession Event (determined by reference to Greenwich Mean Time).~~ The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

~~Section) or (B) otherwise, the date that is 90 calendar days prior to the earlier of (I) the CME Succession Event Resolution Request Date and (II) in circumstances where (1) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in Sections 2.4 and 2.2(i)(i) of and (i)(ii) are satisfied in accordance with the DC Rules, (2) the relevant Credit Derivatives Definitions shall be deemed Determinations Committee has Resolved not to apply determine such matters and (3) the CME Succession Event Resolution Request Date occurs not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to North American Single Name CDS Contracts determine such matters, the Succession Event Resolution Request Date. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.~~

80302.N. ~~80302.N.~~ Declaration of Succession Events

~~The Clearing House shall issue a Declaration~~ declaration ~~of a~~ of a ~~Succession Event (each, a “Declaration of Succession Event”)~~ Succession Event (each, a “Declaration of Succession Event”) ~~with respect to a North American Single Name CDS Contract if the CME Determinations Board CDS RC determines pursuant to Chapter 804804 that a Succession Event has occurred on or following the Succession Event Backstop Date (determined by reference to Greenwich Mean Time) with respect to the relevant Reference Entity. The relevant Declaration of Succession Event will be issued as soon as reasonably practicable but no later than the Clearing Business Day immediately following the date that the CME Determinations Board CDS RC makes the relevant Determination.~~

80302.O. ~~80302.O.~~ Merger of Reference Entity and Seller

~~Section 2.31 of the Credit Derivatives Definitions shall be deemed not to apply to North American Single Name CDS Contracts.~~

~~80302.P. Auction Settlement Date~~

~~For the purposes of a North American Single Name CDS Contract:~~

~~“Auction Settlement Date” means a day selected by the Clearing House and notified to CDS Clearing Members falling in the period from, and including the Auction Final Price Determination Date to, and including, the date falling 5 Business Days after the Auction Final Price Determination Date.”~~

~~Section 12.3 of the Credit Derivatives Definitions shall be deemed not to apply to North American Single Name CDS Contracts.~~

80302.P. ~~80302.Q.~~ Physical Settlement Matrix Updates

Whenever ISDA publishes a version of the Credit Derivatives Physical Settlement Matrix (a “**New Matrix**”) that is subsequent to the version of the Credit Derivatives Physical Settlement Matrix that is applicable to any North American Single Name CDS Contract (the “**Existing Matrix**”), and the Clearing House determines that a North American Single Name CDS Contract referencing the New Matrix would be fungible with a North American Single Name CDS Contract referencing the Existing Matrix (the date of such determination, the “**Matrix Update Date**”) and so notifies CDS Clearing Members, any such North American Single Name CDS Contract referencing the Existing Matrix shall, as of the close of business on the Matrix Update Date, become a North American Single Name CDS Contract referencing the New Matrix.

80303. ~~_____~~ **[RESERVED]**

80304. ~~_____~~ **CONTRACT MODIFICATIONS**

80303. ~~_____~~ 80304.A. ~~_____~~ **Contract Modifications**

80303.A. ~~_____~~ **Rules**

~~Subject to satisfaction of any applicable notification, consultation and/or approval obligations prescribed by these~~ Except as provided in Rules, 0, 80303.A and 80303.C, the Clearing House may not amend, modify or make any change to the terms and conditions of any North American Single Name CDS Contract ~~may be modified by the Clearing House, with if such amendment, modification or change would, in the CDS RC's determination, (i) reasonably be expected to become part of these Rules and be applicable have a material effect on the mark-to-such existing or future-market price of such North American Single Name CDS Contract or (ii) materially increase the basis risk of such North American Single Name CDS Contract relative to the over-the-counter agreement equivalent to such North American Single Name CDS Contract (any such amendment, modification or change that satisfies (i) or (ii) above, a “Single Name Contract Modification”) unless the Clearing House provides all CDS Clearing Members at least ten Clearing Business Days' notice prior to the effective date of such Contract Modification (a “Single Name Contract Modification Effective Date”), provided that, nothing herein shall affect the Clearing House's ability to add new CDS Products from time to time.~~

A Single Name Contract Modification shall not apply to North American Single Name CDS Contracts as the Clearing House shall determine. For the avoidance of doubt, where such modification applies to future that have an Acceptance Date on or prior to the relevant Single Name Contract Modification Effective Date and such North American Single Name CDS Contracts any such may not be offset against North American Single Name CDS Contract entered into Contracts with an Acceptance Date

~~after the relevant date of modification shall not be fungible with any North American Single Name CDS Contract entered prior to the relevant date of modification~~Such Single Name Contract Modification Effective Date.

80303.B. ~~80304.B.~~ **Change in Law or Regulation**

~~If any governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these Rules, the Clearing House may, subject to satisfaction of any applicable notification, consultation and/or approval obligations prescribed by these Rules, make such amendments and modifications to these Rules as it deems appropriate in order to reflect the application of such order, ruling, directive or law, and such changes to these Rules shall be applicable to all North American Single Name CDS Contracts that are open as of, or entered into subsequent to, the relevant date of issuance.~~

~~80304.C.~~ If any Governmental Authority issues a Change in Law, the Clearing House shall propose such changes to these Rules as are necessary to reflect the application of such Change in Law, while minimizing to the extent reasonably practicable the economic effect of such Rule changes on existing North American Single Name CDS Contracts. The CDS RC shall promptly review such proposal and, if adopted by majority vote, (i) the Clearing House shall provide all CDS Clearing Members with notice of such change to the rules prior to the Rule Change Effective Date and (ii) such changes to these Rules shall be applicable to all North American Single Name CDS Contracts that are open as of, or entered into subsequent to, the Rule Change Effective Date. If the Clearing House determines, in consultation with the CDS RC, that any such Rule change has a MTM Change on such North American Single Name CDS Contract (such North American Single Name CDS Contract, an "**Adjusted Single Name Contract**"), the Clearing House will determine the payment, if any, that is payable to reflect the MTM Change in respect of open positions in such Adjusted Single Name Contract (the "**Adjusted Single Name Payment Amount**") by reference to a poll of CDS Clearing Members on such terms as it deems appropriate in consultation with the CDS RC. The Clearing House will notify each affected CDS Clearing Member of (i) the Adjusted Single Name Payment Amount, (ii) the date on which such Adjusted Single Name Payment Amount is due (the "**Adjusted Single Name Payment Amount Date**") and (iii) the party to the relevant North American Single Name CDS Contract that is obliged to pay any such Adjusted Single Name Payment Amount (the "**Adjusted Single Name Payment Amount Payer**"). The Adjusted Single Name Payment Amount Payer shall pay the Adjusted Single Name Payment Amount on the Adjusted Single Name Payment Amount Date.

80303.C. **Industry Protocol**

~~Subject to satisfaction~~The terms of any applicable notification, consultation and/or approval obligations prescribed by these Rules, the terms of any North American Single Name CDS Contract may**shall** be modified by the Clearing House in accordance with (i) any

relevant CDS industry-sponsored protocol (or other multilateral agreement process) or (a) to which CDS Clearing Members holding (in their respective proprietary or customer accounts) at least 80% of the Clearing House's total open interest in the relevant North American Single Name CDS Contracts covered by such protocol or other multilateral agreement process as at the Protocol Cut-off Time, or their designated Affiliated CDS Participants, agree to adhere or (b) which is adopted by the CDS RC by majority vote or (ii) any Resolution of a Convened DC relating to the matters described in section Section 3.8(a) of the DC Rules, (March 29, 2011 Version or any equivalent provision relating to questions of interpretation and amendments relating to the March 2009 Protocol and the July 2009 Protocol), with such modification to become part of these Rules and be applicable to such existing or future North American Single Name CDS Contracts as the Clearing House shall determine set forth in such protocol or other multilateral agreement process or Resolution.

Chapter 804

Chapter 804

CME Determinations Board CDS RISK COMMITTEE

~~80401. OVERVIEW OF THE CME DETERMINATIONS BOARD FUNCTION AND AUTHORITY~~

~~The CME Determinations Board (the "CME Board") shall be comprised of CDS Participants and CDS Clearing Members, including both Dealer Board Members and Non-Dealer Board Members (as defined in Rule 80402).~~

80401. Subject as provided below, the CME Board Certain Functions and Authorities of the CDS Risk Committee ("CDS RC")

In addition to the authority granted to the CDS RC in the Rules and its Charter, the CDS RC is generally responsible for making Determinations in respect of the following, subject as provided below (each an "Issue"):

(a) (a) determining whether a Reference Entity under a CDS Contract has been the subject of a Succession Event and, if so, determining the CME Succession Event Resolution Request Date in respect of such Succession Event, the legally effective date of the Succession Event and, the identity of the Reference Entity's Successor(s), if any, provided that such determination will only be made where sufficient information is made available to the CME Board CDS RC to make such determination;

(b) (b) where necessary in respect of a CDS Contract, determining whether a Reference Obligation no longer satisfies the applicable requirements under a CDS Contract and, if so, identifying any Substitute Reference Obligation, provided that such determination will only be made where sufficient information is made available to the CME Board CDS RC to make such determination;

(c) (c) determining (i) whether a Credit Event for which there is Publicly Available Information has occurred with respect to a CDS Contract on or after the Credit Event Backstop Date (determined by reference to Greenwich Mean Time) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time) and, if so, (ii) the CME Credit Event Resolution Request Date in respect of such Credit Event;

~~(d)~~ ~~(e)~~—if a Credit Event occurred with respect to a Reference Entity (or Obligation thereof) referenced in a CDS Contract and the CDS Contract is to be settled in accordance with the Fallback Settlement Method, resolving any questions of (i) whether a particular obligation is a Deliverable Obligation; (ii) with respect to a Deliverable Obligation, any specific assignment, novation or other document or any other action that may be necessary, customary or desirable and reasonably requested by either party to a Matched Pair for the purpose of effecting physical settlement, and, with respect to a Deliverable Obligation that is a Loan, the documentation customarily used in the relevant market for Delivery of any Deliverable Obligation that is a Loan at that time; (iii) the number of days in a Physical Settlement Period; or (iv) the Accreted Amount ~~of~~ of any Accreting Obligation; and/or

~~(e)~~—with respect to a CDS Contract, making any other determination requested of it by the Calculation Agent.

~~(e)~~ In the event an Issue relates in any way to the risk management of or a CDS Contracts or otherwise may impact the financial safeguards package of the Clearing House, the Clearing House and Member or the CME Board may determine to consult with the Clearing House Risk Committee. The Determination of the CME Board shall not in any way impair the ability of the Clearing House or the Clearing House Risk Committee to take other action with resolving any dispute in respect to risk management matters. of a Calculation Agent determination.

Except in the case of either (a) a unanimous vote to the contrary of all Board Members eligible to vote and with by the consent CDS RC or (b) an Issue of the CAB pursuant to type described only in paragraph (e) above of this Rule 80405.C., ~~no Issue shall be submitted to the CME Board, and the CME Board~~ the CDS RC shall not have authority to consider, or make a Determination in respect of, any Issue (including where new information, relevant to the Issue to be considered, has become available) unless a request has previously been submitted to ISDA, as DC Secretary, to convene the relevant Credit Derivatives Determinations Committee to resolve the answer to such Issue for the purposes of the relevant CDS Contract (and where new information as aforesaid has become available, that information has been made available to the DC Secretary with such a request) and ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has resolved not to determine the answer to such question (other than because it has dismissed a question due to a lack of available information necessary to answer the relevant question or the premature nature of the question (such as a hypothetical question)) or the relevant Credit Derivatives Determinations Committee is deemed to have rejected such question as because the DC Secretary ~~does~~ has not effectively ~~receive~~ received agreement from a Convened DC Voting Member to deliberate such question in accordance with Section 2.2(a) of the DC Rules.

In the event that the DC Secretary publishes on its Website notice of a Committee being convened within a reasonable amount of time to deliberate a question which is substantially the same as a question which has previously been presented to the ~~CME Board~~ CDS RC as an Issue and is being considered by the ~~CME Board~~ CDS RC at such time, the ~~CME Board~~ CDS RC shall cease considering such question. Any such question may only be raised again to the ~~CME Board~~ CDS RC as a new Issue.

Except in the case of a unanimous vote to the contrary of ~~all Board Members eligible to vote and with the consent of the CAB pursuant to Rule 80405.C,~~ the CDS RC, in accordance with Section 9.1(c)(iii) of the Credit Derivatives Definitions, any DC Resolution applicable to a CDS Contract in respect of which the Settlement Date has not occurred shall be binding on the parties to such CDS Contract and shall supersede any Determination with respect to the same matters (except as expressly stated otherwise in Section 9.1(c)(iii)(B) of the Credit Derivatives Definitions as if such Determination were being made by the Calculation Agent).

~~80402.~~ BOARD MEMBERSHIP

~~80402.A.~~ Board Chairman

~~The Chief Executive Officer of the Clearing House shall, prior to the Launch Date and every two (2) years thereafter, appoint the chairman of the CME Board (the "Board Chairman") to a term of two (2) years. The Board Chairman shall be affiliated with the Clearing House or its affiliates and shall be an individual whom the Chief Executive Officer of the Clearing House determines in his/her sole and absolute discretion to have appropriate experience as to the issues that it anticipates may arise in clearing CDS Contracts. The Board Chairman shall not have any material economic interest in any CDS Participant or CDS Clearing Member. The Board Chairman shall be a non-voting member of the CME Board. The responsibilities of the Board Chairman include without limitation:~~

~~80402.~~ Selecting an initial group of Issue Submission

- ~~a) CDS Participants or, CDS Clearing Members who are not CDS Dealers ("Non-Dealer CDS Participants") to designate Non-Dealer Board Members, as set forth in Rule 80402.B, and alternate Non-Dealer CDS Participants, if required at any point due to removal of a Non-Dealer Board Member;~~
- ~~b) Selecting an initial group of CDS Clearing Members who are CDS Dealers to designate Dealer Board Members, as set forth in Rule 80402.C, and alternate CDS Clearing Members who are CDS Dealers, if required at any point due to the removal of a Dealer Board Member;~~
- ~~c) Approving designated Non-Dealer Board Members and Dealer Board Members;~~
- ~~d) Establishing minimum cleared volume criteria for Non-Dealer Board Members and certain Dealer Board Members as discussed in Rule 80402.E;~~
- ~~e) Convening meetings of the CME Board, as set forth in Rule 80405.A;~~
- ~~f) Conducting the review of Proposals, as set forth in Rule 80405.B;~~
- ~~g) Calling for votes of the CME Board, as set forth in Rule 80405.C; and~~

h) Making a determination of a conflict of interest as set forth in Rule 80405.D.

80402.B. Non-Dealer Board Members

The Clearing House shall select an initial group of up to five (5) Non-Dealer CDS Participants, not affiliated with each other to each designate a board member (the "**Non-Dealer Board Members**"), each to a term of one (1) year on the CME Board. The Non-Dealer Board Members must include those persons representative of the CDS non-Dealer Founding Members who serve on the CAB pursuant to Rule 80405.A. The Non-Dealer Board Members shall be individuals who are employees of such Non-Dealer CDS Participants (or their Affiliates). Upon the first anniversary of the Launch Date and every one (1) year thereafter, a new group of Non-Dealer Board Members shall be appointed. Each such Non-Dealer CDS Participant shall have the authority to replace its designated Board Member, during his or her term, upon written notice to the Board Chairman. Individuals serving as Non-Dealer Board Members are and the Clearing House may, subject to approval of the Board Chairman, such approval not to be unreasonably withheld or delayed. There shall be no limitations on particular individuals serving as Non-Dealer Board Members for successive years.

Each Non-Dealer Board Member shall have one (1) vote on matters for which a vote is called. Save as provided in Rule 80504.D., Non-Dealer Board Members may not abstain from voting when a vote is called unless the Issue directly involves the Non-Dealer CDS Participant of which such Non-Dealer Board Member is an employee or director, or one of its Affiliates as a Reference Entity under a CDS Contract, in which case such Non-Dealer Board Member must abstain from voting on the Issue.

80402.C. Dealer Board Members

The Clearing House shall select an initial group of up to ten (10) CDS Clearing Members to each designate a board member ("**Dealer Board Members**"), each to a term of two (2) years on the CME Board. The Dealer Board Members shall be individuals who are employees or directors of such Dealer Founding Members or other CDS Clearing Members (or their Affiliates) who achieve certain financial performance criteria as may be established by the Clearing House. Each such Dealer Founding Member or other CDS Clearing Member shall have the authority to replace its designated Board Member, during his or her term, upon written notice to the Board Chairman. Individuals serving as a Dealer Board Members are subject to approval of the Board Chairman, not to be unreasonably withheld or delayed. There shall be no limitations on particular individuals serving as Dealer Board Members for successive terms.

Each Dealer Board Member shall have one (1) vote on matters for which a vote is called. Save as provided in Rule 80405.D., Dealer Board Members may not abstain from voting when a vote is called unless the Issue directly involves the CDS Clearing Member of which such Dealer Board Member is an employee or director, or one of its Affiliates as a Reference Entity under a CDS Contract, in which case such Dealer Board Member must abstain from voting on the Issue.

80402.D. Commencement Of The Board

The CME Board shall be created and commence its responsibilities as described herein in these Rules on the Launch Date.

80402.E. Board Membership Requirements

The Non-Dealer CDS Participant or CDS Clearing Member of which a Board Member is an employee or director must meet minimum cleared volume requirements for CDS Contracts, as reasonably determined by the Clearing House and evaluated six (6) months after the Launch Date and every six (6) months thereafter. The Clearing House may set different minimum requirements for Non-Dealer CDS Participants, on the one hand, and CDS Clearing Members, on the other hand. The Board Chairman may, but shall not be required to, remove a Board Member during his or her term if the minimum cleared volume requirements are not satisfied. In relation to CDS Clearing Members, only CDS Contracts cleared through

~~a CDS Clearing Member's house (or proprietary) account will be relevant for the purposes of satisfying the relevant minimum cleared volume requirements.~~

~~80402.F. Resignation or Removal~~

~~A Board Member may resign his or her position upon giving not less than 21 calendar days written notice to the Board Chairman. If a Board Member resigns his or her position, the Non-Dealer CDS Participant or the CDS Clearing Member that designated such Board Member, as applicable, shall designate a replacement board member.~~

~~A Board Member may be immediately removed by the Board Chairman in circumstances where either (a) such Board Member and/or the CDS Participant or CDS Clearing Member that designated such Board Member has breached these Rules in any material respect or (b) an event under section 5(a)(vii) of the ISDA 2002 Master Agreement has occurred and is continuing with respect to the CDS Participant or CDS Clearing Member that designated such Board Member. If a Board Member is removed the Board Chairman shall promptly select a Non-Dealer CDS Participant or CDS Clearing Member that is a CDS Dealer, as applicable, to designate a successor board member.~~

~~80402.G. Board Membership Size~~

~~The CME Board shall be comprised of up to sixteen (16) members representing: (1) the Board Chairman (as set forth in Rule 80402.A), Dealer Board Members (as set forth in Rule 80402.C) and non-Dealer Board Members (as set forth in Rule 80402.B). At all times, the Clearing House shall endeavor to the extent practicable to maintain a ratio of one (1) Non-Dealer Board Member for every two (2) Dealer Board Members.~~

~~80403. ISSUE SUBMISSION~~

~~CDS Participants, CDS Clearing Members, the Clearing House, Board Members and third-party platforms that are commercial partners of the Clearing House for purposes of clearing CDS Contracts may, subject to Rule 80401, Rule 0, submit a request to the Board Chairman of the CDS RC to convene a meeting of the CME Board CDS RC to consider a particular Issue. In addition, the Board Chairman may also choose to address Issues proactively. All requests to the Board Chairman of the CDS RC should be in writing and include a reasonably detailed description of the Issue that the relevant party believes the CME Board CDS RC should deliberate and, if applicable, information consistent with the definition of Publicly Available Information. For the avoidance of doubt, an Issue regarding the potential occurrence of a Credit Event may relate to a potential Credit Event that is not continuing at the time of the request to convene the CME Board. The Board Chairman shall forward each request for a meeting of the CME Board to the relevant Board Members in substantially the same form as the request was originally submitted to the Board Chairman. CDS RC.~~

~~80403.A. PUBLICLY AVAILABLE INFORMATION~~

~~80402.A. Publicly Available Information~~

~~For each Issue relating to whether a Credit Event has occurred, the Board CDS RC shall not be required to deliberate the Issue until the CME Board CDS RC determines that Publicly Available Information has been provided to the Board Chairman of the CDS RC; provided that (i) the references to "a party" or "the~~

parties” in Section 3.5(a) of the Credit Derivatives Definitions shall be deemed to refer to the party submitting the information, (ii) the references to “Credit Event Notice” in Section 3.5(a) of the Credit Derivatives Definitions shall be deemed to refer to requests in respect of Issues submitted to the ~~Board~~ Chairman of the CDS RC, (iii) for purposes of Section 3.5(a)(i) of the Credit Derivatives Definitions, the Specified Number is two and (iv) the reference to Buyer and Seller in Section 3.5(b) of the Credit Derivatives Definitions shall be deemed to refer to the party submitting the information and the ~~Board~~ Chairman of the CDS RC, respectively. The entity submitting information to the ~~Board~~ CDS RC shall be deemed to represent and warrant that such information ~~has been~~ can be disclosed and ~~can be~~ made public without violating any law, agreement or understanding regarding the confidentiality of such information and the ~~Board~~ Chairman of the CDS RC and each ~~Board Member~~ member of the CDS RC may rely on such representation in addition to the assumption of Section 3.5(c) of the Credit Derivatives Definitions.

80403.B. CONFIDENTIALITY

~~Except as (i) expressly contemplated by these Rules or (ii) as may be required by applicable law or court order or requested by a regulatory, self-regulatory or supervising authority having appropriate jurisdiction, each Board Member agrees to maintain confidentiality as to all non-public deliberations occurring under these Rules, including, without limitation, any discussions, deliberations or proceedings relating to an Issue or Determination, the results of any non-binding vote and the location, timing and/or access details for any meeting (the “Confidential Material”). Following publication by the Board Chairman of any Confidential Material, a Board Member shall have no duty of confidentiality with respect to such Confidential Material. Following publication by the Board Chairman of the outcome of a Determination, a Board Member shall have no duty of confidentiality with respect to Confidential Material relating to such Determination.~~

~~80404. BOARD RIGHTS AND RESPONSIBILITIES RELATED TO DETERMINATIONS~~

80403. Rights and Responsibilities Related to Determinations of the CDS RC

A Determination by the ~~CME Board~~ CDS RC pursuant to this Chapter 804 shall be made public and be deemed conclusive with regard to the related Issue for the purposes of affected CDS Contracts. ~~The CME Board is responsible for writing and publishing to all CDS Participants and CME Clearing Members the majority opinion, which describes the analysis and reasoning behind the Determination. In addition, the vote or abstention of each Board Member with respect to an Issue will be published to all CDS participants and CDS Clearing Members not more than 30 days after the relevant vote. Any Determination by the CME Board in accordance with this Chapter 804~~ Any Determination by the CDS RC in accordance with this Chapter 804 shall, subject to the provisions of these Rules, be binding on the parties to a CDS Contract.

~~80405. DETERMINATION PROCESS~~

80404. ~~80405.A.~~ **Determination Process****80404.A.** **Initial Meeting**

Upon identification or submission of an Issue requiring a Determination by the ~~CME Board~~ CDS RC, the ~~Board~~ Chairman of the CDS RC shall convene a meeting of the ~~CME Board~~ CDS RC. The ~~Board~~ Chairman of the CDS RC shall make reasonable efforts to allow for the attendance of all ~~Board Members~~ members of the CDS RC (such as through video or telephone conference), provided, however, that the meeting must occur ~~no more than one (1) business day~~ promptly after the ~~Board~~ Chairman of the CDS RC determines that the requirements for convening a meeting have been satisfied. At the initial meeting, the ~~Board Members~~ CDS RC shall review and discuss the Issue, but shall not make a Determination absent exigent circumstances (as determined by the ~~Board Chairman~~ of the CDS RC).

80404.B. ~~80405.B.~~ **Proposals; Reviewing and Voting Period**

Prior to or simultaneously with the initial meeting, the ~~Board~~ Chairman of the CDS RC shall issue a request for Proposals. Proposals must have clear, unambiguous, and actionable recommendations, and Proposals should be accompanied by relevant analysis and reasoning. Proposals must be submitted in writing to the ~~Board~~ The Chairman no later than the Business Day immediately following the request for Proposals. The ~~Board~~ Chairman of the CDS RC shall promptly ~~deliver~~ communicate Proposals to all ~~Board~~ members of the CDS RC. ~~Members~~. The ~~Board~~ Chairman shall, acting reasonably, specify to ~~of the Board~~ of the Board at the initial meeting the time period (the "Reviewing and Voting Period") in which ~~Board Members~~ will have an opportunity to review Proposals, which shall be not more than two (2) Business Days from the date on which the ~~Board~~ Chairman delivered Proposals to the ~~Board~~ Members. During the Reviewing and Voting Period, ~~Board Members~~ CDS RC may solicit outside counsel and expert opinions to help them in deliberations and forming opinions. ~~Board Members of the CDS RC~~ Board Members of the CDS RC may discuss the Issue and Proposals with other ~~Board Members~~ members of the CDS RC, CDS Participants and CDS Clearing Members and their respective Affiliates. ~~Board Members of the CDS RC~~ Board Members of the CDS RC may also submit additional or refined Proposals and related information. ~~The Board Chairman shall be responsible for facilitating formal and informal discussion among Board Members during the Reviewing and Voting Period.~~

80404.C. ~~80405.C.~~ **Voting; Final Meeting**

The ~~Board~~ Chairman shall be responsible for calling for a vote no later than the Business Day immediately following the end of the Reviewing and Voting Period, as he/she deems necessary and appropriate. ~~Board Members~~ may also request that the ~~Board~~ Chairman call for a vote at any time during the Reviewing and Voting Period, but the ultimate authority to call for a vote rests with the ~~Board~~ Chairman. If no Determination has been made by the Business Day immediately following the end of the Reviewing and Voting Period, the ~~Board~~ Chairman shall convene a final meeting of the ~~CME Board~~, at which a final vote

shall be called. If the CME Board is fully constituted and no Board Member has abstained from a vote, at least nine (9) affirmative votes (including three (3) Non-Dealer Board Member votes) are required to make a Determination (for avoidance of any doubt, the Chairman is not allowed to vote). In the event that the CME Board is not fully constituted or a Board Member has abstained from a vote, then a majority plus one vote (a "Supermajority"), is required to make a Determination. For example, if the CME Board has 8 voting members, then a Supermajority is 6 votes. If the CME Board has 7 voting members, then a Supermajority is 5 votes. The Board Chairman may call for multiple votes on a Proposal during the Reviewing and Voting Period. The CME Board shall be required at the end by the Business Day immediately following the end of the Reviewing and Voting Period to reach a decision, which shall be final and binding.

~~80405.D. Conflicts Of Interest~~

~~(i) With respect to any~~ A majority of the CDS RC may call a vote at any time after the initial meeting and may call for multiple votes on a Proposal; provided that, if no Determination has been made by the fifth New York Business Day after the initial meeting, the Chairman of the CDS RC shall convene a final meeting of the CDS RC, at which a final vote shall be called. Subject to Rule 0, a majority of the CDS RC is required to make a Determination for any matters under this Chapter 804. Notwithstanding the foregoing, the CDS RC may amend, extend or modify any deadline or time period established by this Rule 0 by majority vote.

80404.D. Required Abstention

~~(i) If an Issue requiring a Determination by the CME Board and any Board Member, the Board Chairman may determine in his/her absolute discretion that a material conflict of interest exists or is foreseeable with respect to either the relevant Issue or the related questions which may be deliberated by the Board. In the event the Board Chairman so determines, the relevant Board Member~~ relates to any Dealer CDS Participant or CDS Clearing Member (or any Affiliate of such Dealer CDS Participant or CDS Clearing Member) that has an employee or director on the CDS RC, then the relevant member must abstain from voting on any Determination related to such Issue.

~~(ii) (iii)~~ Subject to paragraph (i) above, a Determination shall be valid and binding on CDS Participants and CDS Clearing Members notwithstanding any actual or perceived conflict of interest on the part of a Board Member member of the CDS RC, legal counsel or other third-party professional hired by such Board Member member of the CDS RC in connection with such Board Member's member's performance of his or her duties under these Rules.

~~80406. LIMITATION OF LIABILITY~~

80404.E. 80406.A. Limitation of Liability in respect and Waivers

The provisions of Board Members, Sections 9.1 (c)(i), (c)(ii), (c)(iv) and (c)(v) of the Board Chairman and Third Credit Derivatives Definitions shall be incorporated by

reference herein, with (i) references therein to a DC Party Professionals deemed to refer to a CDS RC party, and (ii) references therein to the Rules, the Credit Derivatives Determinations Committee, and DC Resolutions deemed to refer to these Rules, the CDS RC, and Determinations by the CDS RC, respectively.

~~No DB Party and no legal counsel or other third party professional hired by or engaged by any DB Party in connection with such DB Party's performance of its duties set out in this Chapter 804 shall undertake any duty of care or otherwise be liable, whether for negligence or otherwise, for any form of damages, whether direct, indirect, special, consequential or otherwise, that might arise in connection with such DB Party's performance of its duties set out in this Chapter 804, or any advice given by legal counsel or any other third party professional hired or engaged by such DB Party in connection with such DB Party's performance of its duties, set out in this Chapter 804, except in the case of fraud or wilful misconduct on the part of such DB Party, legal counsel or third party professional, provided that, notwithstanding the foregoing, legal counsel or any other third party professional hired or engaged by a DB Party may still be liable to such DB Party.~~

80406.B. — Waiver of Liability in respect of Board Members, the Board Chairman, the Clearing House and third party professionals

~~Each CDS Participant and CDS Clearing Member waives any claim, whether for negligence or otherwise, that may arise against a DB Party and any legal counsel or other third party professional hired or engaged by such DB Party in connection with such DB Party's performance of its duties set out in this Chapter 804 or any advice given by legal counsel or any other third party professional hired or engaged by such DB Party in connection with such DB Party's performance of its duties, set out in this Chapter 804, except in the case of fraud or wilful misconduct on the part of such DB Party, legal counsel or other third party professional provided that, notwithstanding the foregoing, legal counsel or any other third party professional hired or engaged by a DB Party may still be liable to such DB Party.~~

~~Each Board Member waives any claim, whether for negligence or otherwise, that may arise against any other Board Member, the Board Chairman or the Clearing House and any legal counsel or other third party professional hired or engaged by such other Board Member or the Board Chairman or the Clearing House in connection with such other Board Member's, the Board Chairman's or the Clearing House's performance of its duties under these Rules or any advice given by legal counsel or any other third party professional hired or engaged by such entity in connection with its performance of its duties under these Rules, except in the case of fraud or wilful misconduct on the part of such other Board Member, the Board Chairman or the Clearing House, legal counsel or other third party professional.~~

80406.C. — Limitation of Board Members' and Board Chairman's duties

~~No DB Party is (a) under any obligation to research, investigate, supplement, or verify the veracity of, any information on which it bases its decision, (b) acting as a fiduciary for, or as an advisor to, any party in connection with the relevant CDS Contract and (c) in relation to any Determination, under any obligation to consult with, or individually notify, any party to a CDS Contract.~~

80406.D. — Mitigation of Liability

~~The Clearing House will provide Directors and Officers (D&O) liability insurance to each of the Board Members. In addition, Board Members will be indemnified by the Clearing House on the terms set out in the other Chapters of these Rules.~~

~~Chapter 805~~
Chapter 805

CME CDS Physical Settlement

80501. ~~SCOPE OF CHAPTER~~

80501. Scope of Chapter

These Rules in this Chapter ~~805805~~ set out the terms of “**CME CDS Physical Settlement**”. CME CDS Physical Settlement shall apply to each CDS Contract for which the Fallback Settlement Method is applicable, pursuant to Section 12.1 of the Credit Derivatives Definitions, as amended by Rule 0 and Rule 0. Capitalized terms in this Chapter not otherwise defined in this Chapter shall have the meaning given to such terms in the other Chapters of these Rules.

80502. ~~MATCHED PAIRS~~

80502. ~~80502.A. Matched Pairs~~

80502.A. Matched Pair Notice

If CME CDS Physical Settlement is applicable to a CDS Contract (a “**Physical Settlement Contract**”) following a Failure to Pay or Bankruptcy Credit Event, then the Clearing House shall match (with respect to each relevant Scheduled Termination Date) each Buyer under a Physical Settlement Contract with one or more Sellers under a fungible Physical Settlement Contract in a manner such that the Floating Rate Payer Calculation Amount related to each Buyer under a Physical Settlement Contract is fully allocated to one or more Sellers under a fungible Physical Settlement Contract: (or, if unequal, allocated to the Clearing House, as Buyer or Seller).

A matched Buyer and Seller pursuant to the preceding paragraph is a “**Matched Pair**” where the Buyer is the “**Matched Pair Buyer**”, the Seller is the “**Matched Pair Seller**”, and the portion of the Floating Rate Payer Calculation Amount allocated to such Matched Pair is the “**Matched Notional Amount**”. Prior to 10a10:00 a.m. (Chicago time) –on the Clearing Business Day immediately following the date on which CME CDS Fallback Settlement becomes applicable to a CDS Contract, the Clearing House will issue a notice to the Matched Pair

(the “**Matched Pair Notice**”) indicating the relevant Physical Settlement Contract, Matched Pair Buyer, Matched Pair Seller, Matched Notional Amount and Credit Event. With respect to a Physical Settlement Contract, the date as of which the Clearing House first issues a Matched Pair Notice in respect of a Credit Event applicable to any Physical Settlement Contract shall be the “**Matched Pair Notice Date**”.

If the Clearing House has delivered ~~amultiple~~ Matched Pair Notice~~s~~ Notices that each specifies a Matched Notional Amount that is less than the then outstanding Floating Rate Payer Calculation Amount applicable to a Physical Settlement Contract to which such Matched Pair Notice ~~relates~~ Notices relate, the rights and obligations of the parties to such Physical Settlement Contract shall, with effect from the date such Matched Pair Notice ~~is~~ Notices are effective, be construed as if the parties had entered into two or more CDS Contracts, ~~one~~ each of which has a Floating Rate Payer Calculation Amount equal to the Matched Notional Amount and the other of which will have specified in a Floating Rate Payer Calculation Amount equal to the Floating Rate Payer Calculation Amount outstanding prior to delivery of such related Matched Pair Notice ~~minus the Matched Notional Amount and will continue in effect with such modifications required as determined by the Calculation Agent (to preserve the economic effects of the two CDS Contracts considered in the aggregate).~~ Each CDS Contract between the Clearing House and each of the Matched Pair Buyer and Matched Pair Seller respectively, shall be a “**Matched Pair CDS Contract**”, and such Matched Pair CDS Contracts collectively, a “**Matched Pair CDS Contract Pair**”).

The methodology used by the Clearing House for purposes of allocating Matched Pairs under this Rule shall minimize, to the extent reasonably practicable, each of the following:

(a) ~~(a)~~ —the number of Matched Pairs in respect of which the Matched Notional Amount is less than USD 1,000,000 or not an integral multiple of such amount;

(b) ~~(b)~~ —the number of Matched Pairs into which an individual CDS Clearing Member is matched; and

(c) ~~(e)~~ —the overall number of Matched Pairs.

80502.B. ~~80502.B.~~ Appointment of designee by the Clearing House

With respect to a Matched Pair CDS Contract and the Clearing House only, the reference to “any of its Affiliates” in the first line of Section 9.2(c)(iv) of the Credit Derivatives Definitions shall be construed as a reference to “any third party”.

With respect to a Matched Pair CDS Contract Pair and ~~a~~ each related Matched Pair CDS Contract the Clearing House shall be deemed to have designated, pursuant to Section 9.2(c)(iv) of the Credit Derivatives Definitions:

(a) ~~(a)~~ — the Matched Pair Seller as its designee:

(i) ~~(i)~~ — to receive on its behalf from the relevant Matched Pair Buyer in the Matched Pair Notices of Physical Settlement (and any NOPS Amendment Notices) in relation to such Matched Pair CDS Contract;

(ii) ~~(ii)~~ — other than in respect of the Physical Settlement Amount relating to the settlement of Non DVP Obligations as referred to in Rule ~~80503~~80503 below, to pay, on behalf of the Clearing House, the applicable Physical Settlement Amount in respect of such Matched Pair CDS Contract;

(iii) ~~(iii)~~ — to take Delivery, on behalf of the Clearing House, of Deliverable Obligations from the Matched Pair Buyer; and

(iv) ~~(iv)~~ — to receive from, or deliver to, the relevant Matched Pair Buyer, on behalf of the Clearing House, any notices and/or payments in accordance with Sections 9.3, 9.8, 9.9 or 9.10 of the Credit Derivatives Definitions;

(b) ~~(b)~~ — the Matched Pair Buyer as its designee:

(i) ~~(i)~~ — to deliver on its behalf to the relevant Matched Pair Seller in the Matched Pair Notices of Physical Settlement (and any NOPS Amendment Notices) in relation to such Matched Pair CDS Contract;

(ii) ~~(ii)~~—other than in respect of the Physical Settlement Amount relating to the settlement of Non DVP Obligations as referred to in Rule 8050380503 below, to receive, on behalf of the Clearing House, the applicable Physical Settlement Amount in respect of such Matched Pair CDS Contract;

(iii) ~~(iii)~~—to Deliver, on behalf of the Clearing House, Deliverable Obligations to the Matched Pair Seller; and

(iv) ~~(iv)~~—to receive from, or deliver to, the relevant Matched Pair Seller, on behalf of the Clearing House, any notices and/or payments in accordance with Sections 9.3, 9.8, 9.9 or 9.10 of the Credit Derivatives Definitions.

Upon receipt of a Matched Pair Notice, the Matched Pair Buyer and Matched Pair Seller shall be deemed to have been notified of the above designation and shall assume the obligations specified above as designee. Furthermore, the final sentence of Section 9.2(c)(iv) of the Credit Derivatives Definitions shall not apply to any Matched Pair CDS Contract.

References to “Buyer” and “Seller” in Sections 9.2(c)(i), 9.3, 9.8, 9.9 and 9.10 of the Credit Derivatives Definitions shall be construed as being references to the Matched Pair Buyer or the Matched Pair Seller, as applicable and the relevant CDS Contracts shall be construed accordingly.

Where the Clearing House is the Buyer in respect of a ~~Match~~Matched Pair CDS Contract, references in Section 9.2 of the Credit Derivatives Definitions to “Buyer” shall be deemed to represent to Seller~~”~~ shall be deemed to be references to “Buyer shall be deemed to covenant to Seller”.

80502.C. ~~80502.C.~~ Conditions to Settlement

AllNotwithstanding anything in Section 3.2 of the Credit Derivatives Definitions to the contrary, all of the Conditions to Settlement in respect of a Matched Pair CDS Contract Pair shall be deemed to be satisfied by the delivery by Matched Pair Buyer of a Notice of Physical Settlement to ~~both the Clearing House and the Matched Pair Seller~~ under the Matched Pair CDS Contract Pair that is

effective, subject, where applicable, to the Physical Settlement process being tolled pursuant to Rule 80504.0, on or before the thirtieth calendar day (or, if such day is not a Clearing Business Day, the next following the earlier of (a) Clearing Business Day) following the Auction Cancellation applicable Matched Pair Notice Date or No Auction Announcement Date and (b) the date on which a Declaration of Credit Event in respect of the relevant CDS Contracts was issued by the Clearing House. For purposes of determining whether the Notice of Physical Settlement Condition to Settlement has been satisfied, the effective date of delivery of the Notice of Physical Settlement (whether or not subsequently changed) shall be used. ~~Section 3.2 of the Credit Derivatives Definitions shall not apply.~~

80502.D. ~~80502.D.~~ **Notices**

Neither the Clearing House nor any CDS Clearing Member will be entitled to deliver a Notice of Physical Settlement or a NOPS Amendment Notice in respect of a CDS Contract prior to the relevant Matched Pair Notice Date. Furthermore, the Clearing House shall incur no liability with respect to the delivery, or lack thereof, of any Notice of Physical Settlement or any NOPS Amendment Notice in respect of a CDS Contract.

Any Notice of Physical Settlement, NOPS Amendment Notice and any notice delivered pursuant to Sections 9.3, 9.9~~8~~, 9.9 and 9.10 of the Credit Derivatives Definitions shall be delivered to both the Clearing House (either by email to css@cmegroup.com or by fax to 312 930 3187) and the Matched Pair Seller. For the avoidance of doubt, Section 1.10 of the Credit Derivatives Definitions will apply to any notices delivered by Matched Pair Buyer and Matched Pair Seller in respect of a Matched Pair CDS Contract, provided that notwithstanding Section 1.10 of the Credit Derivatives Definitions, any notice to the Clearing House may not be given by telephone and may (a) shall be given as provided in Rule 80002-0 and (b) shall be effective on a on a Calculation Agent Business Day if delivered on or prior to 6:00 p.m. (Calculation Agent City time) on such Calculation Agent Business Day.

~~If a CDS Clearing Member delivers a Notice of Physical Settlement (or NOPS Amendment Notice) in relation to a Matched Pair CDS Contract in respect of a Floating Rate Payer Calculation Amount exceeding the relevant Matched Notional Amount then such notice will be effective only in respect of a Floating Rate Payer Calculation Amount equal to the relevant Matched Notional Amount. This requirement will apply separately in relation to each Matched Pair in respect of which the CDS Clearing Member is matched.~~

80503. ~~PHYSICAL SETTLEMENT OF NON DVP OBLIGATIONS~~

Any dispute relating to Notices of Physical Settlement shall be subject to the jurisdiction of the sub-committee of the CDS RC responsible for the arbitration of matters relating to CDS Contracts.

80503. Physical Settlement of Non DVP Obligations

In respect of any Matched Pair CDS Contract Pair, if any Deliverable Obligations to be Delivered by the Matched Pair Buyer to the Matched Pair Seller are reasonably believed by the Matched Pair Buyer not to settle ~~standardly~~ on a delivery-versus-payment basis (such Deliverable Obligations, "Non DVP Obligations") (as notified by the Matched Pair Buyer to the Matched Pair Seller and to the Clearing House upon delivering any Notice of Physical Settlement or NOPS Amendment Notice), Delivery of such Non DVP Obligations and payment of the related portion of the Physical Settlement Amount (the "Physical Settlement Amount Portion") shall take place as follows:

~~(a)~~ (a)—the Matched Pair Buyer shall notify the Clearing House that it is ready to Deliver to the Matched Pair Seller the Non DVP Obligations;

~~(b)~~ (b)—following receipt of the notification referred to in paragraph (a) above, the Clearing House shall request that the Matched Pair Seller pay to the Clearing House the full Physical Settlement Amount Portion;

~~(c)~~ (c)—following receipt of the request referred to in paragraph (b) above the Matched Pair Seller shall transfer to the Clearing House the full Physical Settlement Amount Portion;

~~(d)~~ (d)—following receipt by the Clearing House of the full Physical Settlement Amount Portion in cleared funds, the Clearing House shall notify the Matched Pair Buyer that it is holding the relevant Physical Settlement Amount Portion from the ~~Match~~Matched Pair Seller;

~~(e)~~ (e)—following receipt of the notification referred to in paragraph (d) above, the Matched Pair Buyer shall deliver the relevant Non DVP Obligations to the Matched Pair Seller with an outstanding principal balance (or equivalent Currency Amount) at least equal to the relevant Physical Settlement Amount Portion;

(f) (f) — following its receipt of Delivery of the relevant Deliverable Obligations, the Matched Pair Seller shall promptly deliver a notice to the Clearing House in the form required by the Clearing House from time to time specifying that the Delivery has occurred, in full or, if in part, the percentage of the Physical Settlement Amount Portion (the "Delivered Percentage") in respect of which Delivery has occurred;

(g) (g) — following its receipt of the notification referred to in paragraph (f) above the Clearing House shall pay to the Matched Pair Buyer an amount equal to the Physical Settlement Amount Portion (or, where the Matched Pair Seller notified the Clearing House of Delivery in part only, an amount equal to the product of the Delivered Percentage of the Physical Settlement Amount Portion) received from the Matched Pair Seller; and

(h) (h) — if the Matched Pair Buyer does not Deliver the Non DVP Obligations with an outstanding principal balance (or equivalent Currency Amount) at least equal to the Physical Settlement Amount Portion to the Matched Pair Seller within 3 Clearing Business Days of receipt by the Matched Pair Buyer of the notice referred to in paragraph (d) above, the Matched Pair Seller may request that the Clearing House repay to the Matched Pair Seller the Physical Settlement Amount in respect of the Physical Settlement Amount Portion, less the product of the Delivered Percentage and the Physical Settlement Amount Portion, if any.

The process set out above may be repeated in relation to any Non DVP Obligations not in fact delivered as specified above.

80504. DELIVERABLE OBLIGATIONS

80504. Deliverable Obligations

Prior to accepting Delivery of a particular obligation pursuant to a Notice of Physical Settlement or NOPS Amendment Notice, a Matched Pair Seller may challenge whether the obligation is a Deliverable Obligation under the terms of a Matched Pair CDS Contract, unless (i) ~~the CME Determinations Board~~ CDS RC has previously issued a Declaration confirming that such obligation is a Deliverable Obligation applicable to that Matched Pair CDS Contract as of the applicable Delivery Date for such Deliverable Obligation; or (ii) ISDA has previously publicly announced that the Credit Derivatives Determinations Committee has Resolved that such obligation constitutes a Deliverable

Obligation. Such challenge may only be made by submission of (a) a request to ISDA, as DC Secretary, to convene the relevant Credit Derivatives Determinations Committee to resolve whether such obligation is a Deliverable Obligation or (b) subject to Rule 804040, submission of an Issue to the ~~CME Determinations Board~~CDS RC regarding whether such obligation is a Deliverable Obligation. Any Matched Pair Seller proposing to refuse to accept Delivery and who has submitted a request to ISDA or an Issue to the ~~CME Determinations Board~~CDS RC as described above must give notice forthwith to the Clearing House and to the Matched CDS Buyer in the relevant Matched Pair, specifying the Matched Pair CDS Contracts Pair and obligation to which the refusal relates and details of the request to ISDA or Issue submitted to the ~~CME Determinations Board~~CDS RC, as applicable (the date of delivery of such notice being the "DO Question Notice Date" and the relevant obligation to which such notice relates a "Disputed DO").

With respect to a Matched Pair CDS Contract Pair, to the extent an effective Notice of Physical Settlement or NOPS Amendment Notice is delivered referencing a Disputed DO, all time periods and related rights and remedies relating to settlement, for example, under Sections 9.9 and 9.10 of the Credit Derivatives Definitions and any applicable cap on settlement, in respect of such Matched Pair CDS Contract Pair shall be tolled for the time period from the DO Question Notice Date until the earlier of (a) the date that the ~~CME Determinations Board~~CDS RC makes a Determination related to the relevant Disputed DO or (b) the date on which ISDA publicly announces that the Credit Derivatives Determinations Committee has Resolved whether or not the relevant Disputed DO constitutes a Deliverable Obligation (such date the "Disputed DO Resolution Date"). An obligation shall cease to constitute a Disputed DO from, and including, the relevant Disputed DO Resolution Date. Any Matched Pair Seller of a Matched Pair CDS Contract Pair shall be entitled to refuse Delivery of any obligation for so long as it constitutes a Disputed DO. Notwithstanding anything else herein or the Credit Derivatives Definitions to the contrary, if the CDS RC makes a Determination, or ISDA publicly announces the relevant Credit Derivatives Determinations Committee has Resolved, that the Disputed DO does not constitute a Deliverable Obligation, then each Matched Pair Buyer with respect to each affected Matched CDS Contract Pair may, prior to the end of the Physical Settlement Period or, if later, the third Clearing Business Day after notice of such Determination or public announcement, deliver a NOPS Amendment Notice replacing such Disputed DO with another Deliverable Obligation.

80505.

CASH SETTLEMENT

FALLBACK

80505. _____ 80505.A. Fallback Cash Settlement**80505.A. Failure to Pay Physical Settlement Amount**

If a ~~Match~~Matched Pair Seller fails to pay all or part of a Physical Settlement Amount to a Matched Pair Buyer or the Clearing House, as applicable (such amount the "~~Unpaid Amount~~") then "Unpaid Amount") then without prejudice to the obligations, if any, of the Matched Pair Seller to the Clearing House and all rights of the Clearing House associated with any such obligations and any failure to comply with any such obligations:

(a) ~~(a)~~ — the relevant Matched Pair Buyer may give notice in writing to the Clearing House, giving all material details of the Matched Pair CDS Contract Pair involved, the failure to pay and the Unpaid Amount and any material details of the amount of any Physical Settlement Amount paid in part;

(b) ~~(b)~~ — such failure to pay:

(i) ~~(i)~~ shall not constitute or be deemed to constitute a default or breach by the Clearing House under the relevant Matched Pair CDS Contract, the Rules or otherwise; and

~~(c) — the Matched Pair Seller will be deemed to have failed to pay an amount equal to the Unpaid Amount to the Clearing House under the relevant Matched Pair CDS Contract;~~

~~(ii) ~~(d)~~ —~~ except in the case of a Non-DVP Obligation, will be deemed to occur only if the Matched Pair Buyer tenders such Deliverable Obligation for delivery on each of the three Business Days following notice to the Matched Pair Seller of such failure and the Matched Pair Seller does not make such payment of the Unpaid Amount against such delivery;

(c) ~~(c)~~ the Matched Pair CDS Contract between the relevant Matched Pair Buyer and the Clearing House shall be settled as though the partial cash settlement provisions set out in Section 9.8 of the Credit Derivatives Definitions applied to the relevant Matched Pair CDS Contract with respect to the Deliverable Obligations corresponding to the Unpaid Amount as though:

(i) ~~(i)~~ — the Deliverable Obligations not Delivered were Undeliverable Obligations;

~~(ii)~~ ~~(ii)~~—the Latest Permissible Physical Settlement Date ~~were~~, notwithstanding Section 9.7 of the Credit Derivatives Definitions, will be deemed to be the date on which the Matched Pair Buyer gave the relevant notice to the Clearing House as referred to in paragraph (a) above;

~~(iii)~~ ~~(iii)~~—Indicative Quotations were not applicable; and

~~(iv)~~ ~~(iv)~~—the Matched Pair Buyer ~~were~~will be deemed to be the Calculation Agent.

~~80505.B.~~ ~~80505.B.~~—**Non-Deliverable Obligations**

If a Matched Pair Buyer is not ~~permitted~~able to (or elects not to) to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the “Non-Deliverable Obligations”) specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice to its Matched Pair Seller in the relevant Matched Pair because:

~~(a)~~ ~~(a)~~—the amount of such Deliverable Obligation is less than the relevant minimum denomination of such Deliverable Obligation; ~~or~~

~~(b)~~ ~~(b)~~—such Matched Pair Seller is not a permitted transferee under such Deliverable Obligation or the Matched Pair Buyer does not obtain any requisite consent with respect to delivery of Deliverable Obligations, or

~~(c)~~ ~~such occurrence~~an event described in Section 9.2(c)(iv)(B) of the Credit Derivatives Definitions has occurred,

such occurrence (in the case of Rule 0, only at the election of either the Matched Pair Buyer or the Matched Pair Seller) shall be treated, in relation to the Matched Pair CDS Contract Pair, as an illegality or impossibility outside the parties’ control for the purpose of Section 9.3 of the Credit Derivatives Definitions. The Matched Pair Buyer shall deliver a notice describing in reasonable detail the facts giving rise to such deemed illegality or impossibility to its Matched Pair Seller and the Clearing House. Upon such notice being given to the Clearing House the partial cash settlement provisions set out in Section 9.8 of the Credit Derivatives Definitions shall be deemed to apply to the relevant

Matched Pair CDS Contract Pair with respect to the Non-Deliverable Obligations as though:

(a) ~~(a)~~—the Non-Deliverable Obligations not Delivered were Undeliverable Obligations;

(b) ~~(b)~~—the Latest Permissible Physical Settlement Date were the date on which the Matched Pair Buyer gave the relevant notice to the Clearing House as referred to above;

(c) ~~(c)~~—Indicative Quotations were not applicable; and

(d) ~~(d)~~—the Matched Pair Buyer were the Calculation Agent.

80505.C. ~~80505.C.~~—Quotations

For the purposes of Rules ~~80505.A.~~80505.A and ~~80505.B.0.~~ in addition to the requirements of Section 7.10 of the Credit Derivatives Definitions and notwithstanding Section 9.8(k) of the Credit Derivatives Definitions, each firm Quotation shall:

(A) ~~(A)~~—be for a transaction with the Matched Pair Buyer (or its designee) (the **“Relevant Buyer”**) in which, the Relevant Buyer agrees to Deliver the Deliverable Obligations to the Dealer submitting the firm quotation (the **“Quoting Dealer”**), (which transaction shall be governed by documentation that is consistent with market practice applicable to the sale and purchase of Deliverable Obligations on the Valuation Date, including without limitation a representation that the Quoting Dealer has completed all **“know your customer”** or similar requirements under all applicable laws, regulations and internal compliance procedures relating to a transaction with the Relevant Buyer and on the Reference Entity) and such Quoting Dealer agrees to pay the settlement amount (calculated and payable for this purpose in accordance with the relevant market standard documentation and based on the price so quoted) that would be payable for such Deliverable Obligations to the Relevant Buyer; and

(B) ~~(B)~~—be capable of acceptance by the Relevant Buyer (for such purposes, each firm Quotation must, inter alia, be obtained from a Dealer with

whom the Relevant Buyer in its sole and absolute discretion determines that it is able in accordance with all its internal compliance and policy requirements to transact and to whom it is able to Deliver the Deliverable Obligations) and be open for acceptance to the ~~relevant party~~ Relevant Buyer for at least 30 minutes.

~~80506. ALTERNATIVE BILATERAL SETTLEMENT~~

80506. Alternative Bilateral Settlement

A Matched Pair Buyer and Matched Pair Seller may, in respect of the relevant Matched Pair CDS Contract Pair, elect to settle their rights and obligations in relation to such Matched Pair CDS Contract Pair between each other outside of the Clearing House by providing notice to the Clearing House specifying the relevant Matched Pair CDS Contract Pair and confirming their intent to settle such Matched Pair CDS Contract Pair outside of the Clearing House. If the Clearing House consents to such settlement (such consent not be unreasonably withheld or delayed), then, with effect from the date of the Clearing House consent, such Matched Pair CDS Contract Pair will be deemed to be terminated and the Clearing House will have no further obligations with respect to such Matched Pair CDS Contract Pair and, accordingly, the Clearing House guarantee shall cease to apply.

~~80507. CLEARING HOUSE GUARANTEE OF MATCHED PAIR CDS CONTRACTS~~

80507. Clearing House Guarantee of Matched Pair CDS Contracts

For the avoidance of doubt, ~~save~~except as provided in Rule 80506, ~~0~~1, Matched Pair CDS Contracts shall be guaranteed by the Clearing House pursuant to Rule ~~8F05-80505.A(c)~~.

~~80508. FAILURE TO PERFORM UNDER MATCHED PAIR CDS CONTRACTS~~

80508. Failure to Perform under Matched Pair CDS Contracts

If at any time after the creation of a Matched Pair CDS Contract the Matched Pair Buyer or the Matched Pair Seller, as applicable, fails to perform its obligations in respect of such Matched Pair CDS Contract in accordance with these Rules, then, in addition to any obligations or liabilities under this Chapter ~~805-805~~805, such Matched Pair Buyer or Matched Pair Seller, as applicable, may be subject to disciplinary action by the Clearing House pursuant to these Rules,

which shall include without limitation, potential suspension of the clearing privileges of such Matched Pair Buyer or Matched Pair Seller.

Rule 403. CLEARING HOUSE RISK COMMITTEE

403.A. Jurisdiction and General Provisions

The Clearing House Risk Committee (or any subcommittee thereof) (collectively, "CHRC"), shall determine whether an applicant satisfies the qualifications for status as a Clearing Member. The CHRC decision shall be subject to appeal to the Board by an applicant. The CHRC may adopt regulations regarding qualifications for admission to membership in the Clearing House, which regulations, when approved by the Board, shall have the same effect as Rules of the Exchange. The CHRC shall act upon applications for clearing membership and applications for assignment of Class A Shares, trading rights and related Class B Shares for clearing purposes. Applications for clearing membership and for assignment of Class A Shares, trading rights and related Class B Shares for clearing purposes, when approved by the CHRC, shall be effective and thereafter ratified by the Board.

The CHRC shall have at least two co-chairmen, who shall be members of the Board, and at least seven additional individuals, five who shall be Clearing Member representatives and at least one who shall be a non-member.

The CHRC may conduct investigations, issue charges and consider offers of settlement on its own initiative or by referral from Exchange staff, the PCC, or the BCC. Hearings on charges issued by the CHRC will be conducted by the BCC pursuant to the provisions of Rule 408.

If the CHRC determines that a Clearing Member is in a financial condition which jeopardizes or may jeopardize the integrity of the Exchange, the CHRC may, by majority vote:

1. Order the Clearing Member or its customers to deposit such additional performance bond with the Clearing House as deemed appropriate to protect the integrity of open contracts;
2. Prescribe such additional capital or other financial requirements as it deems appropriate;
3. Impose position limits on Clearing Members based on their regulatory capital and such other criteria as it deems appropriate;
4. Suspend a Clearing Member, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, the Chairman of the CHRC or the Chief Operating Officer; and/or
5. Order the Clearing Member to cease and desist from the conduct found to be contrary to the best interests of the Exchange.

No person shall serve on the CHRC unless he has agreed in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the CHRC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department, Audit Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information and documents provided to the CHRC and all deliberations and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

The CHRC shall have jurisdiction to enforce Rules pertaining to the following:

1. Financial integrity of Clearing Members; and

2. Business conduct of and compliance with Exchange Rules by Clearing Members and by any Member who is an officer or a principal or who has assigned his membership on behalf of a Clearing Member, in connection with such Clearing Member's activities, except insofar as jurisdiction over matters relating to conduct, trading practices, trading ethics and certain sales practices of Members, and market manipulations or other actions that threaten the integrity of the market are within the purview of the BCC.

Notwithstanding anything to the contrary herein, the jurisdiction of the CHRC shall not extend to IRS Products or IRS Clearing Members in such capacity when clearing IRS Products; or CDS Products or CDS Clearing Members in such capacity when clearing CDS Products. The IRS Risk Committee shall have jurisdiction over IRS Products and IRS Clearing Members in such capacity when clearing IRS Products pursuant to the IRS Risk Committee's charter. The CDS Risk Committee shall have jurisdiction over CDS Products and CDS Clearing Members in such capacity when clearing CDS Products pursuant to the CDS Risk Committee's charter.

Rule 8F004. OTC CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

OTC Clearing Members are subject to all relevant CME, CBOT and NYMEX Rules and the Clearing House Manual unless an exemption has been granted by staff or the Clearing House Risk Committee. OTC Clearing Members must execute all agreements and documents required by the Clearing House. The qualifications and requirements to become an OTC Clearing Member are set forth below.

A CME, CBOT, NYMEX and COMEX Clearing Member clearing OTC Derivatives must satisfy the requirements set forth below.

1. An OTC Clearing Member must be in "good standing" under each applicable regulatory regime to which it is subject at the time it applies for OTC clearing membership and it must maintain its good standing status while it is an OTC Clearing Member.

2. An OTC Clearing Member must be in compliance with all applicable regulatory capital requirements and an OTC Clearing Member must maintain minimum capital of:

i. \$50 million if it clears only commodity (i.e., agricultural, metals and energy) and/or foreign exchange OTC

Derivatives products and/or contracts traded on Eris; and⁴

ii. \$300 million if it clears only the OTC Derivatives products listed above in section 2.i. and other OTC Derivatives products not specifically listed in this rule, excluding credit default swaps and rate swaps; and

iii. \$500 million if it clears credit default swaps and/or rate swaps and any other OTC Derivatives products.

The Clearing House may establish separate capital requirements for other OTC Derivatives products approved by the Clearing House Risk Committee.

3. ~~[Reserved] An OTC Clearing Member with adjusted net capital less than \$5 billion must report its capital levels to the Audit Department on a daily basis unless its parent company provides CME a parent guarantee up to such \$5 billion level for all obligations (i.e., customer and house) arising out of OTC CDS transactions.~~

4. ~~[Reserved] An OTC Clearing Member that is also a hedge fund must maintain assets under management of at least \$5 billion while it is clearing OTC Derivatives.~~

5. ~~[Reserved] An OTC Clearing Member clearing credit default swaps and/or rate swaps that has adjusted net capital that is less than \$1 billion must deposit into a CME account an amount of excess margin that is equal to its guaranty fund deposit requirement.~~

6. An OTC Clearing Member and an OTC Clearing Member applicant shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of an OTC Clearing Member.

7. An OTC Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with CME of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of all obligations arising out of OTC Derivatives submitted by it to the Clearing House.

8. An OTC Clearing Member must comply with the financial requirements set forth in CME Rule 970. However, if the OTC Clearing Member is regulated by another regulatory authority, then it shall submit to CME annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such statements are provided to its regulator. All financial statements shall be in the English language.

9. The books and records of an OTC Clearing Member regarding OTC Derivatives cleared by the Clearing House shall be made promptly available for inspection upon request by CME and such books and records shall be subject to reasonable standards of confidentiality.

10. Each OTC Clearing Member that is a Futures Commission Merchant shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all OTC Derivatives submitted for clearing.

Rule 8F014. MITIGATION OF LOSSES

In the event of a failure of an OTC Clearing Member promptly to discharge any obligation to the Clearing House involving OTC Derivatives, all OTC Clearing Members shall work cooperatively with their counterparties and CME to mitigate any losses that may occur as a result of such failure.

OTC Clearing Members shall, upon request from the Emergency Financial Committee: 1) bid on a defaulting OTC Clearing Member's portfolio; 2) accept allocated positions of a defaulting OTC Clearing Member based on predetermined algorithms; and 3) take any other action as reasonably requested by the Emergency Financial Committee.

~~In the event of a failure by an OTC Clearing Member to promptly discharge any obligations to the Clearing House related to CDS products, the Clearing House shall work cooperatively with the Default Management Committee to manage the process of the liquidation or transfer of such defaulting OTC Clearing Member's CDS portfolio. OTC Clearing Members shall also work cooperatively with the Clearing House and the Default Management Committee on liquidating or transferring a defaulting Clearing Member's OTC portfolio.~~

DEFINITIONS**Default Management Committee**

The Default Management Committee shall be a committee having the powers set forth in Rule 8F25

Rule 8F025. DEFAULT MANAGEMENT COMMITTEE

In the event of a default with respect to CDS products, there shall be a Default Management Committee which shall be comprised of the President of the Clearing House, the Chairman of the Clearing House Risk Committee and such clearing members as may be appointed by the Board. The purpose of this Committee shall be to advise the Clearing House with respect to issues arising from the potential or actual default of a clearing member holding CDS positions and to manage the process of the liquidation or transfer of such clearing member's CDS portfolio. Such advice may include advice on hedging and execution of a defaulting clearing member's portfolio and administration of the default auction process.

Manual of Operations for CME Cleared Credit Default Swaps

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