

#11-166

TO: Chief Executive Officers
Chief Compliance Officers
Chief Financial Officers

FROM: CME Clearing

DATE: May 10, 2011

SUBJECT: **IMPORTANT: New CDS Rules, Changes to Clearing Member Assessments for Futures**

At its regular meeting on Tuesday, May 3, 2011, the Clearing House Risk Committee (“CHRC”) approved amendments to the CME Rules to provide for a separate financial safeguards package for CDS products and also approved changes with respect to futures clearing firm assessment liabilities as further provided in this Bulletin. Before submitting these rules changes to the CFTC, CME Clearing is providing each clearing firm with the rules changes for review.

A. NEW CDS FINANCIAL SAFEGUARDS

Similar to the structure in place for CME Clearing’s interest rate swap service, CME has structured a solution to separate CME Clearing’s service for clearing OTC Credit Default Swaps (“CDS”) from the Rule 802 financial safeguards package and create a separate safeguards package for CDS Products and provide for subsequent administration of the CDS Rules and associated CDS risk management policy to be resident with a new committee – the CDS Risk Committee.

In order to effectuate such changes, CME Clearing is planning to adopt a new Chapter 8H in the CME Rulebook dedicated to CDS clearing, as set forth on Exhibit A hereto, and is planning to amend certain additional changes to the following CME Rules 802 (Protection of Clearing House), 816 (Guaranty Fund Deposit) and 817 (Liquidity Facility). Exhibit B hereto provides changes to such Rules.

The 8H Rules establish a separate guaranty fund for CDS products, and also call for utilization of a limited recourse structure (8H07 and 8H802). Pursuant to these rules, non-defaulting clearing firm contributions to the current, Rule 802 financial safeguards package cannot be used to satisfy losses stemming from an CDS default. In the separate fund, limited recourse design, it is generally contemplated that in a default by a CDS clearing member, if performance bond collateral posted by the CDS clearing member to secure its CDS commitments to CME Clearing is insufficient to cure the default, then after a specified CME contribution to CDS is applied, CDS Guaranty Fund assets of non-defaulting CDS clearing firms will be utilized to cure the default. The CDS Guaranty Fund will also be augmented by assessment powers specific to CDS clearing. If these resources are insufficient to cure a default, then, via the limited recourse structure (see, in particular, 8H802.B.2 and 8H802.B.3), CME would terminate all open CDS contracts, with CME Clearing collecting mark-to-market funds from those clearing firms that owe monies to it, with mark-to-market payments made to non-defaulting clearing firms 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 then, in turn, haircut mark-to-market amounts due to individual customers on their own books.

Additionally, please note, as outlined in 8H26 and 8H27 that with along with a separate Guaranty Fund, a separate governance structure, unique to CME's CDS clearing solution, will also be established. A separate CDS Risk Committee will be formed, along with a CDS Default Management Committee. The CDS Risk Committee will assume responsibility for the 8H rule set and other Rules pertaining to CDS Products and will provide guidance on risk management matters pursuant to the clearing of CDS products, including the extension of clearing services to new products, guaranty fund management, default management policy, and the evaluation of clearing firm membership applicants. The CDS Default Management Committee (see 8H26) will oversee the development and on-going administration of default management practices and standards, and will also be responsible for the actual execution of various elements of the default management program in the event of an actual default.

B. CHANGES TO FUTURES ASSESSMENTS

CME Clearing is planning to make changes to its assessment authority in the event of cascading clearing member default events and the potential related assessment obligations under the base financial safeguards package.

Currently, Rule 802 provides maximum assessment liability per clearing firm for a single clearing member default but does not address any aggregate maximum for cascading defaults over a short period of time. To address such concerns while also maintaining a sound risk management structure, CME Clearing has proposed changes to the withdrawal procedures and assessment powers for cascading default situations. Specifically, CME Clearing has proposed amendments to Rule 802 (Protection of Clearing House) which will allow for a 5 day cooling off period (the "Base Cooling Off Period") during which a firm's Guaranty Fund and Assessment obligations are capped. Each Base Cooling Off Period would begin upon a clearing member default and continue for 5 business days, provided that should an additional default or defaults occur during such 5 business days, the Base Cooling Off Period would be extended for additional 5 business day periods until a 5 business day period concludes without any additional clearing member defaults. . The Base Cooling Off Period will provide non-defaulting firms with certainty of assessment liability during the time they analyze the impact to their capital and contemplate withdrawal from membership.

In addition, the proposed rule provides for changes to CME Clearing's existing Assessment powers for multiple defaults during a Base Cooling Off Period. CME Clearing will continue to maintain its current assessment powers of 275% of the base guaranty fund contributions for the first default, but if multiple defaults occur throughout the cooling off period, the proposed rule provides for a maximum Assessment amount of 550% of the base guaranty fund contributions for all defaults during such period. Exhibit B hereto provides changes to the related provisions of rule 802.

C. MATERIAL CHANGE

The Clearing House Risk Committee has determined that the foregoing new rules and rule amendments constitute material rule and policy changes. As such, CME Clearing is publishing such changes via this Clearing Advisory to notify interested parties prior to its effective date. Any interested party may provide comments to the foregoing changes. CME Clearing will review comments and use its judgment to determine if any modification of the Rule is necessary.

Comments may be directed to Tim Doar, MD Risk Management, at Tim.Doar@cmegroup.com, or to Jason Silverstein, Director and Associate General Counsel, at Jason.Silverstein@cmegroup.com. Comments are due by May 24, 2011.

EXHIBIT A

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. 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; 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. 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;

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, 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 or (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 (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. 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 CDS Withdrawal Date for such CDS Clearing Member occurs on a date that is not during a CDS Cooling Off Period, the CDS Withdrawal Date or (ii) if the CDS Withdrawal Date for such CDS Clearing Member 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 one Business Day.

For an account that (i) has been subject to calls for performance bond for more than one Business Day or (ii) has been in debit for at least one Business Day, 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.

EXHIBIT B

Rule 802. PROTECTION OF CLEARING HOUSE

802.A. Default by Clearing Member or Other Participating Exchanges

The Clearing House shall establish a ~~single~~ guaranty fund. ~~(the "Base Guaranty Fund") for products other than CDS Products and IRS Products (such products, the "Base Guaranty Fund Products" and each product, a "Base Guaranty Fund Product Class").~~ Each clearing member shall contribute to the ~~guaranty fund~~ Base Guaranty Fund in accordance with the requirements of Rule 816. A clearing member's ~~guaranty fund~~ Base Guaranty Fund contribution may be applied by the Clearing House in accordance with this Rule 802 to mitigate a Loss (as defined below) to the Clearing House attributable to any cleared Base Guaranty Fund Product Class (as defined below) regardless of the Base Guaranty Fund Product Classes a clearing member clears. However, in order to accommodate differences in time frames and processes associated with the liquidation of certain Base Guaranty Fund Product Classes, Losses will be allocated among a set of guaranty fund Base Guaranty Fund tranches established to reflect the relative contributions of different product classes to the total guaranty fund. ~~For example, to the extent that a loss to the Clearing House is attributable to CDS positions, the guaranty fund contributions related to CDS risks will be subject to application prior to guaranty fund contributions allocated to other tranches.~~ Base Guaranty Fund. Notwithstanding this prioritization of the Clearing House's recourse, ultimately the entire guaranty fund Base Guaranty Fund will be available if necessary to satisfy all losses regardless of Base Guaranty Fund Product Class.

1. Default by Clearing Member

If a clearing member of CME, CBOT, NYMEX, COMEX, or an OTC Clearing Member, fails promptly to discharge any obligation to the Clearing House, it shall be in default. For purposes of this Rule 802, each default by a clearing member will be considered a separate default event, provided that if a clearing member has been declared in default, subsequent failures to pay by such defaulting clearing member shall not be considered separate default events unless and until the original default has been fully resolved and such clearing member has been restored to good standing.

2. Defaulting Clearing Member's Collateral

If a clearing member defaults, its ~~guaranty fund~~ Base Guaranty Fund contribution (pursuant to Rule 816), its performance bonds on deposit with the Clearing House relating to the Base Guaranty Fund Product Classes, the proceeds of the sale of any membership and Class A Shares assigned to it for clearing qualification, and any of its other assets held by, pledged to or otherwise available to the Clearing House, shall be applied by the Clearing House to discharge the clearing member's obligation to the Clearing House. The defaulting clearing member shall take no action, including but not limited to, attempting to obtain a court order, that would interfere with the ability of the Clearing House to so apply such assets and proceeds.

If the guaranty fund Base Guaranty Fund contribution, performance bond relating to Base Fund Products and other assets of a clearing member available to the Clearing House are insufficient to satisfy all of its obligations to the Clearing House, including all claims against the Clearing House by reason of its substitution for that clearing member pursuant to Rule 804 or Rule 8F05, the Clearing House shall nonetheless pay all such claims, which payments by the Clearing House shall be deemed a loss to it (hereinafter "Loss") and which shall be a liability of the defaulting 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.

For purposes of this Rule, the positions in the cross-margin account of a Participating Clearing Member or its Cross-Margining Affiliate at a Cross-Margining Clearing Organization, and the performance bond thereon, shall be considered assets of the Participating Clearing Member available to the Clearing House to the extent provided in the Cross-Margining Agreement between the Clearing House and such Cross-Margining Clearing Organization. A clearing member in default shall immediately make up any deficiencies in its guaranty fund Base Guaranty Fund contribution resulting from such default and in any event no later than the close of business on the banking day following demand by the Clearing House.

3. Default by Other Participating Exchanges or Partner Clearinghouses

If a Participating Exchange or Partner Clearinghouse fails to promptly discharge any obligation to the Clearing House arising out of its obligations to the Exchange, such Participating Exchange's or Partner Clearinghouse's letters of credit, performance bonds and other assets available to the Clearing House shall be applied by the Clearing House to discharge the obligation, pursuant to the procedures set forth below in Rule 802.A.5 with respect to a defaulting clearing member. If such resources are insufficient to satisfy the Participating Exchange's or Partner Clearinghouse's obligations to the Clearing House, the deficiency shall be considered a Loss that is subject to satisfaction pursuant to Rule 802.B.

4. Allocation of Base Guaranty Fund into Tranches

The ~~guaranty fund~~Base Guaranty Fund shall be composed of the required ~~guaranty fund~~Base Guaranty Fund contributions of clearing members pursuant to Rule 816, or any comparable security deposit contributions from a Participating Exchange or Partner Clearinghouse. The Clearing House shall allocate the ~~guaranty fund~~Base Guaranty Fund into tranches as follows:

~~i. The~~

~~i. Base Tranche. Base Guaranty Fund Product Class. Product classes~~Classes that are not associated with ~~the CDS Tranche or~~an Alternate Tranche as described below shall comprise the Base Product Class. The first 80% of ~~guaranty fund~~Base Guaranty Fund amounts contributed with respect to the Base Product Class shall be the "Base Tranche".

~~ii. The CDS Product Class. CDS products described in Chapter 80000 shall comprise the CDS Product Class. The first 80% of guaranty fund amounts contributed with respect to the CDS Product Class shall be the "CDS Tranche".~~

~~iii.~~

~~ii. [Reserved]~~

~~iii. Alternate Product Classes~~Class Tranches. Any other product class approved by the Clearing House Risk Committee to support a product-specific ~~guaranty fund~~Base Guaranty Fund tranche hereunder shall comprise an Alternate Product Class. The first 80% of ~~guaranty fund~~Base Guaranty Fund amounts contributed with respect to each such an Alternate Product Class shall be an "Alternate Tranche".

~~iv.~~

~~iv. Commingled Tranche. The remaining 20% of guaranty fund~~Base Guaranty Fund amounts contributed with respect to all of the foregoing Product Classes shall be the "Commingled Tranche".

As set forth below in 802.B, if the collateral of the defaulting clearing member, as described in Rule 802.A.2, Participating Exchange or Partner Clearinghouse is insufficient to satisfy its obligation to the Clearing House, the Tranche associated with a particular ~~Base Guaranty Fund~~ Product Class will be the Tranche first applied to reimburse the Clearing House for Losses attributable to that ~~Base Guaranty Fund~~ Product Class, as determined in accordance with Rule 802.A.5, (i.e., the Base Tranche will first be applied to Losses attributed to the Base Product Class, and the ~~CDS~~Alternate Tranche will first be applied to Losses attributed to ~~the CDS~~Alternate Product Class). The ~~guaranty fund~~Base Guaranty Fund requirements of clearing members for purposes of allocation of such amounts into the Tranches shall be the required amounts in effect for each clearing member at the time of the default.

5. Apportionment Among ~~Base Guaranty Fund~~ Product Classes; Application of Defaulting Clearing Member's Collateral

Upon a default, the Clearing House shall apply the defaulting clearing member's collateral to the deficiency in accordance with the following procedures:

~~i.~~

~~i. Initial Allocation of Assets to Base Guaranty Fund Product Classes. Subject to the provisions of 802.G, as of the cycle in which the default occurs, the Clearing House shall allocate assets of the defaulting clearing member to the different Base Guaranty Fund Product Classes in which the clearing member has open positions as follows: (a) the defaulting clearing member's guaranty fund~~Base Guaranty Fund requirement associated with each ~~Base Guaranty Fund~~ Product Class shall be attributed to such Class, (b) the defaulting clearing member's required performance bond amounts for each ~~Base Guaranty Fund~~ Product Class as of the prior clearing cycle shall be allocated to such Class, (c) any CME shares (whether common shares or class B shares) or any cash posted in lieu of such shares, and (d) any of the defaulting clearing member's other assets held by, pledged to or otherwise available to the Clearing House shall be divided among the ~~Base Guaranty Fund~~ Product Classes in proportion to the defaulting clearing member's ~~guaranty fund~~Base Guaranty Fund requirement.

~~ii.~~

~~ii. Management of Obligations for Cycle of Default. As of the cycle in which the default occurs, the Clearing House shall aggregate the following assets: any excess guaranty funds~~Base Guaranty Funds, any excess performance bond from the prior clearing cycle ~~for Base Guaranty Fund Product Classes~~, any partial payment by the clearing member for the default cycle, and any other available assets of the clearing member that are not specific to a ~~Base Guaranty Fund~~ Product Class. Such unassigned assets shall be allocated first to any net settlement variation payment obligation of the defaulting clearing member to the Clearing House ~~relating to Base Guaranty Fund Product Classes~~, pro rata across account classes relative to the net settlement variation payment obligation for each account class. If the unassigned funds so allocated are sufficient to satisfy the clearing member's immediate settlement variation payment obligations, ~~for Base Guaranty Fund Product Classes~~, any remaining unassigned funds shall be divided among the ~~Base Guaranty Fund~~ Product Classes, pro rata in proportion to the size of the performance bond requirements for each ~~Base Guaranty Fund~~ Product Class for the clearing cycle immediately prior to the default. If the unassigned funds are not sufficient to satisfy the clearing member's settlement variation payment obligations for ~~Base Guaranty Fund Product Classes~~ for the default cycle, then (i) the Clearing House shall apply the unassigned funds to such obligations, pro rata relative to the size of such obligations on a per-~~Base Guaranty Fund~~ Product Class basis, and within each ~~Base Guaranty Fund~~ Product Class, pro rata across account classes, and (ii) the remaining settlement variation payment obligations for such clearing cycle shall be satisfied on a per-~~Base Guaranty Fund~~ Product Class basis only from the assets allocated to the relevant ~~Base Guaranty Fund~~ Product Class pursuant to 802.A.5.i. If the Clearing House is unable to satisfy a settlement variation payment obligation attributable to any ~~Base Guaranty Fund~~ Product Class from such assets, the deficiency shall be a Loss that the Clearing House shall satisfy pursuant to the procedures in Rule 802.B. For the avoidance of doubt, as set forth in 802.G, the Clearing House shall not use performance bond amounts or other collateral in any customer account class of the defaulting clearing member to satisfy a payment obligation to the Clearing House in respect of the defaulting

clearing member's proprietary account.

~~iii.~~

iii. Payment Obligations as Losses are Finalized. During any subsequent clearing cycles in which the Clearing House is managing and/or liquidating open positions in respect of the defaulting clearing member, the Clearing House shall satisfy any settlement variation payment obligations owed by the defaulting Clearing member to the Clearing House, or other realized losses of or expenses to the Clearing House with respect to the default, on a per-Base Guaranty Fund Product Class basis, only from the assets allocated to the relevant Base Guaranty Fund Product Class pursuant to 802.A.5.i. Any settlement variation gain to the defaulting clearing member in any Base Guaranty Fund Product Class during such subsequent clearing cycles shall be added to collateral allocated to such Product Class pursuant to 802.A.5.i. Any additional assets of the defaulting clearing member obtained by the Clearing House during subsequent clearing cycles (including amounts from CDS Products and IRS Products made available to Base Guaranty Fund Product Classes) shall be divided among the Base Guaranty Fund Product Classes pro rata in proportion to the size of the performance bond requirements for each Base Guaranty Fund Product Class for the clearing cycle immediately prior to the default. The Clearing House shall apply such collateral to such payment obligations for all account classes, giving priority to customer account classes (i.e., customer accounts and proprietary accounts). If the Clearing House is unable to satisfy a settlement variation payment obligation to the Clearing House, or other realized loss or expense to the Clearing House, from the defaulting clearing member's collateral as set forth in this paragraph, the deficiency shall be a Loss that the Clearing House shall satisfy pursuant to the procedures in Rule 802.B. For the avoidance of doubt, as set forth in 802.G, the Clearing House shall not use performance bond amounts or other collateral in any customer account class of the defaulting clearing member to satisfy a payment obligation to the Clearing House in respect of the defaulting clearing member's proprietary account.

~~iv.~~

iv. Final determination of gain or deficiency for each Product Class. When the Clearing House determines the final net deficiency for a Base Guaranty Fund Product Class, it shall apply any remaining collateral of the defaulting clearing member with respect to such Base Guaranty Fund Product Class to satisfy the deficiency. If the Clearing House achieves a final gain, or if any excess collateral remains following satisfaction of a deficiency, the Clearing House shall allocate such excess funds to the defaulting clearing member's collateral for Base Guaranty Fund Product Classes within the same account class as to which a final gain or deficiency is yet to be determined, pro rata in proportion to the size of the performance bond requirements for such Base Guaranty Fund Product Classes for the clearing cycle immediately prior to the default. For the avoidance of doubt, as set forth in 802.G, the Clearing House shall not use performance bond amounts or other collateral in any customer account class of the defaulting clearing member to satisfy a payment obligation to the Clearing House in respect of the defaulting clearing member's proprietary account. Any gains or excess collateral within a segregated customer account class following final determination of the defaulting clearing member's losses shall remain segregated to the relevant customer account class, where it may be used to satisfy payment obligations arising from such account class in other Product Classes, but shall not be added to the clearing member's collateral generally.

Any remaining unsatisfied obligations of the defaulting clearing member shall become Losses to the Clearing House that shall be satisfied as set forth below.

802.B. Satisfaction of Clearing House Obligations

If the Clearing House is unable, using the defaulting clearing member's collateral as set forth in Rule 802.A, to satisfy all of the clearing member's obligations to the Clearing House then such obligations shall be met and made good promptly by the Clearing House pursuant to this Rule 802.B. Such obligations include, but shall not be limited to, costs associated with the liquidation, transfer and managing of positions, arising out of: 1) its substitution (pursuant to Rule 804 or Rule 8F05) for a defaulting clearing member a defaulting Participating Exchange, or a defaulting Partner Clearinghouse; 2) a shortfall in a cross-margining program; 3) the failure of a depository, exchange or market apart from the Exchange but whose transactions are cleared pursuant to the provisions of Chapters 8B, 8C, 8D, 8E or 8F; or 4) any other cause. All of the foregoing shall be deemed Losses to the Clearing House, which shall be apportioned by the Clearing House to Loss categories associated with the Base Guaranty Fund Product Class producing the Loss. Losses that cannot readily be attributed to a specific Base Guaranty Fund Product Class shall be apportioned by the Clearing House across all Base Guaranty Fund Product Classes in proportion to relative size of the Tranches (excluding the Commingled Tranche). Losses shall be satisfied by the Clearing House in the order of priority hereafter listed. Non-defaulting clearing members shall take no actions, including but not limited to attempting to obtain a court order, that would interfere with the ability of the Clearing House to collect and apply assets and proceeds in accordance with this Rule 802.B. For purposes of this Rule 802.B, a default by a Participating Exchange or a Partner Clearinghouse shall be managed in the same manner as a default by a clearing member.

1. If Losses Are Limited to the Base Product Class

- i. CME Surplus Funds (as defined below).
- ii. The Base Tranche.
- iii. The Commingled Tranche.
- iv. The CDS Tranche and any Alternate Tranche, ~~pro rata in accordance with the relative size of such Tranches.~~

-

v. The balance of any Losses remaining after the application of the above funds shall be assessed against all clearing members (excluding any insolvent or defaulting clearing members). Each clearing member (excluding any insolvent or defaulting clearing member) shall be subject to an assessment up to an amount that does not exceed (A) a total of 275 per cent of such clearing member's ~~guaranty fund~~Base Guaranty Fund requirements attributable to all Base Guaranty Fund Product Classes at the time of the default with respect to Losses attributed to a single defaulted clearing member and (B) a total of 550 per cent of such clearing member's Base Guaranty Fund requirements attributable to all Base Guaranty Fund Product Classes at the time of the default with respect to Losses attributed to all defaulted clearing members during a Base Cooling Off Period. Assessed amounts shall be divided among clearing members pro rata in proportion to the size of the Clearing House's assessment authority with respect to each clearing member. If after satisfaction of any assessments up to foregoing maximum, a non-defaulting clearing member withdraws as set forth in 802.B.5, the clearing member shall not be subject to any further assessment in respect of Losses attributable to the default.

2. ~~If Losses Are Limited to the CDS Product Class:~~

~~i. CME Surplus Funds.~~

~~ii. The CDS Tranche.~~

~~iii. The Commingled Tranche.~~

~~iv. The Base Tranche and any Alternate Tranche, pro rata in accordance with the relative size of such Tranches.~~

~~v. The balance of any Losses remaining after the application of the above funds shall be assessed against all clearing members (excluding any insolvent or defaulting clearing members). Each clearing member (excluding any insolvent or defaulting clearing member) shall be subject to an assessment up to an amount that does not exceed a total of 275 per cent of such clearing member's guaranty fund requirements attributable to all Product Classes at the time of the default. Assessed amounts shall be divided among clearing members pro rata in proportion to the size of the Clearing House's assessment authority with respect to each clearing member. If after satisfaction of any assessments up to foregoing maximum, a non-defaulting clearing member withdraws as set forth in 802.B.5, the clearing member shall not be subject to any further assessment in respect of Losses attributable to the default.~~

3. ~~If Losses Are Limited to an Alternate Product Class:~~

~~i. CME Surplus Funds.~~

~~ii. The Alternate Tranche.~~

~~iii. The Commingled Tranche.~~

~~iv. The Base Tranche, the CDS[Reserved]~~

3. If Losses Are Limited to an Alternate Product Class:

i. CME Surplus Funds.

ii. The Alternate Tranche.

iii. The Commingled Tranche.

iv. The Base Tranche and any other Alternate Tranche, pro rata in accordance with the relative size of such Tranches.

v. The balance of any Losses remaining after the application of the above funds shall be assessed against all clearing members (excluding any insolvent or defaulting clearing members). Each clearing member (excluding any insolvent or defaulting clearing member) shall be subject to an assessment up to an amount that does not exceed (A) a total of 275 per cent of such clearing member's ~~guaranty fund~~Base Guaranty Fund requirements attributable to all Base Guaranty Fund Product Classes at the time of the default with respect to Losses attributed to a single defaulted clearing member and (B) a total of 550 per cent of such clearing member's Base Guaranty Fund requirements attributable to all Base Guaranty Fund Product Classes at the time of the default with respect to Losses attributed to all defaulted clearing members during a Base Cooling Off Period. Assessed amounts shall be divided among clearing members pro rata in proportion to the size of the Clearing House's assessment authority with respect to each clearing member. If after satisfaction of any assessments up to foregoing maximum, a non-defaulting clearing member withdraws as set forth in 802.B.5, the clearing member shall not be subject to any further assessment in respect of Losses attributable to the default.

4. If Losses Are Apportioned Among Multiple Product Classes:

Because of differences in the timeframes and processes associated with the liquidation of certain product types, the Clearing House may finalize Loss amounts associated with different Base Guaranty Fund Product Classes at different points in time. Notwithstanding this, the Clearing House will act with all possible speed to satisfy the Losses as they are finalized, in the order of priority and per the schedule set forth below.

i. CME Surplus Funds shall be applied. CME Surplus Funds shall be divided by the Clearing House into separate segments in proportion to the size of each Tranche except for the Commingled Tranche. Each segment of CME Surplus Funds shall be applied first to Losses associated with the applicable Base Guaranty Fund Product Class for such segment, and only at such time as one or more Losses associated with such Tranche are finalized. Subject to paragraph 802.C if any CME Surplus Funds remain after such initial application, such funds shall be reserved to be later applied to Losses associated with other Product Classes as set forth in paragraph 802.B.4.v.

ii. The Base Tranche shall be applied to Losses associated with the Base Product Class, ~~the CDS Tranche shall be applied to Losses associated with the CDS Product Class,~~ and any Alternate Tranche shall be applied to Losses associated with the applicable Alternate Product Class, in each case when one or more Losses associated with such

Tranche are finalized. Subject to paragraph 802.C, if the Tranche is not exhausted, any remaining funds shall be held in such Tranche and may later be applied to other Losses as set forth in paragraph 802.B.4.v.

iii. The Commingled Tranche funds shall be applied to remaining Losses associated with any [Base Guaranty Fund](#) Product Class immediately as such Losses are finally determined by the Clearing House, in the order that the amounts of such Losses are finalized. Consequently, the application of Commingled Tranche funds to Losses associated with one [Base Guaranty Fund](#) Product Class may occur prior to the finalization of Losses associated with other [Base Guaranty Fund](#) Product Classes (i.e., prior to the completion of the processes set forth in paragraphs 802.B.4.i and 802.B.4.ii with respect to Losses associated with another [Base Guaranty Fund](#) Product Class-). If Losses associated with more than one [Base Guaranty Fund](#) Product Class are to be finalized pursuant to auction processes being conducted concurrently, then any remaining Commingled Tranche funds shall be divided and allocated to such auctions during the auction process, pro rata in proportion to the relative sizes of the mark-to-market losses for such [Base Guaranty Fund](#) Product Classes.

iv. Any Losses remaining after the application of the processes set forth above shall be assessed against all clearing members (excluding any insolvent or defaulting clearing members) up to an amount that does not exceed (A) a total of 275 per cent of the aggregate guaranty fund requirements across all clearing members (excluding any insolvent or defaulting clearing members) at the time of the default with respect to the [Base Guaranty Fund](#) Product Class with which the Loss is associated- ~~with respect to Losses attributed to a single defaulted clearing member and (B) a total of 550 per cent of the aggregate guaranty fund requirements across all clearing members (excluding any insolvent or defaulting clearing members) at the time of the default with respect to the Base Guaranty Fund Product Class with which the Loss is associated and all defaulted clearing members during a Base Cooling Off Period.~~ Such assessments shall occur on a per- [Base Guaranty Fund](#) Product Class basis as Losses associated with each [Base Guaranty Fund](#) Product Class are finalized by the Clearing House. Consequently, the application of an assessment against clearing members with respect to Losses associated with one [Base Guaranty Fund](#) Product Class may occur prior to the finalization of Losses associated with other [Base Guaranty Fund](#) Product Classes. Assessed amounts shall be divided among clearing members pro rata in proportion to the size of the Clearing House's assessment authority with respect to each clearing member, without regard to the [Base Guaranty Fund](#) Product Classes cleared by such clearing member or the proportion to which such [Base Guaranty Fund](#) Product Classes contribute to such clearing member's maximum assessment exposure. (For example, a clearing member that clears only [CDSAlternate Tranche](#) products and that is subject to a maximum \$1 billion assessment because of that clearing activity will be subject to assessment of up to \$500 million for a Loss associated with the Base Product Class if 50% of the Clearing House's aggregate assessment powers are generated by [guaranty fundBase Guaranty Fund](#) requirements with respect to the Base Product Class-.) Any remaining unused assessment authority associated with [Base Guaranty Fund](#) Product Classes as to which Losses are fully satisfied shall be reserved and later may be applied to Losses associated with other Product Classes as set forth in paragraph 802.B.4.v below. ~~For the avoidance of doubt, each clearing member (excluding any insolvent or defaulting clearing member) shall be subject to assessment up to a maximum amount of 275 per cent of such clearing member's aggregate guaranty fund requirements with respect to all Product Classes at the time of the default.~~ If after satisfaction of any assessments up to foregoing maximum, a non-defaulting clearing member withdraws as set forth in 802.B.5, the clearing member shall not be subject to any further assessment in respect of Losses attributable to the default.

v. ~~Reserved~~ (a) ~~collateralCollateral~~ of the defaulting clearing member, (b) CME Surplus Funds, (c) ~~Base Tranche funds, CDS~~ Tranche funds or Alternate Tranche funds, and (d) assessment powers shall be applied to remaining Losses as they are finalized with respect to each [Base Guaranty Fund](#) Product Class and in such order, provided that if at the time of any such application, Losses associated with another [Base Guaranty Fund](#) Product Class remain to be finalized, the Clearing House shall continue to reserve a portion of such remaining funds or assessment powers, pro rata in proportion to the size of the Tranches originally supporting such [Base Guaranty Fund](#) Product Classes, until such remaining Losses are finalized. When all Losses have been finalized by the Clearing House, any remaining reserved funds and assessment powers of any kind may be applied to satisfy such Losses, pro rata relative to the size of the remaining losses for the [Base Guaranty Fund](#) Product Classes.

5. Fedwire and Satisfaction of Assessment

All amounts assessed by the Clearing House against a clearing member pursuant to this Rule, during the hours in which the Federal Reserve's wire transfer system (Fedwire) is in operation, shall be paid to the Exchange by such clearing member prior to the close of Fedwire on such day; provided, however, that all amounts assessed within one (1) hour prior to the close of Fedwire shall be paid to the Exchange within one (1) hour after Fedwire next opens.

Any clearing member that does not satisfy an assessment, made pursuant to this paragraph 802.B.5 or paragraphs 802.B.1.v, 802.B.2.v, 802.B.3.v, 802.B.4.iv or 802.B.4.v above, shall be in default. Any Loss that occurs as a result of such default shall itself be assessed by the Clearing House to non-defaulting clearing members pursuant to the applicable paragraph.

If a clearing member (i) has made payment of all amounts assessed against it pursuant to this Rule 802.B in connection with any single default and any related default by any other clearing member with respect to its own assessment, (ii) has replenished any deficiency in its [guaranty fundBase Guaranty Fund](#) contribution in accordance with Rule 802.D, and (iii) within five (5) business days after making such payments, has satisfied the other conditions for withdrawal set forth in Rule 913.A, it may provide written

notice of its application to withdraw from clearing membership pursuant to Rule 913. Upon receipt of such notice, provided that the foregoing conditions have been satisfied, the withdrawing clearing member shall not be subject to any residual assessment to cover Losses ~~on an open unresolved default, nor any other assessment pursuant to this Rule in respect of~~ defaults occurring ~~on or after the date upon which notice is received.~~[related Base Cooling Off Period](#). Further, the ~~guaranty fund~~[Base Guaranty Fund](#) contribution that it has restored shall not be used or applied towards meeting any claim or obligation of the Clearing House pursuant to Rule 802.B that arises with respect to defaults occurring ~~on or after the date upon which notice is received~~[related Base Cooling Off Period](#), and the withdrawing clearing member's ~~guaranty fund~~[Base Guaranty Fund](#) contribution shall be released in accordance with Rule 913.

After payment of an assessment pursuant to Rule 802.B, a clearing member shall charge other clearing members for whom it clears contracts or carries positions on its books to recover their proportional share of the assessment. Such other clearing members shall promptly pay the charge.

6. Details of Implementation

While adherence to the provisions of this Rule 802.B shall be mandatory, the detailed implementation of the process of finalizing Losses with respect to a default, including the liquidation, auction or sale of positions or assets of the defaulting clearing member, shall be conducted by the Clearing House in consultation with the Clearing House Risk Committee, with the approval of the Board, and/or such other committee as the Board may designate. ~~With respect to a default occurring in the CDS Product Class, the finalization of Losses with respect to the defaulting clearing member's CDS positions shall be conducted in consultation with the CDS Default Management Committee.~~

7. Surplus Funds

CME Surplus Funds for purposes of this Rule 802 shall be the amount by which funds held by the Exchange at the time of a default exceed (i) the amount of funds previously determined by the Exchange to be necessary for normal operations on an ongoing basis ~~and~~, (ii) any amount of such funds that is designated by the Exchange for satisfaction of the CME IRS Contribution requirement set forth in Rule 8G802.B-

~~and (iii) any amount of such funds that is designated by the Exchange for satisfaction of the CME CDS Contribution requirement set forth in Rule 8H802.B.~~

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802.C. Application of Funds to Avoid Clearing House Insolvency

Notwithstanding any requirements to reserve funds set forth in Rule 802.A or Rule 802.B, if at any point following a default, the Clearing House will be unable to timely fulfill its obligations following application of the funds described above in the priority described above, such that the Clearing House is in imminent danger of defaulting on its obligations or being declared insolvent, then the Clearing House shall be entitled to apply to such obligation any available funds reserved from the defaulting clearing member's collateral, surplus funds or any Tranche (other than the Commingled Tranche, which shall have been exhausted pursuant to paragraph 802.B.4.iii), in the foregoing order of priority, if necessary to avoid a default by the Clearing House or a declaration of its insolvency. Such use of reserved funds may only be made (i) if the Clearing House reasonably concludes that there is a reasonable expectation that (A) the use of such funds will satisfy the immediate obligation and avoid a default or insolvency and (B) that the remaining funds in the overall financial safeguards package (including assessment powers) will be sufficient to satisfy the finalized Losses with respect to all [Base Guaranty Fund](#) Product Classes, and (ii) the Clearing House reaches such conclusion in consultation with the Clearing House's primary regulator as to the specific facts, circumstances and estimates of Losses supporting such conclusion. In such case, the Clearing House shall restore the funds so employed to the reserved collateral segments, surplus funds segments or Tranches from which they were drawn promptly following receipt by the Clearing House of assessment payments or any other amounts that become available to it in respect of obligations arising out of the defaulted clearing member's default.

802.D. Restoration of Funds Following Final Determination of Losses

If after the default of a clearing member is finally resolved, the Clearing House determines that collateral of the defaulting clearing member, surplus funds, Tranche funds other than the Commingled Tranche, or assessment powers were employed in a manner different from what would have occurred had all assets been secured and liquidated immediately and all Losses finalized simultaneously, then the Clearing House shall make appropriate (i) distributions to the non-defaulting firms whose ~~guaranty funds~~[Base Guaranty Funds](#) were applied or who were assessed and/or (ii) rebalancing allocations among ~~guaranty fund~~[Base Guaranty Fund](#) tranches.

802.E. Rights of Exchange for Recovery of Loss

Losses caused by the default of a clearing member, Participating Exchange or Partner Clearinghouse are amounts due to the Clearing House from such clearing member, exchange or clearing house and shall remain legal obligations thereof notwithstanding the Clearing House's recourse to the loss-mutualization provisions of this Rule 802, which amounts the Clearing House shall take commercially reasonable steps to recover (including claims submitted in bankruptcy court). If a Loss for which clearing members or

their ~~guaranty fund~~[Base Guaranty Fund](#) contributions have been assessed is subsequently recovered by the Exchange in whole or in part, the net amount of such recovery shall be credited to such clearing members (whether or not they are still clearing members at the time of recovery) in proportion to the amount of the assessment.

802.F. Guaranty Fund Contributions to be Restored

In the event it shall become necessary to apply all or part of the ~~guaranty fund~~[Base Guaranty Fund](#) contributions to meet obligations to the Clearing House pursuant to this Rule 802, clearing members shall restore their contribution to the ~~guaranty fund~~[Base Guaranty Fund](#) to previously required level prior to the close of business on the next banking day.

802.G. Default Management Across Account Classes

The procedures set forth in 802.A and 802.B shall be conducted separately by the Clearing House with respect to open positions and associated performance bond contributions for different account classes. Upon a default, the Clearing House may act immediately to attempt to transfer to alternate clearing members all customer positions and associated collateral with respect to any customer account class in which there is no default on payment obligations or shortfall in required collateral, and in such cases the Clearing House shall not apply segregated customer collateral to any payment obligations or Losses arising from a default in any proprietary account or a different customer account class. If a default occurs in a customer account, the Clearing House has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in the associated customer account class. 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, any collateral remaining after application to Losses in respect of such account class shall be reserved to such customer account class in order to satisfy the claims of non-defaulting customers in accordance with applicable law.

Upon liquidating the defaulting clearing member's proprietary account, any remaining collateral may be applied by the Clearing House to Losses remaining in the defaulting clearing member's customer account classes, provided that such collateral shall be divided among the Product Classes as described above. If the defaulting clearing member has more than one customer account class that has been declared to have defaulted, proceeds from the defaulting clearing member's proprietary account for each relevant Product Class shall be divided by the Clearing House pro rata among such customer account classes, based on their applicable performance bond requirements for the clearing cycle immediately prior to the default.

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

The provisions set forth in Rule 802.A and 802.B shall apply with respect to each default by a clearing member. If more than one clearing member default occurs at a time or in close sequence, including a default that occurs by reason of a clearing member's failure to satisfy an assessment demand, the Clearing House shall manage the defaults separately. Upon any default, non-defaulted clearing members shall be subject to a maximum obligation during the relevant Base Cooling Off Period to contribute to the Base Guaranty Fund and to fund assessments as set forth in Rule 802.B. This maximum shall apply from the date of the original default until the later of (i) the 5th Business Day thereafter and (ii) if another clearing member defaults during the 5 Business Days following the initial or any subsequent default, the 5th Business Day following the last such default (such period, the "Base Cooling Off Period"), regardless of the number of defaults that occur during such Base Cooling Off Period.

The aggregate maximum contribution for the Base Cooling Off Period shall be based upon each clearing member's Base Guaranty Fund requirement and assessment exposure in effect at the commencement of the Base Cooling Off Period. The maximum does not limit clearing members' obligations to restore their Guaranty Fund contributions as set forth in Rule 802.F, except that if the clearing member's required Guaranty Fund contribution would exceed such maximum, the clearing member's Base Guaranty Fund requirement shall be reduced accordingly for the remainder of the Base Cooling Off Period. Following a Base Cooling Off Period, the Clearing House shall notify each clearing member of its Base Guaranty Fund deposit obligation and its assessment exposure.

Rule 816. GUARANTY FUND DEPOSIT

Each clearing member shall make a [Base](#) Guaranty Fund deposit with the Exchange as security for its obligations to the Clearing House. The minimum ~~guaranty fund~~[Base Guaranty Fund](#) deposit of a clearing member, shall equal the greater of (a) an amount specified by the Clearing House Risk Committee or (b) the clearing member's proportionate share of the "Aggregate Guaranty Fund Deposit," which shall be an amount determined by the Clearing House Risk Committee.

Each clearing member's proportionate share of the Aggregate Guaranty Fund Deposit shall consist of:

(i) a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share (including the total risk performance bond requirement in respect of positions in its cross-margin accounts and any applicable short option value) of the average aggregate risk performance bond requirement (including the risk performance bond requirement in respect of positions in all cross-margin accounts and any applicable short option value) for the preceding three months; plus

(ii) ~~(A)~~ a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share of the total number of contracts executed on the Exchange and any applicable exchange or market during the preceding three months; ~~or plus~~

~~(B) for CDS products, a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share of the gross notional amount of open interest cleared by the Clearing House during the preceding three months; plus~~

(iii) a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share of foreign currency settlements for the preceding three months.

The percentages in ~~(i),~~ through (iii) above shall be determined and modified by the Clearing House Risk Committee as appropriate. Some contracts may be weighted more heavily than others in order to reflect the greater risk associated with those contracts. The average aggregate risk performance bond requirement, the total number of contracts executed, the gross notional amount of open interest cleared and each clearing member's proportionate share of each will be calculated by the Clearing House, and a report setting forth such information and the clearing member's required [Base](#) Guaranty Fund deposit will be given to the clearing member each quarter, and the Clearing House may provide such reports on an interim basis at any time during the quarter as the Clearing House staff shall determine. On a quarterly basis, if such report indicates that the clearing member's current [Base](#) Guaranty Fund deposit with the Clearing House is smaller than the amount required, the clearing member shall increase its amount within five business days. If such report indicates that the clearing member's current [Base](#) Guaranty Fund deposit with the Exchange is larger than the amount required, the clearing member may withdraw the excess amount. If, prior to the issuance of the quarterly report, the Clearing House determines that an increase in the [Base](#) Guaranty Fund deposit is necessary to protect the financial integrity of the Clearing House, the clearing member, upon demand of the Clearing House, shall increase its [Base](#) Guaranty Fund deposit amount within five business days.

A clearing member's [Base](#) Guaranty Fund deposit may be in a form as set forth in the Manual. Such [Base](#) Guaranty Fund deposit forms and amounts shall be subject to the terms and conditions as approved by Exchange staff.

Rule 817. LIQUIDITY FACILITY

Assets deposited by a clearing member in satisfaction of guaranty fund depositdeposits and performance bond requirements may also be used to directly secure the Exchange's obligations to its lenders under any liquidity facility entered into by the Exchange for the purpose of providing liquidity to the Exchange; provided that assets pledged from (i) Base Guaranty Fund deposits and performance bond associated with Base Guaranty Fund Product Classes shall only be used under this Rule to secure liquidity to satisfy obligations arising from Base Guaranty Fund Product Classes, (ii) IRS Guaranty Fund deposits and performance bond associated with IRS Products shall only be used under this Rule to secure liquidity to satisfy obligations arising from IRS Products, and (iii) CDS Guaranty Fund deposits and performance bond associated with CDS Products shall only be used under this Rule to secure liquidity to satisfy obligations arising from CDS Products. By delivering assets to the Exchange in satisfaction of guaranty fund deposit and performance bond requirements, each clearing member is hereby deemed: (i) to agree that its Assets may directly secure the Exchange's obligations to the Exchange's liquidity lenders and that its Assets may become subject to a lien in favor of the Exchange's liquidity lenders or otherwise guarantee the Exchange's obligations and; (ii) to authorize the Exchange, and appoint the Exchange (such appointment being coupled with an interest) as such clearing member's attorney-in-fact, to enter into agreements on its behalf in connection with its Assets serving as security for the Exchange's obligations to the Exchange's liquidity lenders; and (iii) to acknowledge that the obligations of the Exchange to its liquidity lenders may be greater, and extend for periods of time longer, than the obligations, if any, of such clearing member to the Exchange. The Exchange, as each clearing member's attorney-in-fact, will have authority to enter into agreements on behalf of each clearing member and in each clearing member's name for the purpose of causing the clearing member's Assets to directly secure the Exchange's obligations to the Exchange's liquidity lenders. Any agreement entered into by the Exchange on behalf of clearing members pursuant to this Rule 817 shall bind each clearing member and will contain provisions, including representations, warranties and covenants, required by lenders under any liquidity facility. If there is a default under any such liquidity facility, the Assets of the clearing members pledged to secure such liquidity facility may be foreclosed upon by the Exchange's liquidity lenders and applied against the obligations of the Exchange under the related liquidity facility. The clearing members shall take no action, including but not limited to attempting to obtain a court order, that would interfere with the ability of such liquidity lenders to receive the benefit of their contractual remedies in connection with any such foreclosure or that would controvert or assert the invalidity of any provision of these rules. Each clearing member agrees to sign any document or agreement requested by the Exchange to further document the power of attorney set forth and established by these rules.